NEW YORK MORTGAGE TRUST INC
Form 10-Q
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

---

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_______ to_______

Commission file number **001-32216**

NEW YORK MORTGAGE TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**47-0934168**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1301 Avenue of the Americas, New York, New York 10019
(Address of Principal Executive Office) (Zip Code)

(212) 792-0107
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filers” and “large accelerated filers” in Rule 12b-2 of the Exchange Act. (Check one.):

Large Accelerated Filer o Accelerated Filer x Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o   No x

The number of shares of the registrant's common stock, par value $.01 per share, outstanding on November 5, 2007 was 3,640,209.

NEW YORK MORTGAGE TRUST, INC.
FORM 10-Q

2

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements
NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands)

	September 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 11,144	$ 969
Restricted cash	6,030	3,151
Investment securities - available for sale	359,872	488,962
Accounts and accrued interest receivable	4,915	5,189
Mortgage loans held in securitization trusts	458,968	588,160
Prepaid and other assets	2,411	20,951
Derivative assets	977	2,632
Property and equipment (net)	76	89
Assets related to discontinued operation	9,883	212,805
Total Assets	$ 854,276	$ 1,322,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Financing arrangements, portfolio investments	$ 327,877	$ 815,313
Collateralized debt obligations	444,204	197,447
Derivative liabilities	1,601	-
Accounts payable and accrued expenses	5,003	5,871
Subordinated debentures	45,000	45,000
Liabilities related to discontinued operation	5,600	187,705
Total liabilities	829,285	1,251,336
Commitments and Contingencies (note 9)		
Stockholders' Equity:		
Common stock, $0.01 par value, 400,000,000 shares authorized, 3,635,854 shares issued and outstanding at September 30, 2007 and 3,665,037 shares issued and 3,615,576 outstanding at December 31, 2006	36	37
Additional paid-in capital	99,277	99,655
Accumulated other comprehensive loss	(10,930)	(4,381)
Accumulated deficit	(63,392)	(23,739)
Total stockholders' equity	24,991	71,572
Total Liabilities and Stockholders' Equity	$ 854,276	$ 1,322,908

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
REVENUE:				
Interest income investment securities and loans held in securitization trusts	$ 12,376	$ 16,998	$ 38,987	$ 50,050
Interest expense investment securities and loans held in securitization trusts	11,212	15,882	36,188	42,320
Net interest income from investment securities and loans held in securitization trusts	1,164	1,116	2,799	7,730
Interest expense - subordinated debentures	895	877	2,671	2,656
Net interest income	269	239	128	5,074
OTHER EXPENSE:				
Realized (loss)/gain on sale of investment securities	(1,013)	440	(4,834)	(529)
Loan loss reserve on loans held in securitization trusts	(99)	-	(1,039)	
Total other (expense) income	(1,112)	440	(5,873)	(529)
EXPENSES:				
Salaries and benefits	178	166	674	618
Marketing and promotion	37	20	99	54
Data processing and communications	50	58	143	177
Professional fees	266	82	471	447
Depreciation and amortization	93	131	242	398
Allowance for deferred tax asset	18,352	-	18,352	-
Other	222	(46)	393	177
Total expenses	19,198	411	20,374	1,871
(LOSS) INCOME FROM CONTINUING OPERATIONS	(20,041)	268	(26,119)	2,674
Loss from discontinued operation - net of tax	(675)	(4,136)	(13,534)	(8,160)
NET LOSS	$ (20,716)	$ (3,868)	$ (39,653)	$ (5,486)
Basic and diluted loss per share	$ (5.70)	$ (1.07)	$ (10.94)	$ (1.53)
Weighted average shares outstanding-basic and diluted	3,636	3,605	3,625	3,595

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2007

(dollar amounts in thousands)
(unaudited)

	Common Stock	Additional Paid-In Capital	Stockholders' Deficit	Accumulated Other Comprehensive Loss	Comprehensive Loss	Total
Balance, January 1, 2007 - Stockholders' Equity	$ 37	$ 99,655	$ (23,739)	$ (4,381)		$ 71,572
Net loss			(39,653)		$ (39,653)	(39,653)
Dividends declared		(909)				(909)
Vested restricted stock	(1)	531				530
Increase in net unrealized loss on available for sale securities				(3,891)	(3,891)	(3,891)
Increase in net unrealized gain on derivative instruments				(2,658)	(2,658)	(2,658)
Comprehensive loss					$ (46,202)	
Balance, September 30, 2007 - Stockholders' Equity	$ 36	$ 99,277	$ (63,392)	$ (10,930)		$ 24,991

See notes to consolidated financial statements.

