

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2024

or

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: 1-13991

MFA FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

One Vanderbilt Ave., 48th Floor
New York New York

(Address of principal executive offices)

13-3974868

(I.R.S. Employer Identification No.)

10017

(Zip Code)

(212) 207-6400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	MFA	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share	MFA/PB	New York Stock Exchange
6.50% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value \$0.01 per share	MFA/PC	New York Stock Exchange
8.875% Senior Notes due 2029	MFAN	New York Stock Exchange
9.00% Senior Notes due 2029	MFAO	New York Stock Exchange

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

102,082,561 shares of the registrant's common stock, \$0.01 par value, were outstanding as of July 31, 2024.

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**MFA FINANCIAL, INC.
CONSOLIDATED BALANCE SHEETS**

(In Thousands Except Per Share Amounts)	June 30, 2024 (Unaudited)	December 31, 2023
Assets:		
Residential whole loans, net (\$7,772,607 and \$7,511,508 held at fair value, respectively) (1)(2)	\$ 9,186,236	\$ 9,041,292
Securities, at fair value (2)	863,289	746,090
Cash and cash equivalents	289,412	318,000
Restricted cash	252,015	170,211
Other assets (2)	485,973	497,097
Total Assets	<u>\$ 11,076,925</u>	<u>\$ 10,772,690</u>
Liabilities:		
Financing agreements (\$5,082,181 and \$4,633,660 held at fair value, respectively)	\$ 8,891,042	\$ 8,536,745
Other liabilities	302,641	336,030
Total Liabilities	<u>\$ 9,193,683</u>	<u>\$ 8,872,775</u>
Commitments and contingencies (See Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 7.5% Series B cumulative redeemable; 8,050 shares authorized; 8,000 shares issued and outstanding (\$200,000 aggregate liquidation preference)	\$ 80	\$ 80
Preferred stock, \$0.01 par value; 6.5% Series C fixed-to-floating rate cumulative redeemable; 12,650 shares authorized; 11,000 shares issued and outstanding (\$275,000 aggregate liquidation preference)	110	110
Common stock, \$0.01 par value; 874,300 and 874,300 shares authorized; 102,083 and 101,916 shares issued and outstanding, respectively	1,021	1,019
Additional paid-in capital, in excess of par	3,707,886	3,698,767
Accumulated deficit	(1,843,507)	(1,817,759)
Accumulated other comprehensive income	17,652	17,698
Total Stockholders' Equity	<u>\$ 1,883,242</u>	<u>\$ 1,899,915</u>
Total Liabilities and Stockholders' Equity	<u>\$ 11,076,925</u>	<u>\$ 10,772,690</u>

(1) Includes approximately \$6.0 billion and \$5.7 billion of Residential whole loans transferred to consolidated variable interest entities ("VIEs") at June 30, 2024 and December 31, 2023, respectively. Such assets can be used only to settle the obligations of each respective VIE.

(2) See Note 6 for information regarding the Company's pledged assets.

The accompanying notes are an integral part of the consolidated financial statements.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In Thousands, Except Per Share Amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest Income:				
Residential whole loans	\$ 165,717	\$ 128,048	\$ 323,382	\$ 247,558
Securities, at fair value	13,629	9,948	26,621	17,256
Other interest-earning assets	1,177	2,622	2,340	4,973
Cash and cash equivalent investments	6,308	3,732	11,319	6,768
Interest Income	\$ 186,831	\$ 144,350	\$ 363,662	\$ 276,555
Interest Expense:				
Asset-backed and other collateralized financing arrangements	\$ 126,755	\$ 95,884	\$ 250,197	\$ 184,764
Other interest expense	6,587	3,961	12,162	7,917
Interest Expense	\$ 133,342	\$ 99,845	\$ 262,359	\$ 192,681
Net Interest Income	\$ 53,489	\$ 44,505	\$ 101,303	\$ 83,874
Reversal/(Provision) for Credit Losses on Residential Whole Loans	\$ 1,079	\$ (294)	\$ 1,539	\$ (281)
Reversal/(Provision) for Credit Losses on Other Assets	(26)	—	(1,135)	—
Net Interest Income after Reversal/(Provision) for Credit Losses	\$ 54,542	\$ 44,211	\$ 101,707	\$ 83,593
Other Income/(Loss), net:				
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 16,430	\$ (130,703)	\$ 4,917	\$ (1,529)
Impairment and other net gain/(loss) on securities and other portfolio investments	(2,842)	(4,569)	(7,618)	(1,638)
Net gain/(loss) on real estate owned	1,880	2,153	2,871	6,095
Net gain/(loss) on derivatives used for risk management purposes	16,087	60,451	66,028	39,243
Net gain/(loss) on securitized debt measured at fair value through earnings	(10,642)	27,394	(33,104)	(24,331)
Lima One - origination, servicing and other fee income	7,619	11,477	15,547	20,453
Net realized gain/(loss) on residential whole loans held at carrying value	—	—	418	—
Other, net	1,317	5,492	3,192	8,506
Other Income/(Loss), net	\$ 29,849	\$ (28,305)	\$ 52,251	\$ 46,799
Operating and Other Expense:				
Compensation and benefits	\$ 21,747	\$ 21,771	\$ 47,215	\$ 42,401
Other general and administrative expense	10,835	11,522	22,830	21,199
Loan servicing, financing and other related costs	8,717	7,598	15,759	17,137
Amortization of intangible assets	800	1,300	1,600	2,600
Operating and Other Expense	\$ 42,099	\$ 42,191	\$ 87,404	\$ 83,337
Income/(loss) before income taxes	\$ 42,292	\$ (26,285)	\$ 66,554	\$ 47,055
Provision for/(benefit from) income taxes	346	(357)	1,395	199
Net Income/(Loss)	\$ 41,946	\$ (25,928)	\$ 65,159	\$ 46,856
Less Preferred Stock Dividend Requirement	8,218	8,218	16,437	16,437
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 33,728	\$ (34,146)	\$ 48,722	\$ 30,419
Basic Earnings/(Loss) per Common Share	\$ 0.32	\$ (0.34)	\$ 0.47	\$ 0.30
Diluted Earnings/(Loss) per Common Share	\$ 0.32	\$ (0.34)	\$ 0.46	\$ 0.29

The accompanying notes are an integral part of the consolidated financial statements.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(UNAUDITED)

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income/(loss)	\$ 41,946	\$ (25,928)	\$ 65,159	\$ 46,856
Other Comprehensive Income/(Loss):				
Unrealized gains/(losses) on securities available-for-sale	784	(6,805)	2,612	(7,921)
Reclassification adjustment for securities sales included in net income	(2,658)	—	(2,658)	—
Other Comprehensive Income/(Loss)	(1,874)	(6,805)	(46)	(7,921)
Comprehensive Income/(Loss) before preferred stock dividends	\$ 40,072	\$ (32,733)	\$ 65,113	\$ 38,935
Dividends required on preferred stock	(8,218)	(8,218)	(16,437)	(16,437)
Comprehensive Income/(Loss) Available to Common Stock and Participating Securities	\$ 31,854	\$ (40,951)	\$ 48,676	\$ 22,498

The accompanying notes are an integral part of the consolidated financial statements.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Six Months Ended June 30, 2024

(In Thousands, Except Per Share Amounts)	Preferred Stock 7.50% Series B Cumulative Redeemable - Liquidation Preference \$25.00 per Share		Preferred Stock 6.50% Series C Fixed-to- Floating Rate Cumulative Redeemable - Liquidation Preference \$25.00 per Share		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	8,000	\$ 80	11,000	\$ 110	101,916	\$ 1,019	\$ 3,698,767	\$ (1,817,759)	\$ 17,698	\$ 1,899,915
Net income	—	—	—	—	—	—	—	23,213	—	23,213
Issuance of common stock, net of expenses	—	—	—	—	297	3	(20)	—	—	(17)
Repurchase of shares of common stock (1)	—	—	—	—	(131)	(1)	(1,491)	—	—	(1,492)
Equity based compensation expense	—	—	—	—	—	—	5,986	—	—	5,986
Change in accrued dividends attributable to stock-based awards	—	—	—	—	—	—	—	(1,011)	—	(1,011)
Dividends declared on common stock (\$0.35 per share)	—	—	—	—	—	—	—	(35,729)	—	(35,729)
Dividends declared on Series B Preferred Stock (\$0.46875 per share)	—	—	—	—	—	—	—	(3,750)	—	(3,750)
Dividends declared on Series C Preferred Stock (\$0.40625 per share)	—	—	—	—	—	—	—	(4,469)	—	(4,469)
Dividends attributable to dividend equivalents	—	—	—	—	—	—	—	(287)	—	(287)
Change in unrealized gains on securities, net	—	—	—	—	—	—	—	—	1,828	1,828
Balance at March 31, 2024	8,000	\$ 80	11,000	\$ 110	102,082	\$ 1,021	\$ 3,703,242	\$ (1,839,792)	\$ 19,526	\$ 1,884,187
Net income	—	—	—	—	—	—	—	41,946	—	41,946
Issuance of common stock, net of expenses	—	—	—	—	1	—	(18)	—	—	(18)
Equity based compensation expense	—	—	—	—	—	—	4,662	—	—	4,662
Change in accrued dividends attributable to stock-based awards	—	—	—	—	—	—	—	(1,395)	—	(1,395)
Dividends declared on common stock (\$0.35 per share)	—	—	—	—	—	—	—	(35,729)	—	(35,729)
Dividends declared on Series B Preferred Stock (\$0.46875 per share)	—	—	—	—	—	—	—	(3,750)	—	(3,750)
Dividends declared on Series C Preferred Stock (\$0.40625 per share)	—	—	—	—	—	—	—	(4,469)	—	(4,469)
Dividends attributable to dividend equivalents	—	—	—	—	—	—	—	(318)	—	(318)
Change in unrealized gains on securities, net	—	—	—	—	—	—	—	—	(1,874)	(1,874)
Balance at June 30, 2024	8,000	\$ 80	11,000	\$ 110	102,083	\$ 1,021	\$ 3,707,886	\$ (1,843,507)	\$ 17,652	\$ 1,883,242

(1) For the six months ended June 30, 2024 includes approximately \$1.5 million (129,949 shares) surrendered for tax purposes related to equity-based compensation awards.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Six Months Ended June 30, 2023

(In Thousands, Except Per Share Amounts)	Preferred Stock 7.50% Series B Cumulative Redeemable - Liquidation Preference \$25.00 per Share		Preferred Stock 6.50% Series C Fixed-to- Floating Rate Cumulative Redeemable - Liquidation Preference \$25.00 per Share		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	8,000	\$ 80	11,000	\$ 110	101,802	\$ 1,018	\$ 3,684,291	\$ (1,717,991)	\$ 21,341	\$ 1,988,849
Net income	—	—	—	—	—	—	—	72,784	—	72,784
Issuance of common stock, net of expenses	—	—	—	—	168	1	17	—	—	18
Repurchase of shares of common stock (1)	—	—	—	—	(58)	—	(599)	—	—	(599)
Equity based compensation expense	—	—	—	—	—	—	3,019	—	—	3,019
Change in accrued dividends attributable to stock-based awards	—	—	—	—	—	—	557	(932)	—	(375)
Dividends declared on common stock (\$0.35 per share)	—	—	—	—	—	—	—	(35,669)	—	(35,669)
Dividends declared on Series B Preferred Stock (\$0.46875 per share)	—	—	—	—	—	—	—	(3,750)	—	(3,750)
Dividends declared on Series C Preferred Stock (\$0.40625 per share)	—	—	—	—	—	—	—	(4,469)	—	(4,469)
Dividends attributable to dividend equivalents	—	—	—	—	—	—	—	(86)	—	(86)
Change in unrealized gains on securities, net	—	—	—	—	—	—	—	—	(1,116)	(1,116)
Balance at March 31, 2023	8,000	\$ 80	11,000	\$ 110	101,912	\$ 1,019	\$ 3,687,285	\$ (1,690,113)	\$ 20,225	\$ 2,018,606
Net loss	—	—	—	—	—	—	—	(25,928)	—	(25,928)
Issuance of common stock, net of expenses	—	—	—	—	4	—	16	—	—	16
Equity based compensation expense	—	—	—	—	—	—	3,932	—	—	3,932
Change in accrued dividends attributable to stock-based awards	—	—	—	—	—	—	—	(1,044)	—	(1,044)
Dividends declared on common stock (\$0.35 per share)	—	—	—	—	—	—	—	(35,671)	—	(35,671)
Dividends declared on Series B Preferred Stock (\$0.46875 per share)	—	—	—	—	—	—	—	(3,750)	—	(3,750)
Dividends declared on Series C Preferred Stock (\$0.40625 per share)	—	—	—	—	—	—	—	(4,469)	—	(4,469)
Dividends attributable to dividend equivalents	—	—	—	—	—	—	—	(118)	—	(118)
Change in unrealized gains on securities, net	—	—	—	—	—	—	—	—	(6,805)	(6,805)
Balance at June 30, 2023	8,000	\$ 80	11,000	\$ 110	101,916	\$ 1,019	\$ 3,691,233	\$ (1,761,093)	\$ 13,420	\$ 1,944,769

(1) For the six months ended June 30, 2023 includes approximately \$0.6 million (58,505 shares) surrendered for tax purposes related to equity-based compensation awards.

The accompanying notes are an integral part of the consolidated financial statements.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In Thousands)	Six Months Ended	
	June 30,	
	2024	2023
Cash Flows From Operating Activities:		
Net income/(loss)	\$ 65,159	\$ 46,856
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Net (gain)/loss on residential whole loans	(5,726)	1,529
Impairment and other net (gain)/loss on securities and other portfolio investments, net	6,115	1,638
Net gain on real estate owned	(2,516)	(6,129)
Accretion of purchase discounts and amortization of purchase premiums on residential whole loans and securities	(6,841)	(10,336)
Provision/(reversal of provision) for credit losses on residential whole loans and other assets	(404)	290
Net (gain)/loss on derivatives used for risk management purposes	(12,945)	5,861
Net (gain)/loss on securitized debt measured at fair value through earnings	27,766	17,938
Net margin received/(paid) for derivatives used for risk management purposes	(863)	30,384
Net other non-cash (gains)/losses included in net income	22,188	12,291
(Increase)/decrease in other assets	13,326	(50,797)
Increase/(decrease) in other liabilities	(5,312)	15,602
Net cash provided by/(used in) operating activities	\$ 99,947	\$ 65,127
Cash Flows From Investing Activities:		
Purchases and origination of residential whole loans, loan related investments and capitalized advances	\$ (1,453,092)	\$ (1,340,773)
Proceeds from sales of residential whole loans	166,396	262,692
Principal payments on residential whole loans and loan related investments	1,002,141	694,992
Purchases of securities	(175,502)	(383,746)
Proceeds from sales of securities and other assets	29,606	—
Principal payments on securities	26,308	15,767
Proceeds from sales of real estate owned	49,832	66,175
Other investing activities	81,640	(7,323)
Net cash provided by/(used in) investing activities	\$ (272,671)	\$ (692,216)
Cash Flows From Financing Activities:		
Principal payments on financing agreements with mark-to-market collateral provisions	\$ (829,083)	\$ (1,242,689)
Proceeds from borrowings under financing agreements with mark-to-market collateral provisions	1,197,871	1,422,773
Principal payments on other collateralized financing agreements	(1,254,485)	(939,646)
Proceeds from borrowings under other collateralized financing agreements	1,232,486	1,490,568
Payments made for other collateralized financing agreement related costs	(4,188)	(6,673)
Redemption and repurchase of convertible senior notes	(209,558)	—
Proceeds from issuance of senior notes	182,670	—
Proceeds from issuances of common stock, net of expenses	(40)	34
Payments made for the repurchase of common stock	(1,491)	—
Dividends paid on preferred stock	(16,438)	(16,438)
Dividends paid on common stock and dividend equivalents	(71,804)	(71,525)
Net cash provided by/(used in) financing activities	\$ 225,940	\$ 636,404
Net increase/(decrease) in cash, cash equivalents and restricted cash	\$ 53,216	\$ 9,315
Cash, cash equivalents and restricted cash at beginning of period	\$ 488,211	\$ 494,081
Cash, cash equivalents and restricted cash at end of period	\$ 541,427	\$ 503,396
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 258,517	\$ 188,884
Non-cash Investing and Financing Activities:		
Transfer from residential whole loans to real estate owned	\$ 44,951	\$ 49,181
Dividends and dividend equivalents declared and unpaid	\$ 36,048	\$ 35,789
Payable for purchase of unsettled Agency MBS	\$ —	\$ 30,931

The accompanying notes are an integral part of the consolidated financial statements.

MFA FINANCIAL, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

1. Organization

MFA Financial, Inc. (the “Company”) was incorporated in Maryland on July 24, 1997 and began operations on April 10, 1998. The Company has elected to be treated as a real estate investment trust (“REIT”) for U.S. federal income tax purposes. In order to maintain its qualification as a REIT, the Company must comply with a number of requirements under federal tax law, including that it must distribute at least 90% of its annual REIT taxable income to its stockholders. The Company has elected to treat certain of its subsidiaries as taxable REIT subsidiaries (“TRS”). In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate related business (see Note 8).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The interim unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted in accordance with these SEC rules and regulations. Management believes that the disclosures included in these interim unaudited consolidated financial statements are adequate to make the information presented not misleading. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial condition of the Company at June 30, 2024 and results of operations for all periods presented have been made. The results of operations for the three and six months ended June 30, 2024 should not be construed as indicative of the results to be expected for the full year.

The accompanying consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company’s estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could differ from those estimates, which could materially impact the Company’s results of operations and its financial condition. Management has made significant estimates in several areas: impairment, valuation allowances and loss allowances on residential whole loans (see Note 3), certain securities designated as available-for-sale (“AFS”) (see Note 4) and certain Other assets (see Note 5), valuation of Securities, at fair value (see Notes 4 and 13), income recognition and valuation of residential whole loans (see Notes 3 and 13), valuation of financing agreements (Notes 6 and 13), and valuation of derivative instruments (see Notes 5(e) and 13). In addition, estimates are used in the determination of taxable income used in the assessment of REIT compliance and contingent liabilities for related taxes, penalties and interest (see Note 8). Actual results could differ from those estimates.

The consolidated financial statements of the Company include the accounts of all subsidiaries. All intercompany accounts and transactions have been eliminated. In addition, the Company consolidates entities established to facilitate transactions related to the acquisition and securitization of residential whole loans. Certain prior period amounts have been reclassified to conform to the current period presentation.

(b) Residential Whole Loans (including Residential Whole Loans transferred to consolidated VIEs)

Residential whole loans included in the Company’s consolidated balance sheets are primarily comprised of pools of fixed- and adjustable-rate residential mortgage loans acquired through consolidated trusts in secondary market transactions or originated by our wholly owned subsidiary, Lima One Holdings, LLC, the parent company of Lima One Capital, LLC (collectively referred to as “Lima One”). The accounting model utilized by the Company is determined at the time each loan package is initially acquired or each loan is originated. Prior to the second quarter of 2021, the Company typically elected the fair value option on loans that were 60 or more days delinquent at purchase. All other loans purchased prior to the second quarter of 2021 were typically held at carrying value. Starting in the second quarter of 2021, the Company began to elect the fair value option for all loans originated or acquired. The accounting model initially applied to loan originations and

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acquisitions is not permitted to be subsequently changed. Consequently, the Company is not permitted to retroactively apply fair value accounting to loans held at carrying value acquired in periods prior to the second quarter of 2021.

The Company's residential whole loans pledged as collateral against financing agreements are included in the consolidated balance sheets with amounts pledged disclosed in Note 6. Effective January 1, 2024, purchases and sales of residential whole loans are recorded on settlement date. As of December 31, 2023, approximately \$103.7 million of purchased residential whole loans, at fair value were recorded on the consolidated balance sheet and settled after period-end.

The Company's residential whole loans are primarily comprised of: (i) loans to finance (or refinance) one-to-four family residential properties that are not considered to meet the definition of a "Qualified Mortgage" in accordance with guidelines adopted by the Consumer Financial Protection Bureau ("Non-QM loans"), (ii) short-term business purpose loans collateralized by residential properties made to non-occupant borrowers that generally intend to rehabilitate or construct residential housing and then refinance or sell the properties ("Single-family transitional loans"), (iii) short-term business purpose loans collateralized by multifamily properties, typically with a loan balance below \$10 million, made to non-occupant borrowers that generally intend to moderately rehabilitate or stabilize and then refinance or sell the properties ("Multifamily transitional loans") (collectively with Single-family transitional loans, "Transitional loans," also sometimes referred to as "Rehabilitation loans" or "Fix and Flip loans"), (iv) business purpose loans to finance (or refinance) non-owner occupied one-to-four family residential properties that are rented to one or more tenants ("Single-family rental loans" and, collectively with Transitional loans, "Business purpose loans"), (v) loans primarily secured by residential real estate that were generally either non-performing or re-performing at acquisition ("Legacy RPL/NPL loans") and (vi) loans on investor properties that conform to the standards for purchase by a federally chartered corporation, such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") ("Agency eligible investor loans," which are included in "Other loans"). Residential whole loans are initially recorded at their purchase price (or amount funded for originated loans). Interest income is accrued based on each loan's current interest-bearing balance and current interest rate. Interest income on loans acquired at a premium/discount to par is recorded each period based on the contractual coupon net of any amortization of premium or accretion of discount, adjusted for actual prepayment activity. For loans acquired with related servicing rights retained by the seller, interest income is reported net of related servicing costs.

For loans acquired prior to the second quarter of 2021 for which the fair value option was not elected, an allowance for credit losses is recorded at acquisition, and maintained on an ongoing basis, for all credit losses expected over the life of the respective loan. Any required credit loss allowance would reduce the net carrying value of the loan with a corresponding charge to earnings, and may increase or decrease over time. Significant judgments are required in determining any allowance for credit loss, including assumptions regarding the loan cash flows expected to be collected, the value of the underlying collateral and the ability of the Company to collect on any other forms of security, such as a personal guaranty provided either by the borrower or an affiliate of the borrower.

Income recognition is suspended, and interest accruals are reversed against income, for loans at the earlier of the date on which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful (i.e., such loans are placed on nonaccrual status). For nonaccrual loans, interest income is recorded when interest payments are received. Interest accruals are resumed when the loan becomes contractually current. A loan is written off when it is no longer realizable and/or it is legally discharged.

Charge-offs to the allowance for loan losses occur when losses are confirmed through the receipt of cash or other consideration from the completion of a sale; when a modification or restructuring takes place in which we grant a concession to a borrower or agree to a discount in full or partial satisfaction of the loan; when we take ownership and control of the underlying collateral in full satisfaction of the loan; when loans are reclassified as other investments; or when significant collection efforts have ceased and it is highly likely that a loss has been realized.

The aggregate allowance for credit losses is equal to the sum of the losses expected over the life of each respective loan. Expected losses are generally calculated based on the estimated probability of default and loss severity of loans in the portfolio, which involves projecting each loan's expected cash flows based on their contractual terms, expected prepayments, and estimated default and loss severity rates. The expected losses in these projected cash flows are not discounted. The default and severity rates were estimated based on the following steps: (i) obtained the Company's historical experience through an entire economic cycle for each loan type or, to the extent the Company did not have sufficient historical loss experience for a given loan type, publicly available data derived from the historical loss experience of certain banks, which data the Company believes is generally representative of its portfolio, (ii) obtained historical economic data (U.S. unemployment rates and home price

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appreciation) over the same period, and (iii) estimated default and severity rates during three distinct future periods based on historical default and severity rates during periods when economic conditions similar to those forecasted were experienced. The default and severity rates were applied to the estimated amount of loans outstanding during each future period, based on contractual terms and expected prepayments. Expected prepayments are estimated based on historical experience and current and expected future economic conditions, including market interest rates. The three periods were as follows: (i) a one-year forecast of economic conditions based on U.S. unemployment rates and home price appreciation, followed by (ii) a two-year “reversion” period during which economic conditions (U.S. unemployment rates and home price appreciation) are projected to revert to historical averages on a straight line basis, followed by (iii) the remaining life of each loan, during which period economic conditions (U.S. unemployment rates and home price appreciation) are projected to equal historical averages. In addition, a liability is established (and recorded in Other Liabilities) each period using a similar methodology for committed but undrawn loan amounts. The Company forecasts future economic conditions based on forecasts provided by an external preparer of economic forecasts, as well as its own knowledge of the market and its portfolio. The Company may consider multiple scenarios and select the one that it believes results in the most reasonable estimate of expected losses. The Company may apply qualitative adjustments to these results as further described in Note 3. For certain loans where foreclosure has been deemed to be probable, loss estimates are based on whether the value of the underlying collateral is sufficient to recover the carrying value of the loan. This methodology has not changed significantly from the calculation of the allowance for credit losses in prior periods, although certain modeling factors have been refined over time and the data utilized has, in some cases, been updated to better align with actual and expected loss experiences.

Certain Legacy RPL/NPL loans acquired by the Company for which the Company did not elect the fair value option are accounted for as credit deteriorated, as they have experienced a deterioration in credit quality since origination and prior to our purchase and were acquired at discounted prices that reflect, in part, the impaired credit history of the borrower. Substantially all of these loans have previously experienced payment delinquencies and the amount owed may exceed the value of the property pledged as collateral. Consequently, these loans generally have a higher likelihood of default than newly originated mortgage loans with loan-to-value ratios (“LTVs”) of 80% or less to creditworthy borrowers. The Company believes that amounts paid to acquire these loans represent fair market value at the date of acquisition. Loans considered credit deteriorated are initially recorded at their purchase price on a net basis, after establishing an initial allowance for credit losses (their initial cost basis is equal to their purchase price plus the initial allowance for credit losses). Subsequent to acquisition, the gross recorded amount for these loans reflects the initial cost basis, plus accretion/amortization of interest income, less principal and interest cash flows received. These credit deteriorated loans are presented on the Company’s consolidated balance sheets at carrying value, which reflects the recorded cost basis reduced by any allowance for credit losses. Interest income on such loans purchased is recorded each period based on the contractual coupon net of accretion/amortization of the difference between their cost basis and unpaid principal balance (“UPB”), subject to the Company’s nonaccrual policy.

Loans Held-for-Sale

For loans for which the fair value option was not elected, once a decision has been made to sell loans previously classified as held for investment, such loans are considered held-for-sale and are carried at the lower of cost or fair value.

Residential Whole Loans at Fair Value

Certain of the Company’s residential whole loans are presented at fair value on its consolidated balance sheets as a result of a fair value election made at the time of acquisition or origination. The Company generally considers accounting for these loans at fair value to be more reflective of the expected pattern of returns from these loans under current economic conditions. The Company determines the fair value of its residential whole loans held at fair value after considering portfolio valuations obtained from third-parties that specialize in providing valuations of residential mortgage loans and trading activity observed in the marketplace. Subsequent changes in fair value are reported in current period earnings and presented in Net (loss)/gain on residential whole loans measured at fair value through earnings on the Company’s consolidated statements of operations.

Interest income is recorded on these loans based on their yield and is presented as part of interest income in the Company’s consolidated statements of operations. Cash outflows associated with loan-related advances made by the Company on behalf of the borrower are included in the basis of the loan and are reflected in unrealized gains or losses reported each period. Income and costs associated with originating loans on which the fair value option was elected are recorded in other income and expense, respectively, in the period in which they are earned or incurred.

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(c) Securities, at Fair Value

Residential Mortgage Securities

The Company has invested in residential mortgage-backed securities (“MBS”) that are issued or guaranteed as to principal and/or interest by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as the Government National Mortgage Association (“Ginnie Mae”) (collectively, “Agency MBS”), and residential MBS that are not guaranteed by any agency of the U.S. Government or any federally chartered corporation (“Non-Agency MBS”). In addition, the Company has investments in credit risk transfer (“CRT”) securities that are issued by or sponsored by Fannie Mae and Freddie Mac. The coupon payments on CRT securities are paid by the issuer and the principal payments received are dependent on the performance of loans in either a reference pool or an actual pool of loans. As the loans in the underlying pool are paid, the principal balance of the CRT securities is paid. As an investor in a CRT security, the Company may incur a principal loss if the performance of the actual or reference pool loans results in either an actual or calculated loss that exceeds the credit enhancement of the security owned by the Company.

Term Notes Backed by Mortgage Servicing Rights (“MSR”) Collateral

The Company has invested in term notes that are issued by special purpose vehicles (“SPV”) that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. The Company considers payment of principal and interest on these term notes to be largely dependent on the cash flows generated by the underlying MSRs as this impacts the cash flows available to the SPV that issued the term notes. Credit risk borne by the holders of the term notes is also mitigated by structural credit support in the form of over-collateralization. Credit support is also provided by a corporate guarantee from the ultimate parent or sponsor of the SPV that is intended to provide for payment of interest and principal to the holders of the term notes if cash flows generated by the underlying MSRs are insufficient.

Designation

Securities that the Company generally intends to hold until maturity, but that it may sell from time to time as part of the overall management of its business, are designated as AFS. Such securities, which include term notes backed by MSR collateral and certain CRT securities, are carried at their fair value with unrealized gains and losses excluded from earnings (except when an allowance for loan losses is recognized, as discussed below) and reported in accumulated other comprehensive income/(loss) (“AOCI”), a component of Stockholders’ Equity.

Upon the sale of an AFS security, any unrealized gain or loss is reclassified out of AOCI to earnings as a realized gain or loss using the specific identification method.

The Company has elected the fair value option for its Agency and Non-Agency MBS and certain of its CRT securities. These securities are carried at their fair value with changes in fair value included in earnings for the period and reported in Other Income/(Loss), net on the Company’s consolidated statements of operations.

Revenue Recognition, Premium Amortization and Discount Accretion

Interest income on securities is accrued based on their outstanding principal balance and their contractual terms. Premiums and discounts associated with MBS assessed as high credit quality at the time of purchase are amortized into interest income over the life of such securities using the effective yield method. Adjustments to premium amortization are made for actual prepayment activity. Premiums and discounts associated with MBS not assessed as high credit quality at the time of purchase are amortized into interest income over the life of such securities using the effective yield method based upon current expected future cash flows. Any adjustment to yield is made on a prospective basis.

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Determination of Fair Value for Securities

In determining the fair value of the Company's residential mortgage securities, management considers a number of observable market data points, including prices obtained from pricing services, brokers and repurchase agreement counterparties, dialogue with market participants, as well as management's observations of market activity (see Note 13). For term notes backed by MSR collateral, other factors taken into consideration include estimated changes in fair value of the related underlying MSR collateral, as applicable, and the financial performance of the ultimate parent or sponsoring entity of the issuer, which has provided a guarantee that is intended to provide for payment of interest and principal to the holders of the term notes if cash flows generated by the related underlying MSR collateral are insufficient.

Allowance for Credit Losses

When the fair value of an AFS security is less than its amortized cost at the balance sheet date, the security is considered impaired. The Company assesses its impaired securities, as well as securities for which a credit loss allowance had been previously recorded, on at least a quarterly basis and determines whether any changes to the allowance for credit losses are required. If the Company intends to sell an impaired security, or it is more likely than not that it will be required to sell the impaired security before its anticipated recovery, then the Company must recognize a write-down through charges to earnings equal to the entire difference between the investment's amortized cost and its fair value at the balance sheet date. If the Company does not expect to sell an impaired security, only the portion of the impairment related to credit losses is recognized through a loss allowance charged to earnings with the remainder recognized through AOCI on the Company's consolidated balance sheets. Impairments recognized through other comprehensive income/(loss) ("OCI") do not impact earnings. Credit loss allowances are subject to reversal through earnings resulting from improvements in expected cash flows. The determination as to whether to record (or reverse) a credit loss allowance is subjective, as such determinations are based on factual information available at the time of assessment as well as the Company's estimates of future performance and cash flow projections. As a result, the timing and amount of losses constitute material estimates that are susceptible to significant change (see Note 4).

Balance Sheet Presentation

The Company's securities pledged as collateral against financing agreements and interest rate swap agreements ("Swaps") are included on the consolidated balance sheets with the fair value of the securities pledged disclosed in Notes 6 and 5, respectively. Purchases and sales of securities are recorded on the trade date.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and investments in money market funds, all of which have original maturities of three months or less. Cash and cash equivalents may also include cash pledged as collateral to the Company by its financing counterparties as a result of reverse margin calls (i.e., margin calls made by the Company). The Company did not hold any cash pledged by its counterparties at June 30, 2024 and December 31, 2023. At June 30, 2024 and December 31, 2023, the Company had cash and cash equivalents of \$289.4 million and \$318.0 million, respectively. At June 30, 2024 and December 31, 2023, the Company had \$148.7 million and \$151.3 million, respectively, of investments in overnight money market funds, which are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. In addition, deposits in FDIC insured accounts generally exceed insured limits (see Notes 6 and 13).

(e) Restricted Cash

Restricted cash primarily represents the Company's cash collections held in connection with certain of the Company's financing agreements, Swaps, consolidated securitization trusts and/or loan servicing activities that are not available to the Company for general corporate purposes. Restricted cash may be applied against amounts due to financing agreements, Swap counterparties and/or trust obligations or may be returned to the Company when the related collateral requirements are exceeded or at the maturity of financing agreements, Swaps and/or securitizations. The Company had aggregate restricted cash of \$252.0 million and \$170.2 million at June 30, 2024 and December 31, 2023, respectively (see Notes 5(e), 6 and 13).

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(f) Goodwill & Intangible Assets

At June 30, 2024 and December 31, 2023, the Company had goodwill of \$61.1 million, which represents the excess of the fair value of consideration paid over the fair value of net assets acquired in connection with the acquisition of Lima One, and other intangible assets of \$6.4 million and \$8.0 million, respectively (net of amortization), primarily comprised of customer relationships, non-competition agreements (fully amortized as of June 30, 2022), trademarks and trade names, and internally developed software recognized as part of the acquisition of Lima One (see Note 5(b)). The intangible assets are amortized over their expected useful lives, which ranged from one to ten years at acquisition. Goodwill, which is not subject to amortization, and intangible assets are tested for impairment at least annually, or more frequently under certain circumstances that could reduce the fair value of the Lima One reporting unit (a component of the Lima One segment) below its carrying amount. Through June 30, 2024, the Company had not recognized any impairment against its goodwill or intangible assets. Goodwill and intangible assets are included in Other assets on the Company's consolidated balance sheets.

(g) Real Estate Owned ("REO")

REO represents real estate acquired by the Company, including through foreclosure, deed in lieu of foreclosure, or purchased in connection with the acquisition of residential whole loans. REO acquired through foreclosure or deed in lieu of foreclosure is initially recorded at fair value less estimated selling costs. REO acquired in connection with the acquisition of residential whole loans is initially recorded at its purchase price. Subsequent to acquisition, REO is reported, at each reporting date, at the lower of the current carrying amount or fair value less estimated selling costs and for presentation purposes is included in Other assets on the Company's consolidated balance sheets. Changes in fair value that result in an adjustment to the reported amount of an REO property that has a fair value at or below its carrying amount are reported in Other Income/(Loss), net on the Company's consolidated statements of operations (see Note 5).

(h) Leases and Depreciation

Leases

The Company records its operating lease liabilities and operating lease right-of-use assets on its consolidated balance sheets. The operating lease liabilities are equal to the present value of the remaining fixed lease payments (excluding real estate tax and operating expense escalations) discounted at the Company's estimated incremental borrowing rate at the date of lease commencement, and the operating lease right-of-use assets are equal to the operating lease liabilities adjusted for lease incentives and initial direct costs. As lease payments are made, the operating lease liabilities are reduced to the present value of the remaining lease payments and the operating lease right-of-use assets are reduced by the difference between the lease expense (straight-lined over the lease term) and the theoretical interest expense amount (calculated using the incremental borrowing rate at the date of lease commencement). See Notes 5 and 9 for further discussion on leases.

Leasehold Improvements, Real estate and Other Depreciable Assets

Depreciation is computed on the straight-line method over the estimated useful life of the related assets or, in the case of leasehold improvements, over the shorter of the useful life or the lease term. Furniture, fixtures, computers and related hardware have estimated useful lives ranging from five to fifteen years at the time of purchase.

(i) Loan Securitization and Other Debt Issuance Costs

Loan securitization related costs are costs associated with the issuance of beneficial interests by consolidated VIEs and incurred by the Company in connection with various financing transactions completed by the Company. These costs may include underwriting, rating agency, legal, accounting, diligence, bank and other fees. Such costs, which reflect deferred charges (unless the debt is recorded at fair value, as discussed below), are included on the Company's consolidated balance sheets as a direct deduction from the corresponding debt liability. These deferred charges are amortized as an adjustment to interest expense using the effective interest method. For certain financing agreements, such costs are amortized over the shorter of the period to the expected or stated legal maturity of the debt instruments. The Company periodically reviews the recoverability of these deferred costs and, in the event an impairment charge is required, such amount will be included in Operating and Other Expense on the Company's consolidated statements of operations. To the extent that the Company has elected the fair value option for the related debt liability, these costs are expensed at the closing of the transaction.

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(j) Financing Agreements

The Company finances the majority of its residential mortgage assets with financing agreements that include securitized debt, repurchase agreements and other forms of collateralized financing. Under repurchase agreements, the Company sells assets to a lender and agrees to repurchase the same assets in the future for a price that is higher than the original sale price. The difference between the sale price that the Company receives and the repurchase price that the Company pays represents interest paid to the lender. Although legally structured as sale and repurchase transactions, the Company accounts for repurchase agreements as secured borrowings. Under its repurchase agreements and other forms of collateralized financing, the Company pledges its assets as collateral to secure the borrowing, in an amount which is equal to a specified percentage of the fair value of the pledged collateral, while the Company retains beneficial ownership of the pledged collateral. At the maturity of a repurchase financing, unless the repurchase financing is renewed with the same counterparty, the Company is required to repay the loan including any accrued interest and concurrently receives back its pledged collateral from the lender. With the consent of the lender, the Company may renew a repurchase financing at the then prevailing financing terms. Margin calls, whereby a lender requires that the Company pledge additional assets or cash as collateral to secure borrowings under its repurchase financing with such lender, are routinely experienced by the Company when the value of the assets pledged as collateral declines as a result of principal amortization and prepayments or due to changes in market interest rates, spreads or other market conditions. The Company also may make margin calls on counterparties when collateral values increase.

Should a counterparty decide not to renew a financing arrangement at maturity, the Company must either refinance elsewhere or be in a position to satisfy the obligation. If, during the term of a financing, a lender should default on its obligation, the Company might experience difficulty recovering its pledged assets which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged by the Company to such lender, including accrued interest receivable on such collateral (see Notes 6 and 13).

The Company has elected the fair value option on certain of its financing agreements. These agreements are reported at their fair value, with changes in fair value being recorded in earnings each period (or OCI, to the extent the change results from a change in instrument specific credit risk), as further detailed in Note 6. Interest expense on such financing agreements is recorded based on the current stated interest rate and outstanding principal balance in effect for the related agreement.

(k) Equity-Based Compensation

Compensation expense for equity-based awards that are subject to vesting conditions, is recognized ratably over the vesting period of such awards, based upon the fair value of such awards at the grant date.

The Company has made annual grants of restricted stock units ("RSUs") under the Company's Equity Compensation Plan (the "Equity Plan"), certain of which cliff vest after a three-year period, subject only to continued employment, and others of which cliff vest after a three-year period, subject to both continued employment and the achievement of certain performance criteria based on a formula tied to the Company's achievement of average total shareholder return ("TSR") during that three-year period, as well as the TSR of the Company relative to the TSR of a group of peer companies (over the three-year period) selected by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") at the date of grant. The features in these awards related to the attainment of TSR over a specified period constitute a "market condition," which impacts the amount of compensation expense recognized for these awards. Specifically, the uncertainty regarding the achievement of the market condition was reflected in the grant date fair valuation of the RSUs, which is recognized as compensation expense over the relevant vesting period. The amount of compensation expense recognized is not dependent on whether the market condition was or will be achieved.