5

)

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2007	**2006**
	(dollar amounts in thousands) (unaudited)	
Cash Flows from Operating Activities:		
Net loss	$ (39,653)	$ (5,486)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	683	1,625
Amortization of premium on investment securities and mortgage loans	1,602	1,962
Purchase of mortgage loans held for sale	-	(222,907)
Origination of mortgage loans held for sale	(300,863)	(1,402,457)
Proceeds from sales of mortgage loans	398,807	1,621,438
Restricted stock compensation expense	529	734
Loss on sale of securities and related hedges	4,834	529
Loss on sale of securitized loans	-	747
Gain on sale of retail lending segment	(4,525)	-
Allowance for deferred tax asset / tax (benefit)	18,352	(8,494)
Change in value of derivatives	550	110
Minority interest expense	12	(30)
Loan losses	6,648	3,289
Loss on disposal of fixed assets	505	-
Changes in operating assets and liabilities:		
Due from loan purchasers	88,351	(11,137)
Escrow deposits - pending loan closings	3,814	(188)
Accounts and accrued interest receivable	2,183	5,610
Prepaid and other assets	2,526	(3,036)
Due to loan purchasers	(11,721)	8,875
Accounts payable and accrued expenses	(4,116)	(6,802)
Other liabilities	(131)	(385)
Net cash provided by (used in) operating activities:	168,387	(16,003)
Cash Flows from Investing Activities:		
Restricted cash	(2,879)	3,489
Net purchase of investment securities	14,942	(388,398)
Proceeds from sale of retail lending platform	12,936	452,780
Principal repayments received on mortgage loans held in securitization trusts	127,301	151,450
Principal paydown on investment securities	104,875	126,203
Purchases of property and equipment	(396)	(1,373)
Disposal of fixed assets	485	-
Net cash provided by investing activities	257,264	344,151
Cash Flows from Financing Activities:		

Repurchase of common stock	-	(300)
Change in financing arrangements	(413,650)	(321,120)
Dividends paid	(1,826)	(8,947)
Capital Contributions from minority interest member	-	42
Net cash used in financing activities	(415,476)	(330,325)

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (continued)

	For the Nine Months Ended September 30,	
	2007	**2006**
	(dollar amounts in thousands) (unaudited)	
Net Increase (Decrease) in Cash and Cash Equivalents	10,175	(2,177)
Cash and Cash Equivalents - Beginning of Period	969	9,056
Cash and Cash Equivalents - End of Period	$ 11,144	$ 6,879
Supplemental Disclosure		
Cash paid for interest	$ 41,338	$ 68,398
Non Cash Financing Activities		
Dividends declared to be paid in subsequent period	$ -	$ 2,566

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)

1. Summary of Significant Accounting Policies

Organization- New York Mortgage Trust, Inc. (“NYMT” or the “Company”) is a self-advised real estate investment trust ("REIT") that invests in and manages a portfolio of mortgage loans and mortgage-backed securities.

The Company is organized and conducts its operations to qualify as a REIT for federal income tax purposes. As such, the Company will generally not be subject to federal income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by the due date of its federal income tax return and complies with various other requirements.

Until March 31, 2007, the company operated a mortgage lending business through its wholly-owned subsidiary, Hypotheca Capital, LLC (formerly known as The New York Mortgage Company, LLC) (“HC”).

On March 31, 2007, we completed the sale of substantially all of the operating assets related to HC's retail mortgage lending platform to IndyMac Bank, F.S.B. (“Indymac”), a wholly-owned subsidiary of Indymac Bancorp, Inc. On February 22, 2007, we completed the sale of substantially all of the operating assets related to HC's wholesale mortgage lending platform to Tribeca Lending Corp. (“Tribeca Lending”), a wholly-owned subsidiary of Franklin Credit Management Corporation.

Subsequent to its exit from the mortgage origination business, the Company has continued the process of exploring strategic alternatives while continuing its passive REIT strategy. There can be no assurances that the Company will be successful in entering into a strategic alternative. Should the Company be unsuccessful in doing so, it will operate at a higher expense ratio relative to its peers, and will have to reevaluate its long term viability.

In connection with the sale of the assets of our wholesale mortgage origination platform assets on February 22, 2007 and the sale of the assets of our retail mortgage lending platform on March 31, 2007, during the fourth quarter of 2006, we classified our mortgage lending segment as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”. As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to the discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac or Tribeca Lending, will become part of the ongoing operations of NYMT and accordingly, have not been classified as a discontinued operation in accordance with the provisions of SFAS No. 144. (See note 8)

While the Company sold substantially all of the assets of its wholesale and retail mortgage lending platforms and exited the mortgage lending business as of March 31, 2007, it retains certain liabilities associated with that former line of business. Among these liabilities are the costs associated with the disposal of the mortgage loans held for sale, potential repurchase and indemnification obligations (including early payment defaults) on previously sold mortgage loans and remaining lease payment obligations on real and personal property not assigned as part of those transactions.