(l) Earnings per Common Share ("EPS")

Basic EPS is computed using the two-class method, which includes the weighted-average number of shares of common stock outstanding during the period and an estimate of other securities that participate in dividends, if any, to arrive at total common equivalent shares. In applying the two-class method, earnings are allocated to both shares of common stock and estimated securities that participate in dividends based on their respective weighted-average shares outstanding for the period. In calculating basic EPS, no adjustment is made to income available to common stockholders for forfeitable dividends or dividend equivalents. For the diluted EPS calculation, common equivalent shares are further adjusted for the effect of RSUs outstanding that are unvested and have dividends that are subject to forfeiture, using the treasury stock method. Under the

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treasury stock method, common equivalent shares are calculated assuming that all dilutive common stock equivalents are exercised and the proceeds, along with future compensation expenses associated with such instruments (if any), are used to repurchase shares of the Company's outstanding common stock at the average market price during the reported period. In addition, the Company's 6.25% Convertible Senior Notes due 2024 (the "Convertible Senior Notes") were included in the calculation of diluted EPS if the assumed conversion into common shares was dilutive, using the "if-converted" method until their maturity and repayment in full. This calculation involved adding back the periodic interest expense associated with the Convertible Senior Notes to the numerator and by adding the shares that would have been issued in an assumed conversion (regardless of whether the conversion option is in or out of the money) to the denominator for the purposes of calculating diluted EPS (see Note 11).

(m) Comprehensive Income/(Loss)

The Company's comprehensive income/(loss) available to common stock and participating securities includes net income, the change in net unrealized gains/(losses) on its AFS securities and derivative hedging instruments (to the extent that such changes are not recorded in earnings), adjusted by realized net gains/(losses) reclassified out of AOCI for sold AFS securities and terminated hedging relationships, as well as the portion of unrealized gains/(losses) on its financing agreements held at fair value related to instrument-specific credit risk, and is reduced by dividends declared on the Company's preferred stock and issuance costs of redeemed preferred stock.

(n) Derivative Financial Instruments

The Company may use derivative instruments to economically hedge a portion of its exposure to market risks, including interest rate risk and prepayment risk. The objective of the Company's risk management strategy is to reduce fluctuations in net book value over a range of interest rate scenarios.

Swaps

The Company has entered into Swaps that are not designated as hedges for accounting purposes. Changes in the fair value of the Company's Swaps not designated in hedging transactions are recorded in Other income/(Loss), net on the Company's consolidated statements of operations.

To Be Announced ("TBA") Securities

During 2021 and 2022, the Company entered into transactions to take short positions in TBA securities in connection with the management of interest rate and other market risks associated with purchases of Agency eligible investor loans. As the Company did not intend to physically settle its transactions in TBA securities, they were required to be accounted for as derivative financial instruments. The Company did not apply hedge accounting to its TBA securities. Accordingly, TBA securities were recorded on the Company's balance sheets at fair value, with realized and unrealized changes in fair value each period recorded in Other income/(Loss), net in the Company's consolidated statements of operations.

(o) Fair Value Measurements and the Fair Value Option for Financial Assets and Financial Liabilities

The Company's presentation of fair value for its financial assets and liabilities is determined within a framework that stipulates that the fair value of a financial asset or liability is an exchange price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. This definition of fair value focuses on exit price and prioritizes the use of market-based inputs over entity-specific inputs when determining fair value. In addition, the framework for measuring fair value establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date.

In addition to the financial instruments that it is required to report at fair value, the Company has elected the fair value option for certain of its financial assets and liabilities at the time of acquisition or issuance. Subsequent changes in the fair value of these financial instruments are generally reported in Other income/(Loss), net, in the Company's consolidated

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statements of operations. A decision to elect the fair value option for an eligible financial instrument, which may be made on an instrument by instrument basis, is irrevocable (see Notes 2(b), 2(c), 3, 4, and 13).

(p) Variable Interest Entities

An entity is referred to as a VIE if it meets at least one of the following criteria: (i) the entity has equity that is insufficient to permit the entity to finance its activities without the additional subordinated financial support of other parties; or (ii) as a group, the holders of the equity investment at risk lack (a) the power to direct the activities of an entity that most significantly impact the entity's economic performance; (b) the obligation to absorb the expected losses; or (c) the right to receive the expected residual returns; or (iii) the holders of the equity investment at risk have disproportional voting rights and the entity's activities are conducted on behalf of the investor that has disproportionately few voting rights.

The Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

The Company has entered into several financing transactions which resulted in the Company forming entities to facilitate these transactions. In determining the accounting treatment to be applied to these transactions, the Company concluded that the entities used to facilitate these transactions are VIEs and that they should be consolidated. If the Company had determined that consolidation was not required, it would have then assessed whether the transfers of the underlying assets would qualify as sales or should be accounted for as secured financings under GAAP (see Note 14).

The Company also includes on its consolidated balance sheets certain financial assets and liabilities that are acquired/issued by trusts and/or other special purpose entities that have been evaluated as being required to be consolidated by the Company under the applicable accounting guidance.

The Company has an investment in a VIE, in which it is not considered to be the primary beneficiary and therefore is not consolidated, but is considered an equity method investment. The VIE owns a newly constructed industrial property as further described in Note 5.

(q) Offering Costs Related to Issuance and Redemption of Preferred Stock

Offering costs related to the issuance of preferred stock are recorded as a reduction in Additional paid-in capital, a component of Stockholders' Equity, at the time such preferred stock is issued. On redemption of preferred stock, any excess of the fair value of the consideration transferred to the holders of the preferred stock over the carrying amount of the preferred stock in the Company's consolidated balance sheets is included in the determination of Net Income Available to Common Stock and Participating Securities in the calculation of EPS.

(r) Contingencies

Lima One has reached agreement, or is in the process of reaching agreement, on certain state and local governmental incentives, in connection with its agreement to lease new office space for its headquarters in Greenville, SC based on certain anticipated capital expenditures and anticipated job creation. These incentives are generally recognized when there is reasonable assurance that the incentive will be received and that the Company will comply with the conditions specified in the related agreement. These incentives have commitment terms of up to ten years and may be subject to clawback if the commitments are not fulfilled. No material amounts related to any incentives have been recognized through June 30, 2024.

(s) New Accounting Standards and Interpretations

As of June 30, 2024, there were no new accounting standards or interpretations adopted by the Company that had a material effect on its consolidated financial statements in 2024.

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3. Residential Whole Loans

Included on the Company's consolidated balance sheets at June 30, 2024 and December 31, 2023 are approximately \$9.2 billion and \$9.0 billion, respectively, of residential whole loans generally arising from the Company's interests in certain trusts established to acquire the loans and certain entities established in connection with its loan securitization transactions. The Company has assessed that these entities are required to be consolidated for financial reporting purposes. Starting in the second quarter of 2021, the Company elected the fair value option for all loan acquisitions, including loans originated by Lima One subsequent to its acquisition by the Company. Prior to the second quarter of 2021, the fair value option was typically elected only for loans that were 60 or more days delinquent at purchase.

The following table presents the components of the Company's Residential whole loans, and the accounting model designated at June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	Held at Carrying Value		Held at Fair Value		Total	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Business purpose loans:						
Single-family transitional loans (1)	\$ 27,857	\$ 35,467	\$ 1,190,699	\$ 1,157,732	\$ 1,218,556	\$ 1,193,199
Multifamily transitional loans	—	—	1,155,198	1,168,297	1,155,198	1,168,297
Single-family rental loans (2)	129,471	172,213	1,514,219	1,462,583	1,643,690	1,634,796
Total Business purpose loans	\$ 157,328	\$ 207,680	\$ 3,860,116	\$ 3,788,612	\$ 4,017,444	\$ 3,996,292
Non-QM loans	791,746	843,884	3,203,845	2,961,693	3,995,591	3,805,577
Legacy RPL/NPL loans	477,826	498,671	655,230	705,424	1,133,056	1,204,095
Other loans	—	—	53,416	55,779	53,416	55,779
Allowance for Credit Losses	(13,271)	(20,451)	—	—	(13,271)	(20,451)
Total Residential whole loans	\$ 1,413,629	\$ 1,529,784	\$ 7,772,607	\$ 7,511,508	\$ 9,186,236	\$ 9,041,292
Number of loans	5,973	6,326	19,848	19,075	25,821	25,401

(1) Includes \$476.9 million and \$471.1 million of loans collateralized by new construction projects at origination as of June 30, 2024 and December 31, 2023, respectively.

(2) As of June 30, 2024, no loans were held-for-sale and as of December 31, 2023, \$13.6 million of held-for sale loans were included in the carrying value. For the three months ended March 31, 2024, the Company recorded a \$0.5 million gain on these loans resulting from their sale. There were no gains on held-for-sale loans for the three months ended June 30, 2024.

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The following tables presents additional information regarding the Company's Residential whole loans:

June 30, 2024

(Dollars In Thousands)	Asset Amount	Fair Value	Unpaid Principal Balance ("UPB")	Weighted Average Coupon (1)	Weighted Average Term to Maturity (Months)	Weighted Average LTV Ratio (2)	Weighted Average Original FICO (3)	Aging by UPB				60+ Days Past Due %
								Current	Past Due Days			
								30-59	60-89	90+		
Business purpose loans:												
Single-family transitional (4)	\$ 1,217,255	\$ 1,217,599	\$ 1,226,736	10.39 %	6	67 %	748	\$ 1,100,554	\$ 20,416	\$ 8,837	\$ 96,929	8.6 %
Multifamily transitional (4)	1,155,198	1,155,198	1,184,613	8.87 %	11	66 %	748	1,097,323	33,188	15,544	38,558	4.6 %
Single-family rental	1,643,081	1,642,760	1,712,879	6.62 %	330	69 %	739	1,637,918	12,197	4,627	58,137	3.7 %
Total business purpose loans	\$ 4,015,534	\$ 4,015,557	\$ 4,124,228	8.39 %		68 %		\$ 3,835,795	\$ 65,801	\$ 29,008	\$ 193,624	5.4 %
Non-QM loans	3,994,236	3,949,676	4,183,917	6.16 %	341	64 %	735	3,975,323	82,676	34,121	91,797	3.0 %
Legacy RPL/NPL loans	1,123,050	1,140,736	1,284,232	5.12 %	257	56 %	647	874,319	134,000	43,974	231,939	21.5 %
Other loans	53,416	53,416	65,671	3.44 %	326	66 %	758	65,671	—	—	—	— %
Residential whole loans, total or weighted average	\$ 9,186,236	\$ 9,159,385	\$ 9,658,048	6.98 %		64 %		\$ 8,751,108	\$ 282,477	\$ 107,103	\$ 517,360	6.5 %

December 31, 2023

(Dollars In Thousands)	Asset Amount	Fair Value	Unpaid Principal Balance ("UPB")	Weighted Average Coupon (1)	Weighted Average Term to Maturity (Months)	Weighted Average LTV Ratio (2)	Weighted Average Original FICO (3)	Aging by UPB				60+ Days Past Due %
								Current	Past Due Days			
								30-59	60-89	90+		
Business purpose loans:												
Single-family transitional (4)	\$ 1,190,612	\$ 1,191,715	\$ 1,197,346	10.01 %	7	66 %	747	\$ 1,070,759	\$ 27,246	\$ 17,004	\$ 82,337	8.3 %
Multifamily transitional (4)	1,168,297	1,168,297	1,170,775	8.41 %	14	63 %	747	1,116,402	33,778	9,614	10,981	1.8 %
Single-family rental	1,630,442	1,628,734	1,729,923	6.30 %	320	70 %	738	1,636,810	12,543	12,314	68,256	4.7 %
Total business purpose loans	\$ 3,989,351	\$ 3,988,746	\$ 4,098,044	7.99 %		67 %		\$ 3,823,971	\$ 73,567	\$ 38,932	\$ 161,574	4.9 %
Non-QM loans (5)	3,700,052	3,644,261	3,934,798	5.78 %	344	65 %	735	3,732,327	98,017	29,587	74,867	2.7 %
Legacy RPL/NPL loans	1,192,457	1,213,199	1,355,280	5.03 %	262	59 %	648	896,587	142,240	44,609	271,844	23.3 %
Other loans	55,779	55,779	66,830	3.44 %	332	66 %	758	65,094	1,508	—	228	0.3 %
Residential whole loans, total or weighted average	\$ 8,937,639	\$ 8,901,985	\$ 9,454,952	6.04 %		65 %		\$ 8,517,979	\$ 315,332	\$ 113,128	\$ 508,513	6.6 %

- (1) Weighted average is calculated based on the interest bearing principal balance of each loan within the related category. For loans acquired with servicing rights released by the seller, interest rates included in the calculation do not reflect loan servicing fees. For loans acquired with servicing rights retained by the seller, interest rates included in the calculation are net of servicing fees.
- (2) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the origination date. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots, for which the LTV ratio is not meaningful. 60+ LTV has been calculated on a consistent basis.
- (3) Excludes loans for which no Fair Isaac Corporation ("FICO") score is available.
- (4) For Single-family and Multifamily transitional loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated "after repaired" value of the collateral securing the related loan, where available. For certain Single-family transitional loans, totaling \$467.2 million and \$332.5 million at June 30, 2024 and December 31, 2023, respectively, and certain Multifamily transitional loans, totaling \$498.7 million and \$218.8 million at June 30, 2024 and December 31, 2023, respectively, an after repaired valuation was not available. For these loans, the weighted average LTV is calculated based on the current unpaid principal balance and the as-is value of the collateral securing the related loan.
- (5) Excluded from the table above are approximately \$103.7 million of Residential whole loans, at fair value for which the closing of the purchase transaction had not occurred as of December 31, 2023.

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During the three months ended March 31, 2024, Non-QM and Single-family rental loans with an unpaid principal balance of \$171.0 million were sold, realizing losses, before the impact of economic hedging gains and the reversal of previously recognized unrealized losses, of \$21.7 million. Upon sale, the Company reversed \$23.7 million of previously recognized unrealized losses, resulting in a net gain of \$2.0 million during the first quarter of 2024. During the three months ended June 30, 2024, Residential whole loans with an unpaid principal balance of \$12.4 million were sold, realizing gains, before the impact of economic hedging and the reversal of previously recognized unrealized gains, of \$0.4 million. Upon sale, the Company reversed \$0.2 million of previously recognized unrealized gains, resulting in a net gain of \$0.2 million during the second quarter of 2024. No Residential whole loans were sold during the six months ended June 30, 2023.

Allowance for Credit Losses

The following table presents a roll-forward of the allowance for credit losses on the Company's Residential whole loans, at carrying value:

(In Thousands)	Six Months Ended June 30, 2024				
	Single-family transitional loans (1)(2)	Single-family rental loans	Non-QM loans	Legacy RPL/NPL loans (3)	Totals
Allowance for credit losses at December 31, 2023	\$ 2,588	\$ 4,355	\$ 1,870	\$ 11,638	\$ 20,451
Current provision/(reversal)	(473)	228	(189)	(26)	(460)
Write-offs	(416)	59	—	(22)	(379)
Allowance for credit losses March 31, 2024	\$ 1,699	\$ 4,642	\$ 1,681	\$ 11,590	\$ 19,612
Current provision/(reversal)	(317)	978	(326)	(1,414)	(1,079)
Write-offs	(81)	(5,011)	—	(170)	(5,262)
Allowance for credit losses at June 30, 2024	\$ 1,301	\$ 609	\$ 1,355	\$ 10,006	\$ 13,271

(In Thousands)	Six Months Ended June 30, 2023				
	Single-family transitional loans (1)(2)	Single-family rental loans	Non-QM loans	Legacy RPL/NPL loans (3)	Totals
Allowance for credit losses at December 31, 2022	\$ 5,223	\$ 1,277	\$ 7,359	\$ 21,455	\$ 35,314
Current provision/(reversal)	406	514	(214)	(391)	315
Write-offs	(2,003)	(451)	—	(113)	(2,567)
Allowance for credit losses at March 31, 2023	\$ 3,626	\$ 1,340	\$ 7,145	\$ 20,951	\$ 33,062
Current provision/(reversal)	999	(103)	(233)	(398)	265
Write-offs	(1,785)	—	(206)	(301)	(2,292)
Allowance for credit losses at June 30, 2023	\$ 2,840	\$ 1,237	\$ 6,706	\$ 20,252	\$ 31,035

(1) In connection with Single-family transitional loans at carrying value, the Company had unfunded commitments of \$1.7 million and \$6.0 million as of June 30, 2024 and 2023, respectively, with an allowance for credit losses of \$0 and \$44,000 at June 30, 2024 and 2023, respectively. Such allowance is included in "Other liabilities" in the Company's consolidated balance sheets (see Note 7).

(2) Includes \$20.4 million and \$35.2 million of loans that were assessed for credit losses based on a collateral dependent methodology as of June 30, 2024 and 2023, respectively.

(3) Includes \$44.4 million and \$55.5 million of loans that were assessed for credit losses based on a collateral dependent methodology as of June 30, 2024 and 2023, respectively.

Prior to December 31, 2023, the Company's estimates of expected losses that form the basis of the Allowance for Credit Losses included certain qualitative adjustments which had the effect of increasing expected loss estimates. These qualitative adjustments were determined based on a variety of factors, including differences between the Company's loan portfolio and the loan portfolios represented by data available in regulatory filings of certain banks that are considered to have similar loan portfolios (available proxy data), and differences between current (and expected future) market conditions in comparison to market conditions that occurred in historical periods. Such differences included uncertainty with respect to any residual impact of the COVID-19 pandemic, anticipated inflation and increasing market interest rates, and heightened political uncertainty. The Company's estimates of credit losses reflect the Company's expectation that the performance of its portfolio may experience higher delinquencies and defaults compared to the performance in historical periods of portfolios included in the available proxy data. During 2023, the Company eliminated its qualitative adjustment and made updates to certain of its modeling assumptions which, in addition to a reduction in loan balances subject to allowances, caused a reduction in the overall

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allowance. Estimates of credit losses under credit losses on financial instruments (“CECL”) are highly sensitive to changes in assumptions and current economic conditions have increased the difficulty of accurately forecasting future conditions.

The carrying value of Residential whole loans on nonaccrual status as of June 30, 2024 and December 31, 2023 was \$602.0 million and \$624.1 million, respectively. During the three and six months ended June 30, 2024, the Company recognized \$3.0 million and \$6.3 million of interest income on loans on nonaccrual status, including \$2.0 million on its portfolio of loans which were non-performing at acquisition. At June 30, 2024 and December 31, 2023, there were approximately \$46.7 million and \$51.6 million, respectively, of loans held at carrying value on nonaccrual status that did not have an associated allowance for credit losses because they were determined to be collateral dependent and the estimated fair value of the related collateral exceeded the carrying value of each loan, respectively.

During the six months ended June 30, 2024, the Company did not grant any loan modification in its carrying value loan portfolio which gave a borrower a term extension. During the past 12 months, the Company has granted three loan modifications in its carrying value loan portfolio which gave borrowers term extensions. The average increase in weighted average life was twenty-eight months. As of June 30, 2024, the carrying value of these loans was approximately \$0.5 million, and three of these modifications were delinquent for 90 or more days.

The following table presents certain additional credit-related information regarding our Residential whole loans, at carrying value:

(In Thousands)	Amortized Cost Basis by Origination Year and LTV Bands				
	2024 - 2022	2021	2020	Prior	Total
Business purpose loans					
LTV <= 80% (1)	\$ —	\$ 7,866	\$ 18,446	\$ 123,464	\$ 149,776
LTV > 80% (1)	—	—	3,076	4,476	7,552
Total Business purpose loans	\$ —	\$ 7,866	\$ 21,522	\$ 127,940	\$ 157,328
Six Months Ended June 30, 2024 Gross write-offs	\$ —	\$ 13	\$ (4)	\$ 5,440	\$ 5,449
Non-QM loans					
LTV <= 80% (1)	\$ —	\$ 41,697	\$ 161,594	\$ 575,433	\$ 778,724
LTV > 80% (1)	—	1,381	7,902	3,739	13,022
Total Non-QM loans	\$ —	\$ 43,078	\$ 169,496	\$ 579,172	\$ 791,746
Six Months Ended June 30, 2024 Gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —
Legacy RPL/NPL loans					
LTV <= 80% (1)	\$ —	\$ —	\$ —	\$ 421,253	\$ 421,253
LTV > 80% (1)	—	—	—	56,573	56,573
Total Legacy RPL/NPL loans	\$ —	\$ —	\$ —	\$ 477,826	\$ 477,826
Six Months Ended June 30, 2024 Gross write-offs	\$ —	\$ —	\$ —	\$ 192	\$ 192
Total LTV <= 80% (1)	\$ —	\$ 49,563	\$ 180,040	\$ 1,120,150	\$ 1,349,753
Total LTV > 80% (1)	\$ —	\$ 1,381	\$ 10,978	\$ 64,788	\$ 77,147
Total Residential whole loans, at carrying value	\$ —	\$ 50,944	\$ 191,018	\$ 1,184,938	\$ 1,426,900
Six Months Ended June 30, 2024 Total Gross write-offs	\$ —	\$ 13	\$ (4)	\$ 5,632	\$ 5,641

(1) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the origination date. For Single-family and Multifamily transitional loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated “after repaired” value of the collateral securing the related loan, where available. For certain Single-family transitional loans, totaling \$467.2 million at June 30, 2024, an after repaired valuation was not obtained and the loan was underwritten based on an “as is” valuation. The weighted average LTV of these loans based on the current unpaid principal balance and the valuation obtained during underwriting is 74% at June 30, 2024. Certain low value loans secured by vacant lots are categorized as LTV > 80%.

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The following table presents vintage information regarding our Residential whole loans, at fair value:

(In Thousands)	Fair Value by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
Single-family transitional loans	\$ 317,005	\$ 618,208	\$ 224,974	\$ 29,773	\$ 398	\$ 341	\$ 1,190,699
Multifamily transitional loans	94,417	548,950	365,969	145,862	—	—	1,155,198
Single-family rental loans	185,993	360,847	573,014	385,268	8,820	277	1,514,219
Non-QM loans	403,689	763,521	633,928	1,366,728	228	35,751	3,203,845
Legacy RPL/NPL loans	—	—	—	—	—	655,230	655,230
Other loans	—	—	—	53,416	—	—	53,416
Total Residential whole loans, at fair value	\$ 1,001,104	\$ 2,291,526	\$ 1,797,885	\$ 1,981,047	\$ 9,446	\$ 691,599	\$ 7,772,607

The following table presents realized credit losses, net of recoveries, on liquidated residential whole loans or residential whole loans that were transferred to REO, recognized in Other, net:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Single-family transitional loans	\$ (271)	\$ 971	\$ 381	\$ 1,099
Multifamily transitional loans	(80)	—	(107)	—
Single-family rental loans	(567)	117	(1,454)	459
Non-QM loans	87	869	88	861
Legacy RPL/NPL loans	(518)	(1,184)	(899)	(1,735)
Other loans	—	—	—	—
Total Residential whole loans	\$ (1,349)	\$ 773	\$ (1,991)	\$ 684

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The following tables present certain information regarding the LTVs of the Company's Residential whole loans that are 60 days or more delinquent:

(Dollars In Thousands)	June 30, 2024		
	Carrying Value / Fair Value	UPB	LTV (1)
Business purpose loans:			
Single-family transitional loans	\$ 97,537	\$ 105,766	87 %
Multifamily transitional loans	46,377	54,102	69 %
Single-family rental loans	48,617	62,764	112 %
Total Business purpose loans	\$ 192,531	\$ 222,632	
Non-QM loans	122,663	125,918	62 %
Legacy RPL/NPL loans	250,125	275,913	64 %
Other loans	—	—	— %
Total Residential whole loans	\$ 565,319	\$ 624,463	

(Dollars In Thousands)	December 31, 2023		
	Carrying Value / Fair Value	UPB	LTV (1)
Business purpose loans:			
Single-family transitional loans	\$ 93,960	\$ 99,341	66 %
Multifamily transitional loans	19,812	20,595	63 %
Single-family rental loans	65,659	80,570	109 %
Total Business purpose loans	\$ 179,431	\$ 200,506	
Non-QM loans	102,252	104,454	64 %
Legacy RPL/NPL loans	290,928	316,453	69 %
Other loans	188	228	73 %
Total Residential whole loans	\$ 572,799	\$ 621,641	

(1) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the origination date. For Single-family and Multifamily transitional loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated "after repaired" value of the collateral securing the related loan, where available. For certain Single-family transitional loans, an after repaired valuation was not obtained and the loan was underwritten based on an "as is" valuation. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots, for which the LTV ratio is not meaningful.

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The following tables present the components of interest income on the Company's Residential whole loans:

(In Thousands)	Held at Carrying Value		Held at Fair Value		Total	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Business purpose loans:						
Single-family transitional loans	\$ 152	\$ 518	\$ 30,090	\$ 18,231	\$ 30,242	\$ 18,749
Multifamily transitional loans	—	—	25,291	13,872	25,291	13,872
Single-family rental loans	2,277	2,880	25,287	20,261	27,564	23,141
Total Business purpose loans	\$ 2,429	\$ 3,398	\$ 80,668	\$ 52,364	\$ 83,097	\$ 55,762
Non-QM loans	11,530	11,646	47,219	33,872	58,749	45,518
Legacy RPL/NPL loans	8,453	9,214	14,893	17,036	23,346	26,250
Other loans	—	—	525	518	525	518
Total Residential whole loans	\$ 22,412	\$ 24,258	\$ 143,305	\$ 103,790	\$ 165,717	\$ 128,048

(In Thousands)	Held at Carrying Value		Held at Fair Value		Total	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Business purpose loans:						
Single-family transitional loans	\$ 393	\$ 1,138	\$ 57,867	\$ 33,923	\$ 58,260	\$ 35,061
Multifamily transitional loans	—	—	50,489	25,787	50,489	25,787
Single-family rental loans	4,838	5,859	49,828	38,596	54,666	44,455
Total Business purpose loans	\$ 5,231	\$ 6,997	\$ 158,184	\$ 98,306	\$ 163,415	\$ 105,303
Non-QM loans	22,949	24,320	91,660	65,287	114,609	89,607
Legacy RPL/NPL loans	15,933	17,441	28,383	31,832	44,316	49,273
Other loans	—	—	1,042	3,375	1,042	3,375
Total Residential whole loans	\$ 44,113	\$ 48,758	\$ 279,269	\$ 198,800	\$ 323,382	\$ 247,558

The following table presents the components of Net gain/(loss) on residential whole loans measured at fair value through earnings:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	Business purpose loans:			
Single-family transitional loans	\$ (5,413)	\$ 304	\$ (4,121)	\$ 398
Multifamily transitional loans	(24,503)	146	(27,073)	2,073
Single-family rental loans	18,442	(36,381)	17,607	(1,891)
Total Business purpose loans	\$ (11,474)	\$ (35,931)	\$ (13,587)	\$ 580
Non-QM loans	32,107	(87,136)	29,569	1,728
Legacy RPL/NPL loans	(3,621)	(6,733)	(9,921)	(4,502)
Other loans	(582)	(903)	(1,144)	665
Total Residential whole loans	\$ 16,430	\$ (130,703)	\$ 4,917	\$ (1,529)

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4. Securities, at Fair Value

Agency MBS

Agency MBS are guaranteed as to principal and/or interest by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae.

The following table presents certain information regarding the composition of our Agency MBS portfolio as of June 30, 2024 and December 31, 2023:

June 30, 2024						
(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value	Weighted Average Loan Age (Months)	CPR (1)
30-Year Fixed Rate:						
5.00% Coupon	\$ 73,941	100.2 %	96.9 %	\$ 71,671	15	7.5 %
5.50% Coupon	267,221	100.4	98.9	264,251	17	8.6
6.00% Coupon	332,320	100.1	100.6	334,221	8	10.6
6.50% Coupon	30,473	100.4	102.3	31,170	9	11.3
Total	\$ 703,955	100.3 %	99.6 %	\$ 701,313	12	9.6 %
December 31, 2023						
(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value	Weighted Average Loan Age (Months)	CPR (1)
30-Year Fixed Rate:						
5.00% Coupon	\$ 76,360	100.2 %	99.1 %	\$ 75,650	9	2.4 %
5.50% Coupon	277,885	100.4	100.7	279,851	11	5.2
6.00% Coupon	177,842	100.0	101.7	180,841	7	4.2
6.50% Coupon	22,213	100.1	102.7	22,802	4	1.4
Total	\$ 554,300	100.3 %	100.9 %	\$ 559,144	9	4.3 %

(1) Reflects the average of the 1 month CPR for the number of months the security was held during the most recent 3 month period.

Term Notes Backed by MSR Collateral

At June 30, 2024 and December 31, 2023, the Company had \$54.3 million and \$79.9 million, respectively, of term notes issued by SPVs that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. Payment of principal and interest on these term notes is considered to be largely dependent on cash flows generated by the underlying MSRs, as this impacts the cash flows available to the SPV that issued the term notes.

At June 30, 2024, these term notes had an amortized cost of \$49.5 million, gross unrealized gains of approximately \$4.8 million, a weighted average yield of 14.5% and a weighted average term to maturity of 1.34 years. At December 31, 2023, the term notes had an amortized cost of \$74.2 million, gross unrealized gains of approximately \$5.7 million, a weighted average yield of 17.0% and a weighted average term to maturity of 1.84 years. The issuer of the notes had a one-time option to extend the maturity of the notes for an additional two years, subject to satisfaction of certain conditions, which was exercised in October 2023. The coupon stepped up by 0.75% at the time of the extension.

CRT Securities

CRT securities are debt obligations issued by or sponsored by Fannie Mae and Freddie Mac. The coupon payments on CRT securities are paid by the issuer and the principal payments received are dependent on the performance of loans in either a reference pool or an actual pool of loans. At June 30, 2024 and December 31, 2023, the Company had \$84.6 million and \$83.2 million, respectively, of CRT securities. As an investor in a CRT security, the Company may incur a principal loss if the performance of the actual or reference pool loans results in either an actual or calculated loss that exceeds the credit

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enhancement of the security owned by the Company. The Company assesses the credit risk associated with its investments in CRT securities by assessing the current and expected future performance of the associated loan pool. The Company pledges a portion of its CRT securities as collateral against its borrowings under repurchase agreements (see Note 6).

Non-Agency MBS

Non-Agency MBS are primarily secured by pools of residential mortgages, which are not guaranteed by an agency of the U.S. Government or any federally chartered corporation. At June 30, 2024, and December 31, 2023, the Company had \$23.1 million and \$23.8 million, respectively, of Non-Agency MBS. These securities were acquired on the de-consolidation of certain trusts that held previously securitized Agency Eligible investor loans.

The following tables present certain information about the Company's Agency MBS and other Securities, at June 30, 2024 and December 31, 2023:

June 30, 2024

(In Thousands)	Principal/ Current Face	Purchase Premiums	Accretable Purchase Discounts	Discount Designated as Credit Reserve (1)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)	Fair Value
Agency MBS	\$ 703,955	\$ 2,403	\$ (480)	\$ —	\$ 705,878	\$ 2,060	\$ (6,625)	\$ (4,565)	\$ 701,313
Other Securities (2)(3)(4)	161,988	16,041	(5,587)	(31,514)	140,928	21,476	(428)	21,048	161,976
Total residential mortgage securities (2)(3)(4)	<u>\$ 865,943</u>	<u>\$ 18,444</u>	<u>\$ (6,067)</u>	<u>\$ (31,514)</u>	<u>\$ 846,806</u>	<u>\$ 23,536</u>	<u>\$ (7,053)</u>	<u>\$ 16,483</u>	<u>\$ 863,289</u>

December 31, 2023

(In Thousands)	Principal/ Current Face	Purchase Premiums	Accretable Purchase Discounts	Discount Designated as Credit Reserve (1)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)	Fair Value
Agency MBS	\$ 554,300	\$ 1,824	\$ (500)	\$ —	\$ 555,624	\$ 4,355	\$ (835)	\$ 3,520	\$ 559,144
Other Securities (2)(3)(4)	193,102	19,686	(5,637)	(40,514)	166,637	20,437	(128)	20,309	186,946
Total residential mortgage securities (2)(3)(4)	<u>\$ 747,402</u>	<u>\$ 21,510</u>	<u>\$ (6,137)</u>	<u>\$ (40,514)</u>	<u>\$ 722,261</u>	<u>\$ 24,792</u>	<u>\$ (963)</u>	<u>\$ 23,829</u>	<u>\$ 746,090</u>

(1) Discount designated as Credit Reserve is generally not expected to be accreted into interest income.

(2) Based on management's current estimates of future principal cash flows expected to be received.

(3) Amounts disclosed at June 30, 2024 includes CRT securities with a fair value of \$52.0 million for which the fair value option has been elected. Such securities had approximately \$3.4 million gross unrealized gains and no gross unrealized losses at June 30, 2024. Amounts disclosed at December 31, 2023 includes CRT securities with a fair value of \$51.2 million for which the fair value option has been elected. Such securities had gross unrealized gains of approximately \$2.3 million and no gross unrealized losses at December 31, 2023.

(4) Amounts disclosed at June 30, 2024 include Non-Agency MBS with a fair value of \$23.1 million for which the fair value option had been elected. Such securities had approximately \$0.5 million gross unrealized gains and \$0.4 million gross unrealized losses at June 30, 2024. Amounts disclosed at December 31, 2023 include Non-Agency MBS with a fair value of \$23.8 million for which the fair value option has been elected. Such securities had \$0.5 million gross unrealized gains and \$0.1 million gross unrealized losses at December 31, 2023.

Sales of Residential Mortgage Securities

During the three and six months ended June 30, 2024, the Company sold MSR-related assets for approximately \$29.6 million, realizing gains of \$2.7 million. During the three and six months ended June 30, 2023, there were no sales of MSR-related assets.

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Impairment and Other Net Gain/(Loss) on Securities and Other Portfolio Investments

The following table present the components of Impairment and other net gain/(loss) on securities and other portfolio investments for the three and six months ended June 30, 2024 and 2023, which is presented in Other Income/(Loss), net in the consolidated statements of operations:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net unrealized gain/(loss) on securities	\$ (3,186)	\$ (3,697)	\$ (7,298)	\$ (766)
Net realized gain/(loss) from the sale of securities	2,668	—	2,668	—
Impairment of securities	—	—	—	—
Total Impairment and other net gain/(loss) on securities	(518)	(3,697)	(4,630)	(766)
Net unrealized gain/(loss) on other portfolio investments	(2,324)	(872)	(2,988)	(872)
Net realized gain/(loss) on other portfolio investments	—	—	—	—
Total Impairment and other net gain/(loss) on securities and other portfolio investments	\$ (2,842)	\$ (4,569)	\$ (7,618)	\$ (1,638)

Unrealized Losses on Residential Mortgage Securities

There were no gross unrealized losses on the Company's AFS securities (whose changes in fair value are recorded through OCI) at June 30, 2024.

There were no allowances for credit losses recorded with respect to the Company's AFS securities for any of the periods presented. The Company did not recognize an allowance for credit losses through earnings related to its AFS securities for the three and six months ended June 30, 2024 and 2023.

Impact of AFS Securities on AOCI

The following table presents the impact of the Company's AFS securities (whose changes in fair value are recorded through OCI) on its AOCI for the three and six months ended June 30, 2024 and 2023:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
AOCI from AFS securities:				
Unrealized gain on AFS securities at beginning of period	\$ 19,526	\$ 20,225	\$ 17,698	\$ 21,341
Unrealized gain/(loss) on securities available-for-sale	784	(6,805)	2,612	(7,921)
Reclassification adjustment for MBS sales included in net income	(2,658)	—	(2,658)	—
Change in AOCI from AFS securities	(1,874)	(6,805)	(46)	(7,921)
Balance at end of period	\$ 17,652	\$ 13,420	\$ 17,652	\$ 13,420

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Interest Income on Securities, at Fair Value

The following table presents the components of interest income on the Company's Securities, at fair value for the three and six months ended June 30, 2024 and 2023:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Agency MBS				
Coupon interest	\$ 8,682	\$ 4,471	\$ 16,412	\$ 6,522
Effective yield adjustment (1)(2)	(36)	(45)	(51)	(76)
Interest income	\$ 8,646	\$ 4,426	\$ 16,361	\$ 6,446
Other MBS				
Coupon interest	\$ 2,075	\$ 2,025	\$ 4,160	\$ 3,936
Effective yield adjustment (1)(2)	44	28	74	217
Interest income	\$ 2,119	\$ 2,053	\$ 4,234	\$ 4,153
Term notes backed by MSR collateral				
Coupon interest	\$ 1,810	\$ 2,100	\$ 3,761	\$ 4,063
Effective yield adjustment (2)	1,054	1,369	2,265	2,594
Interest income	\$ 2,864	\$ 3,469	\$ 6,026	\$ 6,657

(1) Includes amortization of premium paid net of accretion of purchase discount. Interest income is recorded at an effective yield, which reflects net premium amortization/accretion based on actual prepayment activity.

(2) The effective yield adjustment is the difference between the net income calculated using the net yield less the current coupon yield. The net yield may be based on management's estimates of the amount and timing of future cash flows or in the instrument's contractual cash flows, depending on the relevant accounting standards.

5. Other Assets

The following table presents the components of the Company's Other assets at June 30, 2024 and December 31, 2023:

(In Thousands)	June 30, 2024	December 31, 2023
REO	\$ 108,013	\$ 110,174
Commercial REO	24,788	22,717
Goodwill	61,076	61,076
Intangibles, net (1)	6,400	8,000
Capital contributions made to loan origination partners	18,296	19,780
Commercial loans	44,954	51,426
Interest receivable	106,427	98,924
Other loan related receivables	19,377	24,084
Lease right-of-use asset (2)	36,482	37,819
Other	60,160	63,097
Total Other Assets	\$ 485,973	\$ 497,097

(1) Net of aggregate accumulated amortization of \$21.6 million and \$20.0 million as of June 30, 2024 and December 31, 2023, respectively.

(2) An estimated incremental borrowing rate of 7.5% was used in connection with the Company's primary operating lease (see Notes 2 and 9).

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(a) Real Estate Owned and Commercial REO

The below table summarizes the aggregate carrying value of REO properties by loan source prior to foreclosure proceeding or from completion of a deed-in-lieu of foreclosure or similar legal agreement.

(Dollars In Thousands)	June 30, 2024	December 31, 2023
Business purpose loans	\$ 39,465	\$ 28,328
Non-QM loans	1,717	3,374
Legacy RPL/NPL loans	66,831	78,472
Total	<u>\$ 108,013</u>	<u>\$ 110,174</u>
Number of properties	352	300

At June 30, 2024, \$107.9 million of residential real estate property was held by the Company that was acquired either through a completed foreclosure proceeding or from completion of a deed-in-lieu of foreclosure or similar legal agreement. In addition, formal foreclosure proceedings were in process with respect to \$67.6 million of residential whole loans held at carrying value and \$304.5 million of residential whole loans held at fair value at June 30, 2024.