Basis of Presentation- The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period classifications. In addition, certain previously reported discontinued operation balances have been reclassified to continuing operations, including $1.1 million in restricted cash, a $1.0 million derivative asset balance related to interest rate caps, $0.1 million in property and equipment net and $0.3 million in accounts payable and accrued expenses.

The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial condition of the Company at September 30, 2007 and results of operations for all periods presented have been made. The results of operations for the nine-month period ended September 30, 2007 should not be construed as indicative of the results to be expected for the full year.

As used herein, references to the "Company," "NYMT," "we," "our" and "us" refer to New York Mortgage Trust, Inc., collectively with its subsidiaries.

The Board of Directors declared a one for five reverse stock split of our common stock, providing shareholders of record as of October 9, 2007, with one share of common stock for each five shares owned of record as of October 7, 2007 (the "Reverse Stock Split"). The reduction in shares resulting from the reverse stock split was effective on October 9, 2007, decreasing the number of common shares outstanding to approximately 3.6 million. Prior year share amounts and earnings per share disclosures have been restated to reflect the reverse stock split.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's estimates and assumptions primarily arise from risks and uncertainties associated with interest rate volatility, prepayment volatility and credit exposure. Although management is not currently aware of any factors that would significantly change its estimates and assumptions in the near term, future changes in market conditions may occur which could cause actual results to differ materially.

Cash and Cash Equivalents- Cash and cash equivalents include cash on hand, amounts due from banks and overnight deposits. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Restricted Cash- Restricted cash includes amounts held by counterparties as collateral for hedging instruments, amounts held as collateral for two letters of credit related to the Company's lease of office space, including its corporate headquarters and amounts held in an escrow account to support warranties and indemnifications related to the sale of the retail mortgage lending platform to Indymac.

Investment Securities - Available for Sale- The Company's investment securities are residential mortgage-backed securities comprised of Fannie Mae ("FNMA"), Freddie Mac ("FHLMC" and together with FNMA, referred to as "Agency") securities and "AAA"- rated adjustable-rate securities, including adjustable-rate loans that have an initial fixed-rate period. Investment securities are classified as available for sale securities and are reported at fair value with unrealized gains and losses reported in other comprehensive income ("OCI"). Realized gains and losses recorded on the sale of investment securities available for sale are based on the specific identification method and included in gain on sale of securities and related hedges. Purchase premiums or discounts on investment securities are accreted or amortized to interest income over the estimated life of the investment securities using the interest method. Investment securities may be subject to interest rate, credit and/or prepayment risk.

When the fair value of an available for sale security is less than amortized cost, management considers whether there is an other-than-temporary impairment in the value of the security (e.g., whether the security will be sold prior to the recovery of fair value). Management considers at a minimum the following factors that, both individually or in combination, could indicate the decline is "other-than-temporary:" 1) the length of time and extent to which the market value has been less than book value; 2) the financial condition and near-term prospects of the issuer; or 3) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security is written down to the then-current fair value, and the unrealized loss is transferred from accumulated other comprehensive income as an immediate reduction of current earnings (i.e., as if the loss had been realized in the period of impairment). Even though no credit concerns exist with respect to an available for sale security, an other-than-temporary impairment may be evident if management determines that the Company does not have the intent and ability to hold an investment until a forecasted recovery of the value of the investment.

Accounts and Accrued Interest Receivable- Accounts and accrued interest receivable includes accrued interest receivable for investment securities and mortgage loans held in securitization trusts.

Mortgage Loans Held in Securitization Trusts- Mortgage loans held in securitization trusts are certain first-lien adjustable rate mortgage (“ARM”) loans transferred to New York Mortgage Trust 2005-1, New York Mortgage Trust 2005-2 and New York Mortgage Trust 2005-3 that have been securitized into sequentially rated classes of beneficial interests. Mortgage loans held in securitization trusts are recorded at amortized cost, using the same accounting principles as those used for mortgage loans held for investment. (see note 3) From time to time the Company may sell certain securities from its securitizations resulting in a permanent financing. See Collateralized Debt Obligations below for further description.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)

Interest income is accrued and recognized as revenue when earned according to the terms of the mortgage loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in no case when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Loan Loss Reserves on Mortgage Loans Held in Securitization Trusts- We establish a reserve for loan losses based on management's judgment and estimate of credit losses inherent in our portfolio of mortgage loans held in securitization trusts.