The following table presents the activity in the Company's REO for the three and six months ended June 30, 2024 and 2023:

(Dollars In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 106,185	\$ 121,215	\$ 110,174	\$ 130,605
Adjustments to record at lower of cost or fair value	(2,690)	(1,800)	(3,957)	(2,853)
Transfer from residential whole loans (1)	25,609	28,256	44,951	49,181
Purchases and capital improvements, net	52	118	203	256
Disposals and other (2)	(21,143)	(27,793)	(43,358)	(57,193)
Balance at end of period	<u>\$ 108,013</u>	<u>\$ 119,996</u>	<u>\$ 108,013</u>	<u>\$ 119,996</u>
Number of properties	352	338	352	338

(1) During the three and six months ended June 30, 2024, the Company recognized \$(1.2) million and \$(2.4) million of gains / (losses), respectively, on Residential whole loans in Other Income/(Loss), net associated with the transfer of loans to REO. During the three and six months ended June 30, 2023, the Company recognized \$1.2 million and \$1.3 million of gains / (losses), respectively, on Residential whole loans in Other Income/(Loss), net associated with the transfer of loans to REO.

(2) During the three and six months ended June 30, 2024, the Company sold 63 and 136 REO properties for consideration of \$25.6 million and \$49.8 million, realizing net gains of approximately \$4.5 million and \$6.5 million, respectively. During the three and six months ended June 30, 2023, the Company sold 95 and 194 REO properties for consideration of \$31.7 million and \$65.5 million, realizing net gains of approximately \$4.0 million and \$9.0 million, respectively. These amounts are included in Other Income/(Loss), net on the Company's consolidated statements of operations.

Commercial REO

In December 2023, the Company received a 75% interest in an entity which owns a newly constructed industrial property as part of the negotiated settlement of a delinquent commercial mortgage loan. The entity was determined to be a VIE but the Company was not determined to be the primary beneficiary; as a result, the investment in the entity is considered an equity method investment. During the three and six months ended June 30, 2024, the Company recorded a \$0.2 million and \$0.7 million loss, respectively, based on updated valuations of the property, which the Company entered into an agreement to sell in May 2024. The entity accounts for this commercial REO similarly to the manner in which the Company accounts for its residential REO. The entity does not own any other significant assets or carry any significant liabilities and the property is currently vacant and considered held-for-sale.

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(b) Goodwill and Intangible Assets

On July 1, 2021, the Company completed the acquisition of Lima One. In connection with the acquisition of Lima One, the Company identified and recorded goodwill of \$61.1 million and finite-lived intangible assets totaling \$28.0 million.

The amortization period for each of the finite lived intangible assets and the activity for the six months ended June 30, 2024 is summarized in the table below:

(Dollars in Thousands)	Carrying Value at December 31, 2023	Amortization Six Months Ended June 30, 2024	Carrying Value at June 30, 2024	Amortization Period (Years) (1)
Trademarks / Trade Names	\$ 3,000	\$ (200)	\$ 2,800	10
Customer Relationships	3,000	(1,000)	2,000	4
Internally Developed Software	2,000	(400)	1,600	5
Total Identified Intangibles	<u>\$ 8,000</u>	<u>\$ (1,600)</u>	<u>\$ 6,400</u>	

(1) Amortization is calculated on a straight-line basis over the amortization period, except for Customer Relationships, where amortization is calculated based on expected levels of customer attrition.

(c) Capital Contributions Made to Loan Origination Partners

The Company has made investments in several loan originators as part of its strategy to be a reliable source of capital to select partners from whom the Company sources residential mortgage loans through both flow arrangements and bulk purchases. At June 30, 2024, the carrying value of these investments (including adjustments for impairments or mark-to-market changes) was \$18.3 million, including \$3.2 million of common equity (including partnership interests) and \$15.1 million of preferred equity.

During the six months ended June 30, 2024 and 2023, there were no impairment charges recorded by the Company on its investments in loan origination partners.

For certain of the Company's investments, the interests acquired to date by the Company generally do not have a readily determinable fair value. Consequently, the Company accounts for these interests (including any acquired options and warrants) in loan originators initially at cost. The carrying value of these investments will be adjusted if it is determined that an impairment has occurred or if there has been a subsequent observable transaction in either the investee company's equity securities or a similar security that provides evidence to support an adjustment to the carrying value. In addition, for certain partners, options or warrants have also been acquired that provide the Company the ability to increase the level of its investment if certain conditions are met. At the end of each reporting period, or earlier if circumstances warrant, the Company evaluates whether the nature of its interests and other involvement with the investee entity requires the Company to apply equity method accounting or consolidate the results of the investee entity with the Company's financial results.

(d) Commercial Mortgage Loans

The Company owns a portfolio of participations in commercial mortgage bridge loans, which are accounted for at fair value under the fair value option, and are classified as Level 3 fair value measurements in the fair value hierarchy. The participations range from 49% to 75% of the total UPB of the related loans; the remaining interest in each loan was retained by the originator of such loan. The commercial mortgage loans are predominantly collateralized by multifamily properties; the collateral also includes one senior living property and one office property. The commercial mortgage loans are generally first liens and bear variable interest rates. The Company received an interest in one of the underlying properties in the fourth quarter of 2023, as further described above under "Commercial REO."

The following table presents certain additional information about the Company's commercial mortgage loans as of June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	Fair Value / Carrying Value	UPB	Weighted Average Coupon	Weighted Average Term to Maturity (Months)	UPB 60+ Days Delinquent	Weighted Average LTV Ratio
Commercial Loans - June 30, 2024	\$ 44,954	\$ 46,633	13.29 %	1	\$ 39,227	65 %
Commercial Loans - December 31, 2023	<u>\$ 51,426</u>	<u>\$ 51,602</u>	<u>13.18 %</u>	<u>2</u>	<u>\$ 3,521</u>	<u>66 %</u>

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(e) Derivative Instruments

Swaps

The Company's derivative instruments include Swaps, which are used to economically hedge the interest rate risk associated with certain borrowings. Pursuant to these arrangements, the Company agreed to pay a fixed rate of interest and receive a variable interest rate, generally based on the Secured Overnight Financing Rate ("SOFR"), on the notional amount of the Swap. At June 30, 2024, none of the Company's Swaps were designated as hedges for accounting purposes.

Variation margin payments on the Company's Swaps are treated as a legal settlement of the exposure under the related Swap contract, the effect of which reduces what would have otherwise been reported as the fair value of the Swap, generally to zero.

The following table presents the assets pledged as collateral against the Company's Swaps:

(In Thousands)	June 30, 2024	December 31, 2023
Agency MBS, at fair value	\$ 47,932	\$ 41,179
Restricted Cash	5,741	22,880

At June 30, 2024, the Company had Swaps with an aggregate notional amount of \$3.3 billion and an average maturity of approximately 35 months with a maximum term of approximately 120 months. The following table presents information about the Company's Swaps at June 30, 2024, and December 31, 2023:

Maturity (1)	June 30, 2024			December 31, 2023		
	Notional Amount	Weighted Average Fixed-Pay Interest Rate	Weighted Average Variable Interest Rate (2)	Notional Amount	Weighted Average Fixed-Pay Interest Rate	Weighted Average Variable Interest Rate (2)
(Dollars in Thousands)						
Over 30 days to 3 months	\$ —	— %	— %	\$ 100,000	1.49 %	5.38 %
Over 3 months to 6 months	450,010	0.90	5.33	—	—	—
Over 6 months to 12 months	675,000	1.52	5.33	450,010	0.90	5.38
Over 12 months to 24 months	—	—	—	675,000	1.52	5.38
Over 24 months to 36 months	1,425,000	1.53	5.33	450,000	1.12	5.38
Over 36 months to 48 months	—	—	—	975,000	1.73	5.38
Over 48 months to 60 months	353,600	3.11	5.33	24,600	4.28	5.38
Over 60 months to 72 months	—	—	—	310,000	2.95	5.38
Over 72 months	374,650	4.24	5.33	292,650	4.32	5.38
Total Swaps	<u>\$ 3,278,260</u>	<u>1.92 %</u>	<u>5.33 %</u>	<u>\$ 3,277,260</u>	<u>1.85 %</u>	<u>5.38 %</u>

(1) Each maturity category reflects contractual amortization and/or maturity of notional amounts.

(2) Reflects the benchmark variable rate due from the counterparty at the date presented. This rate adjusts daily based on SOFR.

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Impact of Derivative Instruments on Earnings

The following table present the components of Net gain/(loss) on derivatives used for risk management purposes, which is presented in Other Income/(Loss), net in the consolidated statements of operations:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Income on swap variable receive leg	\$ 44,132	\$ 37,784	\$ 88,309	\$ 71,635
Expense on swap fixed pay leg	(15,199)	(11,819)	(30,284)	(23,853)
Unrealized mark-to-market gain/(loss)	(10,237)	37,018	12,945	(3,729)
Net price alignment expense on margin collateral received	(2,609)	(2,532)	(4,942)	(4,810)
Total Net gain/(loss) on derivatives used for risk management purposes	<u>\$ 16,087</u>	<u>\$ 60,451</u>	<u>\$ 66,028</u>	<u>\$ 39,243</u>

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6. Financing Agreements

The following tables present the components of, and certain information with respect to, the Company's Financing agreements at June 30, 2024 and December 31, 2023:

June 30, 2024					
(Dollars In Thousands)	Collateral	Unpaid Principal Balance	Fair Value / Carrying Value (1)	Weighted Average Cost of Funding (2)	Weighted Average Term to Maturity (Months)
Agreements with mark-to-market collateral provisions	Residential whole loans and REO	\$ 1,999,166	\$ 1,998,352	7.44 %	12.4
Agreements with mark-to-market collateral provisions	Securities	730,844	730,844	5.74 %	0.2
Total Agreements with mark-to-market collateral provisions		2,730,010	2,729,196	7.00 %	
Agreements with non-mark-to-market collateral provisions	Residential whole loans and REO	932,031	931,146	7.95 %	14.9
Securitized debt	Residential whole loans	5,158,481	5,047,613	4.80 %	See Note 14
Convertible senior notes	Unsecured	—	—	6.64 %	
8.875% Senior Notes due 2029	Unsecured	115,000	110,912	9.84 %	55.6
9.00% Senior Notes due 2029	Unsecured	75,000	72,175	9.96 %	61.5
Impact of net Swap carry				(1.27)%	
Total Financing agreements (2)		\$ 9,010,522	\$ 8,891,042	4.63 %	

December 31, 2023					
(Dollars In Thousands)	Collateral	Unpaid Principal Balance	Fair Value / Carrying Value (1)	Weighted Average Cost of Funding (2)	Weighted Average Term to Maturity (Months)
Agreements with mark-to-market collateral provisions	Residential whole loans and REO	\$ 1,738,543	\$ 1,737,651	7.50 %	11.8
Agreements with mark-to-market collateral provisions	Securities	622,603	622,603	5.81 %	0.2
Total Agreements with mark-to-market collateral provisions		2,361,146	2,360,254	7.09 %	
Agreements with non-mark-to-market collateral provisions	Residential whole loans and REO	1,217,671	1,216,697	7.94 %	20.6
Securitized debt	Residential whole loans	4,894,746	4,750,805	4.37 %	See Note 14
Convertible senior notes	Unsecured	209,589	208,989	6.94 %	5.5
Impact of net Swap carry				(1.40)%	
Total Financing agreements (2)		\$ 8,683,152	\$ 8,536,745	4.33 %	

(1) The Company has both financing agreements held at fair value and financing agreements held at their carrying value (amortized cost basis). Financing agreements held at fair value are reported at estimated fair value each period as a result of the Company's fair value option election. The fair value option was not elected for financing agreements held at carrying value. Consequently, total financing agreements as presented reflects a summation of balances reported at fair and carrying value. At June 30, 2024, the Company had \$290.2 million of agreements with mark-to-market collateral provisions held at fair value, \$377.3 million of agreements with non-mark-to-market collateral provisions held at fair value, and \$4.4 billion of securitized debt held at fair value, with amortized cost bases of \$290.2 million, \$377.3 million, and \$4.5 billion, respectively. At December 31, 2023, the Company had \$178.9 million of agreements with mark-to-market collateral provisions held at fair value, \$469.4 million of agreements with non-mark-to-market collateral provisions held at fair value, and \$4.0 billion of securitized debt held at fair value, with amortized cost bases of \$178.9 million, \$469.4 million, and \$4.1 billion, respectively.

(2) Weighted average cost of funding reflects annualized quarter-to-date interest expense (inclusive of the amortization of deferred financing costs) divided by average balance for the financing agreements. The cost of funding for the total financing agreements includes the impact of the net carry (the difference between swap interest income received and swap interest expense paid) on the Company's Swaps. For the three months ended June 30, 2024, this decreased the overall funding cost by 127 basis points, and for the three months ended December 31, 2023, this decreased the overall funding cost by 140 basis points. The Company does not allocate the impact of the net carry by type of financing agreement.

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The following table presents maturities with respect to the Company's financing agreements with mark-to-market and non-mark-to-market collateral provisions:

(In Thousands)	As of June 30, 2024					
	Unpaid Principal Balance, Maturing In					
	Collateral	0-3 Months (1)	3-6 Months	6-12 Months	Greater than 12 Months (2)	Total
Agreements with mark-to-market collateral provisions	Residential whole loans	\$ 419,116	\$ 59,396	\$ 379,962	\$ 1,140,692	\$ 1,999,166
Agreements with mark-to-market collateral provisions	Securities	730,844	—	—	—	730,844
Total Agreements with mark-to-market collateral provisions		1,149,960	59,396	379,962	1,140,692	2,730,010
Agreements with non-mark-to-market collateral provisions	Residential whole loans	53,815	17,771	—	860,445	932,031

(1) \$1.1 billion of the mark-to-market agreements (included in the 0-3 months category) can be terminated by either party.

(2) Amounts presented are based on the assumed exercise of the Company's unilateral option to extend by one year the maturity of an Agreement with mark-market collateral provisions with \$356.4 million outstanding. The longest maturity date is approximately 27 months.

The following table presents information with respect to the Company's financing agreements with mark-to-market collateral provisions and associated assets pledged as collateral at June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	June 30, 2024	December 31, 2023
Mark-to-market financing agreements secured by residential whole loans (1)	\$ 1,972,521	\$ 1,712,489
Fair value of residential whole loans pledged as collateral under financing agreements	\$ 2,490,015	\$ 2,204,239
Weighted average haircut on residential whole loans (2)	20.45 %	20.90 %
Mark-to-market financing agreements secured by securities at fair value	\$ 730,844	\$ 622,603
Securities at fair value pledged as collateral under financing agreements	\$ 790,965	\$ 689,818
Weighted average haircut on securities at fair value (2)	6.86 %	8.07 %
Mark-to-market financing agreements secured by real estate owned	\$ 25,831	\$ 25,163
Fair value of real estate owned pledged as collateral under financing agreements	\$ 48,945	\$ 50,365
Weighted average haircut on real estate owned (2)	45.95 %	49.39 %

(1) Includes an aggregate of \$381.1 million and \$327.2 million of mark-to-market financing collateralized by Non-Agency MBS with a fair value of \$505.2 million and \$465.6 million obtained in connection with the Company's loan securitization transactions that are eliminated in consolidation as of June 30, 2024 and December 31, 2023, respectively.

(2) Haircut represents the percentage amount by which the collateral value is contractually required to exceed the loan amount.

The following table presents information with respect to the Company's financing agreements with non-mark-to-market collateral provisions and associated assets pledged as collateral at June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	June 30, 2024	December 31, 2023
Non-mark-to-market financing secured by residential whole loans	\$ 931,146	\$ 1,216,697
Fair value of residential whole loans pledged as collateral under financing agreements	\$ 1,165,089	\$ 1,510,146
Weighted average haircut on residential whole loans	19.75 %	17.65 %
Non-mark-to-market financing secured by real estate owned	\$ —	\$ —
Fair value of real estate owned pledged as collateral under financing agreements	\$ —	\$ —
Weighted average haircut on real estate owned	— %	— %

In addition, the Company had aggregate restricted cash held in connection with its financing agreements including securitized debt, of \$58.4 million and \$19.0 million at June 30, 2024 and December 31, 2023, respectively.

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The following table presents repricing information (excluding the impact of associated derivative hedging instruments, if any) about the Company's financing agreements that have non-mark-to-market collateral provisions as well as those that have mark-to-market collateral provisions, at June 30, 2024 and December 31, 2023:

Time Until Interest Rate Reset (Dollars in Thousands)	June 30, 2024		December 31, 2023	
	Amortized Cost Basis	Weighted Average Interest Rate	Amortized Cost Basis	Weighted Average Interest Rate
Within 30 days	\$ 3,662,041	7.17 %	\$ 3,578,816	7.36 %
Over 30 days to 3 months	—	—	—	—
Over 3 months to 12 months	—	—	—	—
Over 12 months	—	—	—	—
Total financing agreements	\$ 3,662,041	7.17 %	\$ 3,578,816	7.36 %

(a) Other Information on Financing Agreements

Convertible Senior Notes

On June 3, 2019, the Company issued \$230.0 million in aggregate principal amount of its Convertible Senior Notes in an underwritten public offering, including an additional \$30.0 million issued pursuant to the exercise of the underwriters' option to purchase additional Convertible Senior Notes. The total net proceeds the Company received from the offering were approximately \$223.3 million, after deducting offering expenses and the underwriting discount. The Convertible Senior Notes bore interest at a fixed rate of 6.25% per year. The Convertible Senior Notes were convertible at the option of the holders at any time until the close of business on the business day immediately preceding the maturity date into shares of the Company's common stock based on a conversion rate of 31.4346 shares (which reflected an adjustment resulting from the Company's Reverse Stock Split) of the Company's common stock for each \$1,000 principal amount of the Convertible Senior Notes, which is equivalent to a conversion price of approximately \$31.81 per share of common stock. The Convertible Senior Notes had an effective interest rate, including the impact of amortization to interest expense of debt issuance costs, of 6.94%. During the three months ended June 30, 2024, the Convertible Senior Notes matured and the Company repaid the amount in full.

In February 2023, the Company's Board authorized a repurchase program for its Convertible Senior Notes pursuant to which it could have repurchased up to \$100 million of its Convertible Senior Notes. During the three months ended March 31, 2024, the Company repurchased \$39.9 million principal amount of its Convertible Senior Notes for \$39.8 million and recorded a loss of \$0.1 million to Other Income/(Loss), net on the consolidated statement of operations. During the year ended December 31, 2023, the Company repurchased \$20.4 million principal amount of the Convertible Senior Notes for \$20.2 million and recorded a gain of \$0.1 million to Other Income/(Loss), net on the consolidated statement of operations.

The Convertible Senior Notes were the Company's senior unsecured obligations and were (i) effectively junior to all of the Company's secured indebtedness, which includes the Company's repurchase agreements and other financing arrangements, to the extent of the value of the collateral securing such indebtedness and (ii) equal in right of payment to the Company's existing and future senior unsecured obligations, if any.

8.875% Senior Notes due 2029 ("8.875% Senior Notes")

On January 11, 2024, the Company completed the issuance of \$115.0 million in aggregate principal amount of its 8.875% Senior Notes in an underwritten public offering, including \$15.0 million issued pursuant to the exercise of the underwriters' option to purchase additional 8.875% Senior Notes. The 8.875% Senior Notes are senior unsecured obligations of the Company and bear interest at a rate equal to 8.875% per year, payable in cash quarterly in arrears on February 15, May 15, August 15, and November 15 of each year, beginning on May 15, 2024, and are expected to mature on February 15, 2029, unless earlier redeemed. The Company may redeem the 8.875% Senior Notes in whole or in part at any time at the Company's option on or after February 15, 2026, at a redemption price equal to 100% of the outstanding principal amount of the 8.875% Senior Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. The total net proceeds to the Company from the offering of the 8.875% Senior Notes, after deducting the underwriter's discount and commissions and offering

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expenses, were approximately \$110.6 million. The 8.875% Senior Notes have an effective interest rate, including the impact of amortization to interest expense of debt issuance costs, of 9.83%.

9.00% Senior Notes due 2029 (“9.00% Senior Notes”)

On April 17, 2024, the Company completed the issuance of \$75.0 million in aggregate principal amount of its 9.00% Senior Notes in an underwritten public offering. The 9.00% Senior Notes are senior unsecured obligations of the Company and bear interest at a rate equal to 9.00% per year, payable in cash quarterly in arrears on February 15, May 15, August 15, and November 15 of each year, beginning on August 15, 2024, and are expected to mature on August 15, 2029, unless earlier redeemed. The Company may redeem the 9.00% Senior Notes in whole or in part at any time at the Company’s option on or after August 15, 2026, at a redemption price equal to 100% of the outstanding principal amount of the 9.00% Senior Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. The total net proceeds to the Company from the offering of the 9.00% Senior Notes, after deducting the underwriter’s discount and commissions and estimated offering expenses, were approximately \$72.0 million. The 9.00% Senior Notes have an effective interest rate, including the impact of amortization to interest expense of debt issuance costs, of 9.94%.

Both the 8.875% Senior Notes and the 9.00% Senior Notes are the Company’s senior unsecured obligations and are (i) effectively junior to all of the Company’s secured indebtedness, which includes the Company’s repurchase agreements and other financing arrangements, to the extent of the value of the collateral securing such indebtedness and (ii) equal in right of payment to each other and to the Company’s existing and future senior unsecured obligations, if any.

(b) Counterparties

The Company had financing agreements, including repurchase agreements and other forms of secured financing, with 14 and 14 counterparties at June 30, 2024 and December 31, 2023, respectively. The following table presents information with respect to each counterparty under financing agreements for which the Company had greater than 5% of stockholders’ equity at risk in the aggregate at June 30, 2024:

Counterparty (Dollars in Thousands)	June 30, 2024		
	Amount at Risk (1)	Weighted Average Months to Maturity	Percent of Stockholders’ Equity
Wells Fargo	303,437	15.7	16.11%
Barclays	152,786	10.1	8.11
Churchill Finance LLC	99,426	14.5	5.28

(1) The amount at risk reflects the difference between (a) the amount loaned to the Company through financing agreements, including interest payable, and (b) the cash and the fair value of the assets pledged by the Company as collateral, including accrued interest receivable on such assets.

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(c) Pledged Collateral

The following tables present the Company's assets (based on carrying value) pledged as collateral for its various financing arrangements as of June 30, 2024 and December 31, 2023:

(In Thousands)	June 30, 2024			
	Financing Agreements			Total
	Securitized	Non-Mark-to-Market (1)	Mark-to-Market (1) (2)	
Assets:				
Residential whole loans	5,968,917	\$ 1,164,586	\$ 1,984,335	\$ 9,117,838
Securities, at fair value	—	—	790,965	790,965
Other assets: REO	10,250	—	42,598	52,848
Total	5,979,167	\$ 1,164,586	\$ 2,817,898	\$ 9,961,651

(In Thousands)	December 31, 2023			
	Financing Agreements			Total
	Securitized	Non-Mark-to-Market (1)	Mark-to-Market (1) (2)	
Assets:				
Residential whole loans	5,696,729	\$ 1,513,904	\$ 1,733,674	\$ 8,944,307
Securities, at fair value	—	—	689,818	689,818
Other assets: REO	33,334	—	43,295	76,629
Total	5,730,063	\$ 1,513,904	\$ 2,466,787	\$ 9,710,754

(1) An aggregate of \$36.5 million and \$36.4 million of accrued interest on those assets pledged against non-mark-to-market and mark-to-market financing agreements had also been pledged as of June 30, 2024 and December 31, 2023, respectively.

(2) Includes an aggregate of \$381.1 million and \$327.2 million of mark-to-market financing collateralized by Non-Agency MBS with a fair value of \$505.2 million and \$465.6 million obtained in connection with the Company's loan securitization transactions that are eliminated in consolidation as of June 30, 2024 and December 31, 2023, respectively.

The Company pledges securities or cash as collateral to its counterparties in relation to certain of its financing arrangements. The Company exchanges collateral with its counterparties based on changes in the fair value, notional amount and term of the associated financing arrangements and Swaps, as applicable. In connection with these margining practices, either the Company or its counterparty may be required to pledge cash or securities as collateral. When the Company's pledged collateral exceeds the required margin, the Company may initiate a reverse margin call, at which time the counterparty may either return the excess collateral or provide collateral to the Company in the form of cash or equivalent securities. The Company's assets pledged as collateral are also described in Notes 2(e) - Restricted Cash and 5(e) - Derivative Instruments.

Certain of the Company's financing arrangements and derivative transactions are governed by underlying agreements that generally provide for a right of setoff in the event of default or in the event of a bankruptcy of either party to the transaction. In the Company's consolidated balance sheets, all balances associated with repurchase agreements are presented on a gross basis.

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7. Other Liabilities

The following table presents the components of the Company's Other liabilities at June 30, 2024 and December 31, 2023:

(In Thousands)	June 30, 2024	December 31, 2023
Payable for unsettled investment purchases	\$ —	\$ 103,654
Dividends and dividend equivalents payable	36,048	35,789
Lease liability	42,148	43,576
Accrued interest payable	33,089	30,834
Accrued expenses and other	191,356	122,177
Total Other Liabilities	<u>\$ 302,641</u>	<u>\$ 336,030</u>

8. Income Taxes

The Company has elected to be taxed as a REIT under the provisions of the Internal Revenue Code of 1986, as amended, (the "Code"), and the corresponding provisions of state law. The Company expects to operate in a manner that will enable it to satisfy the various requirements to maintain its status as a REIT for federal income tax purposes. In order to maintain its status as a REIT, the Company must, among other things, distribute at least 90% of its REIT taxable income (excluding net long-term capital gains) to stockholders in the timeframe permitted by the Code. As long as the Company maintains its status as a REIT, the Company will not be subject to regular federal income tax at the REIT level to the extent that it distributes 100% of its REIT taxable income (including net long-term capital gains) to its stockholders within the permitted timeframe. Should this not occur, the Company would be subject to federal taxes at prevailing corporate tax rates on the difference between its REIT taxable income and the amounts deemed to be distributed for that tax year. The Company's objective is to distribute 100% of its REIT taxable income to its stockholders within the permitted timeframe. If the Company fails to distribute during each calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amounts actually distributed. To the extent that the Company incurs interest, penalties or related excise taxes in connection with its tax obligations, including as a result of its assessment of uncertain tax positions, such amounts will be included in Operating and Other Expense on the Company's consolidated statements of operations.

In addition, the Company has elected to treat certain of its subsidiaries as TRS. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business. Generally, a domestic TRS is subject to U.S. federal, state and local corporate income taxes. Given that a portion of the Company's business is conducted through one or more TRS, the net taxable income earned by its domestic TRS, if any, is subject to corporate income taxation. To maintain the Company's REIT election, no more than 20% of the value of the Company's assets at the end of each calendar quarter may consist of stock or securities in TRS. For purposes of the determination of U.S. federal and state income taxes, the Company's subsidiaries that elected to be treated as TRS record current or deferred income taxes based on differences (both permanent and timing) between the determination of their taxable income and net income under GAAP.

Based on its analysis of any potentially uncertain tax positions, the Company concluded that it does not have any material uncertain tax positions that meet the relevant recognition or measurement criteria as of June 30, 2024, December 31, 2023 or June 30, 2023. As of the date of this filing, the Company's tax returns for tax years 2020 through 2022 are open to examination.

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The tax effects of temporary differences that give rise to significant portions of net deferred tax assets (“DTAs”) recorded at the Company’s domestic TRS entities at June 30, 2024 and December 31, 2023 are presented in the following table:

(In Thousands)	June 30, 2024		December 31, 2023	
Deferred tax assets (DTAs):				
Net operating loss and tax credit carryforwards	\$	86,277	\$	91,113
Unrealized mark-to-market, impairments and loss provisions		17,449		16,170
Other realized / unrealized treatment differences		(33,617)		(34,923)
Total deferred tax assets		70,109		72,360
Less: valuation allowance		(70,109)		(72,360)
Net deferred tax assets	\$	—	\$	—

Realization of the Company’s DTAs at June 30, 2024 is dependent on several factors, including generating sufficient taxable income to utilize net operating loss (“NOL”) carryforwards and generating sufficient capital gains in future periods prior to the expiration of capital loss carryforwards. The Company determines the extent to which realization of the deferred assets is not expected to be more likely than not and establishes a valuation allowance accordingly.

No net deferred tax benefit was recorded by the Company for the three and six months ended June 30, 2024 and 2023, related to the net taxable losses in TRS entities, since a valuation allowance for the full amount of the associated deferred tax asset at the ends of those periods was recognized as its recovery was not considered more likely than not. The related NOL carryforwards can be carried forward indefinitely, until fully utilized. The Company’s estimate of net DTAs could change in future periods to the extent that actual or revised estimates of future taxable income change from current expectations.

At June 30, 2024, the Company’s federal NOL carryforward from prior years was \$356.6 million, which may be carried forward indefinitely. If certain substantial changes in the Company’s ownership occur, there could be an annual limitation on the amount of the carryforwards that can be utilized.

The following table summarizes the Company’s income tax provision/(benefit) primarily recorded at the Company’s domestic TRS entities for the three and six months ended June 30, 2024 and 2023:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Current provision/(benefit)				
Federal	\$ 270	\$ (286)	\$ 692	\$ (420)
State	76	(71)	187	(125)
Total current provision/(benefit)	346	(357)	879	(545)
Deferred provision/(benefit)				
Federal	—	—	399	589
State	—	—	117	155
Total deferred provision/(benefit)	—	—	516	744
Total provision/(benefit)	\$ 346	\$ (357)	\$ 1,395	\$ 199

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The following is a reconciliation of the statutory federal tax rate to the Company's effective tax rate at June 30, 2024 and 2023:

	Six Months Ended	
	June 30, 2024	June 30, 2023
Federal statutory rate	21.0 %	21.0 %
Non-taxable REIT income (dividends paid deduction)	(17.6)%	(32.6)%
Other differences in taxable income/(loss) from GAAP	9.0 %	23.0 %
State and local taxes	(0.1)%	— %
Change in valuation allowance on DTAs	(10.6)%	(11.0)%
Effective tax rate	1.7 %	0.4 %

9. Commitments and Contingencies

(a) Lease Commitments

The Company's primary lease commitment relates to its corporate headquarters. For the three months ended June 30, 2024 and 2023, the Company recorded an expense in connection with this lease of approximately \$1.5 million and \$1.5 million, respectively, and for the six months ended June 30, 2024 and 2023, \$2.8 million and \$2.7 million, respectively. The original term specified in this lease is approximately fifteen years with a termination date of December 2036 and an option to renew for an additional five years.

At June 30, 2024, the contractual minimum rental payments (exclusive of possible rent escalation charges and normal recurring charges for maintenance, insurance and taxes) regarding the Company's lease commitments were as follows:

Year Ending December 31, (In Thousands)	Minimum Rental Payments	
2024 (1)	\$	3,028
2025		5,212
2026		4,839
2027		5,119
2028		5,055
Thereafter		41,944
Total	\$	65,197
Present Value Discount		(23,049)
Total Lease Liability (Note 7)	\$	42,148

(1) Reflects contractual minimum rental payments due for the period from July 1, 2024 through December 31, 2024.

Additionally, in June 2023, Lima One executed a lease agreement on new office space in Greenville, South Carolina for a thirteen-year term. The Company expects the average annual lease rental expense to be approximately \$3.2 million. Lima One currently expects to relocate to the space in the latter half of 2025. The agreement can be terminated by the Company if vertical construction of the building has not commenced by September 1, 2024.

(b) Representations and Warranties in Connection with Loan Securitization and Other Loan Sale Transactions

In connection with the loan securitization and sale transactions entered into by the Company, the Company has the obligation under certain circumstances to repurchase assets previously transferred to securitization vehicles, or otherwise sold, upon breach of certain representations and warranties. As of June 30, 2024, the Company was not aware of any material unsettled repurchase claims that would require a reserve (see Note 14).

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(c) Loan Commitments

At June 30, 2024, the Company had unfunded commitments in connection with its Single-family and Multifamily transitional loans of \$412.3 million and \$82.8 million, respectively (see Note 3). These commitments are subject to certain conditions that the respective borrowers must meet before funding is required. In addition, from time to time, Lima One makes short-term commitments to originate mortgage loans; such commitments were not significant at June 30, 2024.

(d) Guarantee

In connection with one of its investments in a loan origination partner, the Company has guaranteed up to \$42.5 million of such investee's warehouse financing. As of June 30, 2024, the Company has not recorded a liability in connection with this guarantee.

10. Stockholders' Equity**(a) Preferred Stock***7.50% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock")*

On April 15, 2013, the Company completed the issuance of 8.0 million shares of its Series B Preferred Stock with a par value of \$0.01 per share, and a liquidation preference of \$25.00 per share plus accrued and unpaid dividends, in an underwritten public offering. The Company's Series B Preferred Stock is entitled to receive a dividend at a rate of 7.50% per year on the \$25.00 liquidation preference before the Company's common stock is paid any dividends and is senior to the Company's common stock with respect to distributions upon liquidation, dissolution or winding up. Dividends on the Series B Preferred Stock are payable quarterly in arrears on or about March 31, June 30, September 30 and December 31 of each year. The Series B Preferred Stock is redeemable at \$25.00 per share plus accrued and unpaid dividends (whether or not authorized or declared), exclusively at the Company's option.

The Series B Preferred Stock generally does not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, the Series B Preferred Stock will be entitled to vote to elect two additional directors to the Company's Board of Directors (the "Board"), until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series B Preferred Stock cannot be made without the affirmative vote of holders of at least 66.67% of the outstanding shares of Series B Preferred Stock.

The following table presents cash dividends declared by the Company on its Series B Preferred Stock from January 1, 2023 through June 30, 2024:

Declaration Date	Record Date	Payment Date	Dividend Per Share
May 21, 2024	June 5, 2024	June 28, 2024	\$0.46875
February 20, 2024	March 5, 2024	March 28, 2024	0.46875
November 21, 2023	December 4, 2023	December 29, 2023	0.46875
August 17, 2023	September 5, 2023	September 29, 2023	0.46875
May 22, 2023	June 5, 2023	June 30, 2023	0.46875
February 21, 2023	March 6, 2023	March 31, 2023	0.46875

6.50% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Series C Preferred Stock")

On February 28, 2020, the Company amended its charter through the filing of articles supplementary to reclassify 12,650,000 shares of the Company's authorized but unissued common stock as shares of the Company's Series C Preferred Stock. On March 2, 2020, the Company completed the issuance of 11.0 million shares of its Series C Preferred Stock with a par value of \$0.01 per share, and a liquidation preference of \$25.00 per share plus accrued and unpaid dividends, in an underwritten public offering. The total net proceeds the Company received from the offering were approximately \$266.0 million, after deducting offering expenses and the underwriting discount.

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The Company's Series C Preferred Stock is entitled to receive dividends (i) from and including the original issue date to, but excluding, March 31, 2025, at a fixed rate of 6.50% per year on the \$25.00 liquidation preference and (ii) from and including March 31, 2025, at a floating rate equal to three-month London Interbank Offered Rate ("LIBOR") plus a spread of 5.345% per year of the \$25.00 per share liquidation preference before the Company's common stock is paid any dividends, and is senior to the Company's common stock with respect to distributions upon liquidation, dissolution or winding up. In light of the discontinuance of the publication of three-month LIBOR after June 2023 and pursuant to the Adjustable Interest Rate (LIBOR) Act and the Federal Reserve's final rules promulgated thereunder, the three-month CME Term SOFR (Secured Overnight Financing Rate) has replaced three-month LIBOR as the successor base rate. Dividends on the Series C Preferred Stock are payable quarterly in arrears on or about March 31, June 30, September 30 and December 31 of each year. The Series C Preferred Stock is not redeemable by the Company prior to March 31, 2025, except under circumstances where it is necessary to preserve the Company's qualification as a REIT for U.S. federal income tax purposes and upon the occurrence of certain specified change in control transactions. On or after March 31, 2025, the Company may, at its option, subject to certain procedural requirements, redeem any or all of the shares of the Series C Preferred Stock for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date.

The Series C Preferred Stock generally does not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, the Series C Preferred Stock will be entitled to vote to elect two additional directors to the Company's Board, until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series C Preferred Stock cannot be made without the affirmative vote of holders of at least 66.67% of the outstanding shares of Series C Preferred Stock.

The following table presents cash dividends declared by the Company on its Series C Preferred Stock from January 1, 2023 through June 30, 2024:

Declaration Date	Record Date	Payment Date	Dividend Per Share
May 21, 2024	June 5, 2024	June 28, 2024	\$0.40625
February 20, 2024	March 5, 2024	March 28, 2024	0.40625
November 21, 2023	December 4, 2023	December 29, 2023	0.40625
August 17, 2023	September 5, 2023	September 29, 2023	0.40625
May 22, 2023	June 5, 2023	June 30, 2023	0.40625
February 21, 2023	March 6, 2023	March 31, 2023	0.40625

(b) Dividends on Common Stock

The following table presents cash dividends declared by the Company on its common stock from January 1, 2023 through June 30, 2024:

Declaration Date	Record Date	Payment Date	Dividend Per Share
June 11, 2024	June 28, 2024	July 31, 2024	\$0.35 (1)
March 7, 2024	March 28, 2024	April 30, 2024	0.35
December 13, 2023	December 29, 2023	January 31, 2024	0.35
September 20, 2023	October 2, 2023	October 31, 2023	0.35
June 15, 2023	June 30, 2023	July 31, 2023	0.35
March 10, 2023	March 31, 2023	April 28, 2023	0.35

(1) At June 30, 2024, the Company had accrued dividends and dividend equivalents payable of \$36.0 million related to the common stock dividend declared on June 11, 2024.

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(c) Discount Waiver, Direct Stock Purchase and Dividend Reinvestment Plan (“DRSPP”)

On September 27, 2022, the Company filed a shelf registration statement on Form S-3 with the SEC under the Securities Act of 1933, as amended (the “Securities Act”), for the purpose of registering common stock for sale through its DRSPP. Pursuant to Rule 462(e) under the Securities Act, this shelf registration statement became effective automatically upon filing with the SEC and registered an aggregate of 2.0 million shares of common stock. The Company’s DRSPP is designed to provide existing stockholders and new investors with a convenient and economical way to purchase shares of common stock through the automatic reinvestment of dividends and/or optional cash investments. At June 30, 2024, approximately 2.0 million shares of common stock remained available for issuance pursuant to the DRSPP shelf registration statement.

The Company did not issue any shares pursuant to its DRSPP during the six months ended June 30, 2024. From the inception of the DRSPP in September 2003 through June 30, 2024, the Company issued 8,848,219 shares pursuant to the DRSPP, raising net proceeds of \$290.8 million.

(d) At-the-Market Offering Program

On February 29, 2024, the Company entered into a distribution agreement pursuant to the terms of which the Company may offer and sell shares of its common stock having an aggregate gross sales price of up to \$300.0 million, from time to time, through various sales agents in transactions deemed to be “at-the-market” offerings under federal securities laws (the “ATM Program”).

The Company did not sell any shares of common stock through the ATM Program during the six months ended June 30, 2024.

(e) Stock Repurchase Program

On February 29, 2024, the Company announced its Board had authorized a new \$200 million stock repurchase program with respect to the Company’s common stock, which will be in effect through the end of 2025. The Company’s prior stock repurchase program, which was adopted in March 2022, had authorized the repurchase of up to \$250 million of common stock and expired on December 31, 2023, with approximately \$202.5 million remaining available at the date of expiration. The new stock repurchase program supersedes the prior stock repurchase program in its entirety.

The stock repurchase program does not require the purchase of any minimum number of shares. The timing and extent to which the Company repurchases its shares will depend upon, among other things, market conditions, share price, liquidity, regulatory requirements and other factors, and repurchases may be commenced or suspended at any time without prior notice. Acquisitions under the stock repurchase program may be made in the open market, through privately negotiated transactions or block trades or other means, in accordance with applicable securities laws (including, in the Company’s discretion, through the use of one or more plans adopted under Rule 10b5-1 promulgated under the Exchange Act of 1934, as amended (the “Exchange Act”).