Loss estimations involve the consideration of various credit-related factors including but not limited to, macro-economic conditions, the current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower's credit and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the value of the property. We utilize various internet based property data services to look at comparable properties in the same area or consult with a realtor in the property's area to determine the property's value.

Comparing the current loan balance to the property value determines the current loan-to-value ("LTV") ratio of the loan. Generally, we estimate that a first lien loan on a property that goes into a foreclosure process and becomes real estate owned ("REO"), results in the property being disposed of at approximately 68% of the property's value. This estimate is based on management's long term experience in similar market conditions. Thus, for a first lien loan that is delinquent, we will adjust the property value down to approximately 68% of the property value and compare that to the current balance of the loan. The difference, determines the base reserve taken for that loan. This base reserve for a particular loan may be adjusted if we are aware of specific circumstances, including the uncertain market conditions that may affect the outcome of the loss mitigation process for that loan. Predominately, however, we use the base reserve number for our reserve.

At September 30, 2007, we had a loan loss reserve of $1.0 million on mortgage loans held in securitization trusts. (see note 3)

Property and Equipment (Net)- Property and equipment have lives ranging from three to ten years, and are stated at cost less accumulated depreciation and amortization. Depreciation is determined in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method. (see note 4)

Financing Arrangements, Portfolio Investments- Portfolio investments are typically financed with repurchase agreements, a form of collateralized borrowing which is secured by portfolio securities on the balance sheet. Such financings are recorded at their outstanding principal balance with any accrued interest due recorded as an accrued expense. (see note 6)

Collateralized Debt Obligations- CDOs are securities that are issued and secured by first-lien ARM loans. For financial reporting purposes, the first-lien ARM loans held as collateral are recorded as assets of the Company and the CDO is recorded as the Company's debt. Our CDO securitization transactions include interest rate caps which are held by the securitization trust and recorded as an asset or liability of the Company. (see note 7)

The Company, as transferor, securitizes mortgage loans and securities by transferring the loans or securities to entities ("Transferees") which generally qualify under GAAP as "qualifying special purpose entities" ("QSPE's") as defined under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities-a replacement of FASB Statement No. 125 ("Off Balance Sheet Securitizations")". The QSPEs issue investment grade and non-investment grade securities. Generally, the investment grade securities are sold to third party investors, and the Company retains the non-investment grade securities. If a transaction meets the requirements for sale recognition under GAAP, and the Transferee meets the requirements to be a QSPE, the assets transferred to the QSPE are considered sold, and gain or loss is recognized. The gain or loss is based on the price of the securities sold and the estimated fair value of any securities and servicing rights retained over the cost basis of the assets transferred net of transaction costs. If subsequently the Transferee fails to continue to qualify as a QSPE, or the Company obtains the right to purchase assets out of the Transferee, then the Company may have to include in its financial statements such assets, or potentially, all the assets of such Transferee.

Derivative Financial Instruments- The Company has developed risk management programs and processes, which include investments in derivative financial instruments designed to manage market risk associated with its mortgage-backed securities investment activities.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)

Derivative instruments contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. The Company minimizes its risk exposure by limiting the counterparties with which it enters into contracts to banks, investment banks and certain private investors who meet established credit and capital guidelines. Management does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any loss due to counterparty default. These commitments and option contracts are considered in conjunction with the Company's valuation of its mortgage loans held for sale.

The Company uses other derivative instruments, including treasury, Agency or mortgage-backed securities forward sale contracts which are also classified as free-standing, undesignated derivatives and thus are recorded at fair value with the changes in fair value recognized in current earnings.

Interest Rate Risk- The Company hedges the aggregate risk of interest rate fluctuations with respect to its borrowings, regardless of the form of such borrowings, which require payments based on a variable interest rate index. The Company generally intends to hedge only the risk related to changes in the benchmark interest rate (London Interbank Offered Rate ("LIBOR") or a Treasury rate).

In order to reduce such risks, the Company enters into swap agreements whereby the Company receives floating rate payments in exchange for fixed rate payments, effectively converting the borrowing to a fixed rate. The Company also enters into cap agreements whereby, in exchange for a fee, the Company is reimbursed for interest paid in excess of a certain capped rate.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)

To qualify for cash flow hedge accounting, interest rate swaps and caps must meet certain criteria, including:

- the items to be hedged expose the Company to interest rate risk; and
- the interest rate swaps or caps are expected to be and continue to be highly effective in reducing the Company's exposure to interest rate risk.

&#