The Company did not repurchase any shares of its common stock during the six months ended June 30, 2024 and 2023. At June 30, 2024, \$200 million remained available under the current authorization for the purchase of the Company’s common stock under the stock repurchase program.

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(f) Accumulated Other Comprehensive Income/(Loss)

The following table presents changes in the balances of each component of the Company's AOCI for the three and six months ended June 30, 2024:

(In Thousands)	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
	Net Unrealized Gain/(Loss) on AFS Securities	Net Unrealized Gain/(Loss) on Financing Agreements (1)	Total AOCI	Net Unrealized Gain/(Loss) on AFS Securities	Net Unrealized Gain/(Loss) on Financing Agreements (1)	Total AOCI
Balance at beginning of period	\$ 19,526	\$ —	\$ 19,526	\$ 17,698	\$ —	\$ 17,698
OCI before reclassifications	784	—	784	2,612	—	2,612
Amounts reclassified from AOCI	(2,658)	—	(2,658)	(2,658)	—	(2,658)
Net OCI during the period (2)	(1,874)	—	(1,874)	(46)	—	(46)
Balance at end of period	\$ 17,652	\$ —	\$ 17,652	\$ 17,652	\$ —	\$ 17,652

(1) Net Unrealized Gain/(Loss) on Financing Agreements at Fair Value due to changes in instrument-specific credit risk.

(2) For further information regarding changes in OCI, see the Company's consolidated statements of comprehensive income/(loss).

The following table presents changes in the balances of each component of the Company's AOCI for the three and six months ended June 30, 2023:

(In Thousands)	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Net Unrealized Gain/(Loss) on AFS Securities	Net Unrealized Gain/(Loss) on Financing Agreements (1)	Total AOCI	Net Unrealized Gain/(Loss) on AFS Securities	Net Unrealized Gain/(Loss) on Financing Agreements (1)	Total AOCI
Balance at beginning of period	\$ 20,225	\$ —	\$ 20,225	\$ 21,341	\$ —	\$ 21,341
OCI before reclassifications	(6,805)	—	(6,805)	(7,921)	—	(7,921)
Amounts reclassified from AOCI	—	—	—	—	—	—
Net OCI during the period (2)	(6,805)	—	(6,805)	(7,921)	—	(7,921)
Balance at end of period	\$ 13,420	\$ —	\$ 13,420	\$ 13,420	\$ —	\$ 13,420

(1) Net Unrealized Gain/(Loss) on Financing Agreements at Fair Value due to changes in instrument-specific credit risk.

(2) For further information regarding changes in OCI, see the Company's consolidated statements of comprehensive income/(loss).

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11. EPS Calculation

The following table presents a reconciliation of the earnings/(loss) and shares used in calculating basic and diluted earnings/(loss) per share for the three and six months ended June 30, 2024 and 2023:

(In Thousands, Except Per Share Amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic Earnings/(Loss) per Share:				
Net income/(loss)	\$ 41,946	\$ (25,928)	\$ 65,159	\$ 46,856
Dividends declared on preferred stock	(8,218)	(8,218)	(16,437)	(16,437)
Dividends, dividend equivalents and undistributed earnings allocated to participating securities	(114)	—	(281)	—
Net income/(loss) available to common stockholders - basic	\$ 33,614	\$ (34,146)	\$ 48,441	\$ 30,419
Basic weighted average common shares outstanding	103,446	102,186	103,310	102,170
Basic Income/(Loss) per Share	\$ 0.32	\$ (0.34)	\$ 0.47	\$ 0.30
Diluted Earnings/(Loss) per Share:				
Net income/(loss) available to common stockholders - basic	\$ 33,614	\$ (34,146)	\$ 48,441	\$ 30,419
Interest expense on Convertible Senior Notes	—	—	—	—
Dividends, dividend equivalents and undistributed earnings allocated to participating securities	—	—	—	—
Net income/(loss) available to common stockholders - diluted	\$ 33,614	\$ (34,146)	\$ 48,441	\$ 30,419
Basic weighted average common shares outstanding	103,446	102,186	103,310	102,170
Effect of assumed conversion of Convertible Senior Notes to common shares	—	—	—	—
Unvested and vested restricted stock units	1,730	—	1,643	1,771
Diluted weighted average common shares outstanding (1)	105,176	102,186	104,953	103,941
Diluted Income/(Loss) per Share	\$ 0.32	\$ (0.34)	\$ 0.46	\$ 0.29

(1) At June 30, 2024, the Company had approximately 341,000 equity instruments outstanding that were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2024, respectively as they were determined to be anti-dilutive. These equity instruments reflect RSUs (based on current estimate of expected share settlement amount) with a weighted average grant date fair value of \$11.20. These equity instruments may have a dilutive impact on future EPS.

During the six months ended June 30, 2024, the Convertible Senior Notes were determined to be anti-dilutive and were excluded from the calculation of diluted EPS under the “if-converted” method. Under this method, the periodic interest expense for dilutive notes is added back to the numerator and the weighted average number of shares that the notes are entitled to (if converted, regardless of whether the conversion option is in or out of the money) are included in the denominator for the purpose of calculating diluted EPS.

12. Equity Compensation and Other Benefit Plans
(a) Equity Compensation Plan

In accordance with the terms of the Company’s Equity Plan, which was approved by the Company’s stockholders on June 6, 2023 (and which amended and restated the Company’s 2020 Equity Compensation Plan), directors, officers and employees of the Company and any of its subsidiaries and other persons expected to provide significant services for the Company and any of its subsidiaries are eligible to receive grants of stock options (“Options”), restricted stock, RSUs, dividend equivalent rights and other stock-based awards under the Equity Plan.

Subject to certain exceptions, stock-based awards relating to a maximum of 8.5 million shares of common stock may be granted under the Equity Plan; forfeitures and/or awards that expire unexercised do not count toward this limit. At June 30, 2024, approximately 3.9 million shares of common stock remained available for grant in connection with stock-based awards under the Equity Plan. A participant may generally not receive stock-based awards in excess of 2.0 million shares of common stock in any one year and no award may be granted to any person who, assuming exercise of all Options and payment of all awards held by such person, would own or be deemed to own more than 9.8% of the outstanding shares of the Company’s common stock. Unless previously terminated by the Board, awards may be granted under the Equity Plan until June 6, 2033.

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Restricted Stock Units

Under the terms of the Equity Plan, RSUs are instruments that provide the holder with the right to receive, subject to the satisfaction of conditions set by the Compensation Committee at the time of grant, a payment of a specified value, which may be a share of the Company's common stock, the fair market value of a share of the Company's common stock, or such fair market value to the extent in excess of an established base value, on the applicable settlement date. Although the Equity Plan permits the Company to issue RSUs that can settle in cash, all of the Company's outstanding RSUs as of June 30, 2024 are designated to be settled in shares of the Company's common stock. The Company granted 94,333 and 1,349,819 RSUs during the three and six months ended June 30, 2024, respectively, and granted 90,388 and 1,608,063 RSUs during the three and six months ended June 30, 2023, respectively. There were 11,985 and 267,875 RSUs forfeited during the three and six months ended June 30, 2024, respectively, and 27,413 and 204,574 RSUs forfeited during the three and six months ended June 30, 2023, respectively. There were 129,949 and 58,505 RSUs surrendered to satisfy tax obligations during the six months ended June 30, 2024 and 2023, respectively. All holders of RSUs outstanding at June 30, 2024 may be entitled to receive dividend equivalent payments depending on the terms and conditions of the award either in cash at the time dividends are paid by the Company or at the time of settlement of the RSU award, or for performance-based RSU awards, as a grant of stock at the time such awards are settled. At June 30, 2024 and December 31, 2023, the Company had unrecognized compensation expense of \$12.7 million and \$9.2 million, respectively, related to RSUs. The unrecognized compensation expense at June 30, 2024, is expected to be recognized over a weighted average period of 2.0 years.

Restricted Stock

The Company did not grant any shares of restricted common stock during the six months ended June 30, 2024 and 2023. At June 30, 2024, the Company did not have any shares of restricted common stock outstanding.

Dividend Equivalents

A dividend equivalent is a right to receive a distribution equal to the dividend distributions that would be paid on a share of the Company's common stock. Dividend equivalents may be granted as a separate instrument or may be a right associated with the grant of another award (e.g., an RSU) under the Equity Plan, and they are paid typically in cash or other consideration at such times and in accordance with such rules as the Compensation Committee of the Board shall determine in its discretion. Dividend equivalent payments are generally charged to Stockholders' Equity when common stock dividends are declared to the extent that such equivalents are expected to vest. The Company made dividend equivalent payments associated with RSU awards of approximately \$0.3 million and \$1.7 million during the three and six months ended June 30, 2024, respectively, and approximately \$0.1 million and \$0.2 million during the three and six months ended June 30, 2023, respectively. In addition, no dividend equivalents rights awarded as separate instruments were granted during the six months ended June 30, 2024 and 2023.

Expense Recognized for Equity-Based Compensation Instruments

The following table presents the Company's expenses related to its equity-based compensation instruments for the three and six months ended June 30, 2024 and 2023:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
RSUs	\$ 3,899	\$ 3,932	\$ 10,142	\$ 6,952
Total	\$ 3,899	\$ 3,932	\$ 10,142	\$ 6,952

(b) Deferred Compensation Plans

The Company administers deferred compensation plans for its senior officers and non-employee directors (collectively, the "Deferred Plans"), pursuant to which participants may elect to defer up to 100% of certain cash compensation. The Deferred Plans are designed to align participants' interests with those of the Company's stockholders.

Amounts deferred under the Deferred Plans are considered to be converted into "stock units" of the Company. Stock units do not represent stock of the Company, but rather are a liability of the Company that changes in value as would equivalent shares of the Company's common stock. Deferred compensation liabilities are settled in cash at the termination of the deferral.

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period, based on the value of the stock units at that time. The Deferred Plans are non-qualified plans under the Employee Retirement Income Security Act of 1974 and, as such, are not funded. Prior to the time that the deferred accounts are settled, participants are unsecured creditors of the Company.

The Company's liability for stock units in the Deferred Plans is based on the market price of the Company's common stock at the measurement date. The following table presents the Company's expenses (reversal) related to its Deferred Plans for the three and six months ended June 30, 2024 and 2023:

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Non-employee directors	\$ (92)	\$ 305	\$ 14	\$ 414
Total	\$ (92)	\$ 305	\$ 14	\$ 414

The following table presents the aggregate amount of income deferred by participants of the Deferred Plans through June 30, 2024 and December 31, 2023 that had not been distributed and the Company's associated liability for such deferrals at June 30, 2024 and December 31, 2023:

(In Thousands)	June 30, 2024		December 31, 2023	
	Undistributed Income Deferred (1)	Liability Under Deferred Plans	Undistributed Income Deferred (1)	Liability Under Deferred Plans
Non-employee directors	\$ 2,644	\$ 2,446	\$ 2,611	\$ 2,404
Total	\$ 2,644	\$ 2,446	\$ 2,611	\$ 2,404

(1) Represents the cumulative amounts that were deferred by participants through June 30, 2024 and December 31, 2023, which had not been distributed through such respective date.

13. Fair Value of Financial Instruments

GAAP requires the categorization of fair value measurements into three broad levels that form a hierarchy. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following describes the valuation methodologies used for the Company's financial instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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Residential Whole Loans, at Fair Value

The Company determines the fair value of its residential whole loans held at fair value after considering valuations obtained from third parties that specialize in providing valuations of residential mortgage loans. The valuation approach applied generally depends on whether the loan is considered performing or non-performing at the date the valuation is performed. For performing loans, estimates of fair value are derived using a discounted cash flow approach, where estimates of cash flows are determined from the scheduled payments, adjusted using forecasted prepayment, default and loss given default rates. For non-performing loans, asset liquidation cash flows are derived based on the estimated time to liquidate the loan, the estimated value of the collateral, expected costs and estimated home price levels. Estimated cash flows for both performing and non-performing loans are discounted at yields considered appropriate to arrive at a reasonable exit price for the asset. Indications of loan value such as actual trades, bids, offers and generic market color may be used in determining the appropriate discount yield. The Company's residential whole loans held at fair value are classified as Level 3 in the fair value hierarchy; however, the Company determined that the market inputs used in valuing its Agency eligible investor loans were sufficiently observable to be classified as Level 2.

Securities, at Fair Value

Residential Mortgage Securities

In determining the fair value of the Company's other residential mortgage securities, management considers a number of observable market data points, including prices obtained from pricing services and brokers as well as dialogue with market participants. Valuations of TBA securities positions are based on executed levels for positions entered into and subsequently rolled forward, as well as prices obtained from pricing services for outstanding positions at each reporting date. These valuations are assessed for reasonableness by considering market TBA levels observed via Bloomberg for the same coupon and term to maturity. In valuing Non-Agency MBS, the Company understands that pricing services use observable inputs that include, in addition to trading activity observed in the marketplace, loan delinquency data, credit enhancement levels and vintage, which are taken into account to assign pricing factors such as spread and prepayment assumptions. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available.

The Company's residential mortgage securities are valued using various market data points as described above, which management considers directly or indirectly observable parameters. Accordingly, these securities are classified as Level 2 in the fair value hierarchy.

Term Notes Backed by MSR Collateral

The Company's valuation process for term notes backed by MSR collateral is similar to that used for residential mortgage securities and considers a number of observable market data points, including prices obtained from pricing services, brokers and repurchase agreement counterparties, dialogue with market participants, as well as management's observations of market activity. Other factors taken into consideration include estimated changes in fair value of the related underlying MSR collateral and, as applicable, the financial performance of the ultimate parent or sponsoring entity of the issuer, which has provided a guarantee that is intended to provide for payment of interest and principal to the holders of the term notes if cash flows generated by the related underlying MSR collateral are insufficient. Based on its evaluation of the observability of the data used in its fair value estimation process, these assets are classified as Level 2 in the fair value hierarchy.

Financing Agreements, at Fair Value

Agreements with mark-to-market collateral provisions

These agreements are secured and subject to margin calls and their base interest rates reset frequently to market based rates. As a result, no credit valuation adjustment is required, and the primary factor in determining their fair value is the credit spread paid over the base rate, which is a non-observable input as it is determined based on negotiations with the counterparty. The Company's financing agreements with mark-to-market collateral provisions held at fair value are classified as Level 2 in the fair value hierarchy if the credit spreads used to price the instrument reset frequently, which is typically the case with shorter term repurchase agreement contracts collateralized by securities. Financing agreements with mark-to-market collateral

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provisions that are typically longer term and are collateralized by residential whole loans where the credit spread paid over the base rate on the instrument is not reset frequently are classified as Level 3 in the fair value hierarchy.

Agreements with non-mark-to-market collateral provisions

These agreements are secured, but not subject to margin calls based on changes in the fair value of the financed residential whole loans. Such agreements may experience changes in advance rates or collateral eligibility as a result of factors such as changes in the delinquency status of the financed residential whole loans. As a result, a credit valuation adjustment would only be required if there were a significant decrease in collateral value, and the primary factor in determining their fair value is the credit spread paid over the base rate, which is a non-observable input as it is determined based on negotiations with the counterparty. The Company's financing agreements with non-mark-to-market collateral provisions held at fair value are classified as Level 3 in the fair value hierarchy.

Securitized Debt

In determining the fair value of securitized debt, management considers a number of observable market data points, including prices obtained from pricing services and brokers as well as dialogue with market participants, consistent with the valuation methodology for residential mortgage securities. Accordingly, the Company's securitized debt is classified as Level 2 in the fair value hierarchy.

Swaps

Variation margin payments on the Company's Swaps are treated as a legal settlement of the exposure under the related Swap contract, the effect of which reduces what would have otherwise been reported as the fair value of the Swap, generally to zero. The Company receives prices from pricing services to validate the fair value of the Swaps.

Changes to the valuation methodologies used with respect to the Company's financial instruments are reviewed by management to ensure any such changes result in appropriate exit price valuations. The Company will refine its valuation methodologies as markets and products develop and pricing methodologies evolve. The methods described above may produce fair value estimates that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those used by market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced. The Company reviews the classification of its financial instruments within the fair value hierarchy on a quarterly basis, and management may conclude that its financial instruments should be reclassified to a different level in the future.

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The following tables present the Company's financial instruments carried at fair value on a recurring basis as of June 30, 2024 and December 31, 2023, on the consolidated balance sheets by the valuation hierarchy, as previously described:

Fair Value at June 30, 2024

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Residential whole loans, at fair value	\$ —	\$ 53,416	\$ 7,719,191	\$ 7,772,607
Securities, at fair value	—	863,289	—	863,289
Total assets carried at fair value	<u>\$ —</u>	<u>\$ 916,705</u>	<u>\$ 7,719,191</u>	<u>\$ 8,635,896</u>
Liabilities:				
Agreements with non-mark-to-market collateral provisions	\$ —	\$ —	\$ 377,252	\$ 377,252
Agreements with mark-to-market collateral provisions	—	—	290,228	290,228
Securitized debt	—	4,414,701	—	4,414,701
Total liabilities carried at fair value	<u>\$ —</u>	<u>\$ 4,414,701</u>	<u>\$ 667,480</u>	<u>\$ 5,082,181</u>

Fair Value at December 31, 2023

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Residential whole loans, at fair value	\$ —	\$ 55,779	\$ 7,455,729	\$ 7,511,508
Securities, at fair value	—	746,090	—	746,090
Total assets carried at fair value	<u>\$ —</u>	<u>\$ 801,869</u>	<u>\$ 7,455,729</u>	<u>\$ 8,257,598</u>
Liabilities:				
Agreements with non-mark-to-market collateral provisions	—	—	469,424	469,424
Agreements with mark-to-market collateral provisions	—	—	178,864	178,864
Securitized debt	—	3,985,372	—	3,985,372
Total liabilities carried at fair value	<u>\$ —</u>	<u>\$ 3,985,372</u>	<u>\$ 648,288</u>	<u>\$ 4,633,660</u>

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents additional information for the three and six months ended June 30, 2024 and 2023 about the Company's Residential whole loans, at fair value, which are classified as Level 3 and measured at fair value on a recurring basis:

(In Thousands)	Residential Whole Loans, at Fair Value			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 7,599,254	\$ 6,013,378	\$ 7,455,729	\$ 5,676,430
Purchases and originations	536,071	734,748	1,024,121	1,071,563
Draws	152,160	132,914	315,905	251,991
Changes in fair value recorded in Net gain/(loss) on residential whole loans measured at fair value through earnings	16,682	(129,797)	26,889	(2,193)
Repayments	(555,099)	(293,792)	(901,662)	(527,226)
Loan sales and repurchases	(13,944)	(900)	(173,839)	(1,477)
Transfer to REO	(15,933)	(14,586)	(27,952)	(27,123)
Balance at end of period	<u>\$ 7,719,191</u>	<u>\$ 6,441,965</u>	<u>\$ 7,719,191</u>	<u>\$ 6,441,965</u>

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The following table presents additional information for the three and six months ended June 30, 2024 and 2023 about the Company's financing agreements with non-mark-to-market collateral provisions, which are classified as Level 3 and measured at fair value on a recurring basis:

(In Thousands)	Agreements with Non-mark-to-market Collateral Provisions			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 399,049	\$ 526,623	\$ 469,424	\$ 578,879
Issuances	44,798	126,565	112,740	272,395
Payment of principal	(66,595)	(213,082)	(204,912)	(411,168)
Change in unrealized losses	—	—	—	—
Balance at end of period	<u>\$ 377,252</u>	<u>\$ 440,106</u>	<u>\$ 377,252</u>	<u>\$ 440,106</u>

The following table presents additional information for the three and six months ended June 30, 2024 and 2023 about the Company's financing agreements with mark-to-market collateral provisions, which are classified as Level 3 and measured at fair value on a recurring basis:

(In Thousands)	Agreements with Mark-to-market Collateral Provisions			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 176,759	\$ 680,708	\$ 178,864	\$ 884,495
Issuances	114,601	9,463	114,601	22,018
Payment of principal	(1,132)	(137,009)	(3,237)	(353,351)
Changes in unrealized losses	—	—	—	—
Balance at end of period	<u>\$ 290,228</u>	<u>\$ 553,162</u>	<u>\$ 290,228</u>	<u>\$ 553,162</u>

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Fair Value Methodology for Level 3 Financial Instruments

Residential Whole Loans, at Fair Value

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's residential whole loans held at fair value for which it has utilized Level 3 inputs to determine fair value as of June 30, 2024 and December 31, 2023, dollars in thousands:

June 30, 2024						
Fair Value (1)	Valuation Technique	Unobservable Input	Weighted Average (2)	Range		
				Min	Max	
\$ 7,296,825	Discounted cash flow	Discount rate	7.8 %	6.6 %	20.0 %	
		Prepayment rate	12.2 %	— %	55.8 %	
		Default rate	1.8 %	— %	61.3 %	
		Loss severity	12.6 %	— %	100.0 %	
\$ 343,938	Liquidation model	Discount rate	8.9 %	8.0 %	20.0 %	
		Annual change in home prices	3.7 %	(0.1)%	12.1 %	
		Liquidation timeline (in years)	1.8	0.8	4.5	
		Current value of underlying properties (3)	\$627	\$16	\$14,126	
<u>\$ 7,640,763</u>						

(1) Excludes approximately \$78.4 million of Residential whole loans, at fair value, with a UPB of \$90.3 million, which were marked-to-market, but not based on a model, at June 30, 2024.

(2) Amounts are weighted based on the fair value of the underlying loan.

(3) Amounts represent simple average values of the properties underlying residential whole loans held at fair value.

December 31, 2023						
Fair Value (1)	Valuation Technique	Unobservable Input	Weighted Average (2)	Range		
				Min	Max	
\$ 7,045,862	Discounted cash flow	Discount rate	7.9 %	6.2 %	29.2 %	
		Prepayment rate	10.1 %	— %	46.4 %	
		Default rate	0.6 %	— %	39.5 %	
		Loss severity	10.8 %	— %	100.0 %	
\$ 291,518	Liquidation model	Discount rate	8.0 %	8.0 %	8.0 %	
		Annual change in home prices	3.7 %	(0.4)%	12.7 %	
		Liquidation timeline (in years)	1.9	0.1	4.5	
		Current value of underlying properties (3)	\$531	\$24	\$5,500	
<u>\$ 7,337,380</u>						

(1) Excludes approximately \$14.7 million of Residential whole loans, at fair value, with a UPB of \$15.9 million, which were marked-to-market, but not based on a model at December 31, 2023 and approximately \$103.7 million of Residential whole loans, at fair value for which the closing of the purchase transaction had not occurred as of that period end.

(2) Amounts are weighted based on the fair value of the underlying loan.

(3) Amounts represent simple average values of the properties underlying residential whole loans held at fair value.

Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in the fair value of residential whole loans. Loans valued using a discounted cash flow model are most sensitive to changes in the discount rate assumption, while loans valued using the liquidation model technique are most sensitive to changes in the current value of the underlying properties and the liquidation timeline. Increases in discount rates, default rates, loss severities, or liquidation timelines, either in isolation or collectively, would generally result in a lower fair value measurement, whereas increases in the current or expected value of the underlying properties, in isolation, would result in a higher fair value measurement. In practice, changes in valuation assumptions may not occur in isolation and the changes in any particular assumption may result in changes in other assumptions, which could offset or amplify the impact on the overall valuation.

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The following table presents the carrying values and estimated fair values of the Company's financial instruments at June 30, 2024 and December 31, 2023:

(In Thousands)	June 30, 2024	June 30, 2024		December 31, 2023	
	Level in Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:					
Residential whole loans	3	\$ 9,132,820	\$ 9,105,970	\$ 8,985,513	\$ 8,949,859
Residential whole loans	2	53,416	53,416	55,779	55,779
Securities, at fair value	2	863,289	863,289	746,090	746,090
Cash and cash equivalents	1	289,412	289,412	318,000	318,000
Restricted cash	1	252,015	252,015	170,211	170,211
Financial Liabilities (1):					
Financing agreements with non-mark-to-market collateral provisions	3	931,146	932,031	1,216,697	1,217,671
Financing agreements with mark-to-market collateral provisions	3	1,998,352	1,999,166	1,737,652	1,738,543
Financing agreements with mark-to-market collateral provisions	2	730,844	730,844	622,603	622,603
Securitized debt	2	5,047,613	4,965,310	4,750,805	4,655,195
Convertible senior notes	2	—	—	208,989	209,065
8.875% Senior Notes	2	110,912	114,478	—	—
9.00% Senior Notes	2	72,175	74,903	—	—

(1) Carrying value of securitized debt, Convertible Senior Notes, 8.875% Senior Notes, 9.00% Senior Notes, and certain repurchase agreements is net of associated debt issuance costs.

Other Assets Measured at Fair Value on a Nonrecurring Basis

The Company holds REO at the lower of the current carrying amount or fair value less estimated selling costs. During the six months ended June 30, 2024 and 2023, the Company recorded REO with an aggregate estimated fair value, less estimated cost to sell, of \$45.0 million and \$49.2 million, respectively, at the time of foreclosure. In addition, at June 30, 2024, the Company held one property which is considered Commercial REO (see Note 5) which is accounted for similarly and had an estimated fair value, less estimated cost to sell, of \$33.1 million, of which the Company's 75% interest was \$24.8 million. The Company classifies fair value measurements of REO as Level 3 in the fair value hierarchy.

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14. Use of Special Purpose Entities and Variable Interest Entities

A Special Purpose Entity (“SPE”) is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or re-securitizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying financial assets on improved terms. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through the SPE’s issuance of debt or equity instruments. Investors in a SPE usually have recourse only to the assets in the SPE and, depending on the overall structure of the transaction, may benefit from various forms of credit enhancement such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company has entered into several financing transactions that resulted in the Company consolidating as VIEs the SPEs that were created to facilitate these transactions. See Note 2(p) for a discussion of the accounting policies applied to the consolidation of VIEs and transfers of financial assets in connection with financing transactions.

The Company has engaged in loan securitizations primarily for the purpose of obtaining improved overall financing terms as well as non-recourse financing on a portion of its residential whole loan portfolio. Notwithstanding the Company’s participation in these transactions, the risks facing the Company are largely unchanged as the Company remains economically exposed to the first loss position on the underlying assets transferred to the VIEs.

Loan Securitization Transactions

The following table summarizes the key details of the Company’s consolidated loan securitization transactions currently outstanding as of June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	June 30, 2024	December 31, 2023
Aggregate unpaid principal balance of residential whole loans sold	\$ 8,664,831	\$ 8,241,053
Face amount of Senior Bonds issued by the VIE and purchased by third-party investors	\$ 7,567,271	\$ 7,152,213
Outstanding amount of Senior Bonds, at carrying value	\$ 632,912 (1)	\$ 765,433 (1)
Outstanding amount of Senior Bonds, at fair value	\$ 4,414,701	\$ 3,985,372
Outstanding amount of Senior Bonds, total	\$ 5,047,613	\$ 4,750,805
Weighted average fixed rate for Senior Bonds issued	4.88 % (2)	4.51 % (2)
Weighted average contractual maturity of Senior Bonds	34 years (2)	36 years (2)
Face amount of Senior Support Certificates received by the Company (3)	\$ 1,083,414	\$ 1,047,297
Cash received	\$ 7,504,463	\$ 7,089,575

(1) Net of \$1.3 million and \$1.5 million of deferred financing costs at June 30, 2024 and December 31, 2023, respectively.

(2) At June 30, 2024 and December 31, 2023, \$3.7 billion and \$3.4 billion, respectively, of Senior Bonds sold in securitization transactions contained a contractual coupon step-up feature whereby the coupon increases by either 100, 150, or 200 basis points or more at defined dates ranging from 24 months, up to 48 months from issuance if the bond is not redeemed before such date.

(3) Provides credit support to the Senior Bonds sold to third-party investors in the securitization transactions.

During the three and six months ended June 30, 2024, the Company issued Senior Bonds with a current face of \$160.0 million and \$655.1 million to third-party investors for proceeds of \$160.0 million and \$654.9 million before offering costs and accrued interest. The Senior Bonds issued by the Company during the three months ended June 30, 2024 are included in “Financing agreements, at fair value” (at carrying value) on the Company’s consolidated balance sheets (see Note 6). During the three months ended June 30, 2024, the Company liquidated one SPE (which had been formed in 2021) and repaid the remaining \$68.1 million of outstanding Senior Bonds issued by such SPE.

As of June 30, 2024 and December 31, 2023, as a result of the transactions described above, securitized loans of approximately \$6.0 billion and \$5.7 billion are included in “Residential whole loans” and REO with a carrying value of

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approximately \$10.2 million and \$33.3 million are included in “Other assets” on the Company’s consolidated balance sheets, respectively. As of June 30, 2024 and December 31, 2023, the aggregate carrying value of Senior Bonds issued by consolidated VIEs was \$5.0 billion and \$4.8 billion, respectively. These Senior Bonds are disclosed as “Securitized debt” and are included in Financing agreements on the Company’s consolidated balance sheets. The holders of the securitized debt have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances, to repurchase assets from the VIE upon the breach of certain representations and warranties with respect to the residential whole loans sold to the VIE. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

The Company concluded that the entities created to facilitate the loan securitization transactions are VIEs. The Company completed an analysis of whether each VIE created to facilitate the securitization transactions should be consolidated by the Company, based on consideration of its involvement in each VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of each VIE. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

- whether the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE; and
- whether the Company has a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

Based on its evaluation of the factors discussed above, including maintaining certain rights in each entity including rights to direct loss mitigation activities and its involvement in the purpose and design of the entity, the Company determined that it was required to consolidate each VIE created to facilitate the loan securitization transactions.

The Company also invests in securities issued by SPEs that may be VIEs. The Company is not the primary beneficiary of these SPEs, because it does not have the power to direct the activities that most significantly impact their economic performance, and therefore does not consolidate them. For these entities, the Company’s maximum exposure to loss is the amortized cost basis of the securities it owns, and it does not provide any liquidity arrangements, guarantees or other commitments to these entities. For more information on the Company’s investments in securities, see Note 4.

Residential Whole Loans and REO (including Residential Whole Loans and REO transferred to consolidated VIEs)

Included on the Company’s consolidated balance sheets as of June 30, 2024 and December 31, 2023 are a total of \$9.2 billion and \$9.0 billion, respectively, of residential whole loans. These assets, excluding certain loans originated and held by Lima One, and certain of the Company’s REO assets, are directly owned by certain trusts established by the Company to acquire the loans and entities established in connection with the Company’s loan securitization transactions. The Company has assessed that these entities are required to be consolidated (see Notes 3 and 5(a)).

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15. Segment Reporting

At June 30, 2024, the Company's reportable segments include (i) mortgage-related assets and (ii) Lima One. The Corporate column in the table below primarily consists of corporate cash and related interest income, investments in loan originators and related economics, general and administrative expenses not directly attributable to Lima One, interest expense on unsecured senior notes (see Note 6), securitization issuance costs, and preferred stock dividends.

The following tables summarize segment financial information, which in total reconciles to the same data for the Company as a whole:

(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Three months ended June 30, 2024				
Interest Income	\$ 101,216	\$ 81,780	\$ 3,835	\$ 186,831
Interest Expense	70,009	56,746	6,587	133,342
Net Interest Income/(Expense)	\$ 31,207	\$ 25,034	\$ (2,752)	\$ 53,489
Reversal/(Provision) for Credit Losses on Residential Whole Loans	1,079	—	—	1,079
Reversal/(Provision) for Credit Losses on Other Assets	(26)	—	—	(26)
Net Interest Income/(Expense) after Reversal/(Provision) for Credit Losses	\$ 32,260	\$ 25,034	\$ (2,752)	\$ 54,542
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 28,474	\$ (12,044)	\$ —	\$ 16,430
Impairment and other net gain/(loss) on securities and other portfolio investments	(1,358)	—	(1,484)	(2,842)
Net gain/(loss) on real estate owned	2,167	(287)	—	1,880
Net gain/(loss) on derivatives used for risk management purposes	11,296	4,791	—	16,087
Net gain/(loss) on securitized debt measured at fair value through earnings	(6,620)	(4,022)	—	(10,642)
Lima One - origination, servicing and other fee income	—	7,619	—	7,619
Net realized gain/(loss) on residential whole loans held at carrying value	—	—	—	—
Other, net	(85)	914	488	1,317
Other Income/(Loss), net	\$ 33,874	\$ (3,029)	\$ (996)	\$ 29,849
Compensation and benefits	\$ —	\$ 10,765	\$ 10,982	\$ 21,747
Other general and administrative expense	115	4,936	5,784	10,835
Loan servicing, financing and other related costs	4,796	615	3,306	8,717
Amortization of intangible assets	—	800	—	800
Income/(loss) before income taxes	\$ 61,223	\$ 4,889	\$ (23,820)	\$ 42,292
Provision for/(benefit from) income taxes	—	—	346	346
Net Income/(Loss)	\$ 61,223	\$ 4,889	\$ (24,166)	\$ 41,946
Less Preferred Stock Dividend Requirement	\$ —	\$ —	\$ 8,218	\$ 8,218
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 61,223	\$ 4,889	\$ (32,384)	\$ 33,728

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(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Three months ended June 30, 2023				
Interest Income	\$ 89,912	\$ 51,308	\$ 3,130	\$ 144,350
Interest Expense	57,308	38,575	3,962	99,845
Net Interest Income/(Expense)	\$ 32,604	\$ 12,733	\$ (832)	\$ 44,505
Reversal/(Provision) for Credit Losses on Residential Whole Loans	(294)	—	—	(294)
Net Interest Income/(Expense) after Reversal/(Provision) for Credit Losses	\$ 32,310	\$ 12,733	\$ (832)	\$ 44,211
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ (97,459)	\$ (33,244)	\$ —	\$ (130,703)
Impairment and other net gain/(loss) on securities and other portfolio investments	(3,697)	—	(872)	(4,569)
Net gain/(loss) on real estate owned	2,493	(340)	—	2,153
Net gain/(loss) on derivatives used for risk management purposes	45,142	15,309	—	60,451
Net gain/(loss) on securitized debt measured at fair value through earnings	18,887	8,507	—	27,394
Lima One - origination, servicing and other fee income	—	11,477	—	11,477
Other, net	3,812	1,076	604	5,492
Other Income/(Loss), net	\$ (30,822)	\$ 2,785	\$ (268)	\$ (28,305)
Compensation and benefits	\$ —	\$ 11,403	\$ 10,368	\$ 21,771
Other general and administrative expense	—	4,198	7,324	11,522
Loan servicing, financing and other related costs	5,395	131	2,072	7,598
Amortization of intangible assets	—	1,300	—	1,300
Income/(loss) before income taxes	\$ (3,907)	\$ (1,514)	\$ (20,864)	\$ (26,285)
Provision for/(benefit from) income taxes	—	—	(357)	(357)
Net Income/(Loss)	\$ (3,907)	\$ (1,514)	\$ (20,507)	\$ (25,928)
Less Preferred Stock Dividend Requirement	\$ —	\$ —	\$ 8,218	\$ 8,218
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ (3,907)	\$ (1,514)	\$ (28,725)	\$ (34,146)

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(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Six months ended June 30, 2024				
Interest Income	\$ 196,616	\$ 159,870	\$ 7,176	\$ 363,662
Interest Expense	136,860	113,336	12,163	262,359
Net Interest Income/(Expense)	\$ 59,756	\$ 46,534	\$ (4,987)	\$ 101,303
Reversal/(Provision) for Credit Losses on Residential Whole Loans	1,539	—	—	1,539
Reversal/(Provision) for Credit Losses on Other Assets	(1,135)	—	—	(1,135)
Net Interest Income/(Expense) after Reversal/(Provision) for Credit Losses	\$ 60,160	\$ 46,534	\$ (4,987)	\$ 101,707
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 19,775	\$ (14,858)	\$ —	\$ 4,917
Impairment and other net gain/(loss) on securities and other portfolio investments	(6,133)	—	(1,485)	(7,618)
Net gain/(loss) on real estate owned	3,423	(552)	—	2,871
Net gain/(loss) on derivatives used for risk management purposes	47,455	18,573	—	66,028
Net gain/(loss) on securitized debt measured at fair value through earnings	(18,196)	(14,908)	—	(33,104)
Lima One - origination, servicing and other fee income	—	15,547	—	15,547
Net realized gain/(loss) on residential whole loans held at carrying value	418	—	—	418
Other, net	875	1,418	899	3,192
Other Income/(Loss), net	\$ 47,617	\$ 5,220	\$ (586)	\$ 52,251
Compensation and benefits	\$ —	\$ 22,889	\$ 24,326	\$ 47,215
Other general and administrative expense	121	10,573	12,136	22,830
Loan servicing, financing and other related costs	10,066	1,135	4,558	15,759
Amortization of intangible assets	—	1,600	—	1,600
Income/(loss) before income taxes	\$ 97,590	\$ 15,557	\$ (46,593)	\$ 66,554
Provision for/(benefit from) income taxes	—	—	1,395	1,395
Net Income/(Loss)	\$ 97,590	\$ 15,557	\$ (47,988)	\$ 65,159
Less Preferred Stock Dividend Requirement	\$ —	\$ —	\$ 16,437	\$ 16,437
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 97,590	\$ 15,557	\$ (64,425)	\$ 48,722

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(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Six months ended June 30, 2023				
Interest Income	\$ 174,732	\$ 95,828	\$ 5,995	\$ 276,555
Interest Expense	113,394	71,370	7,917	192,681
Net Interest Income/(Expense)	\$ 61,338	\$ 24,458	\$ (1,922)	\$ 83,874
Reversal/(Provision) for Credit Losses on Residential Whole Loans	(595)	314	—	(281)
Net Interest Income/(Expense) after Reversal/(Provision) for Credit Losses	\$ 60,743	\$ 24,772	\$ (1,922)	\$ 83,593
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ (1,949)	\$ 420	\$ —	\$ (1,529)
Impairment and other net gain/(loss) on securities and other portfolio investments	(767)	—	(871)	(1,638)
Net gain/(loss) on real estate owned	6,417	(322)	—	6,095
Net gain/(loss) on derivatives used for risk management purposes	28,820	10,423	—	39,243
Net gain/(loss) on securitized debt measured at fair value through earnings	(15,933)	(8,398)	—	(24,331)
Lima One - origination, servicing and other fee income	—	20,453	—	20,453
Net realized gain/(loss) on residential whole loans held at carrying value	—	—	—	—
Other, net	6,020	1,447	1,039	8,506
Other Income/(Loss), net	\$ 22,608	\$ 24,023	\$ 168	\$ 46,799
Compensation and benefits	\$ —	\$ 20,943	\$ 21,458	\$ 42,401
Other general and administrative expense	—	7,193	14,006	21,199
Loan servicing, financing and other related costs	10,114	350	6,673	17,137
Amortization of intangible assets	—	2,600	—	2,600
Income/(loss) before income taxes	\$ 73,237	\$ 17,709	\$ (43,891)	\$ 47,055
Provision for/(benefit from) income taxes	—	—	199	199
Net Income/(Loss)	\$ 73,237	\$ 17,709	\$ (44,090)	\$ 46,856
Less Preferred Stock Dividend Requirement	\$ —	\$ —	\$ 16,437	\$ 16,437
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 73,237	\$ 17,709	\$ (60,527)	\$ 30,419
(In Thousands)				
June 30, 2024				
Total Assets	\$ 6,575,888	\$ 4,167,768	\$ 333,269	\$ 11,076,925
December 31, 2023				
Total Assets	\$ 6,370,237	\$ 4,000,932	\$ 401,521	\$ 10,772,690

Lima One Segment

The Lima One segment includes the stand-alone mortgage origination and servicing business of Lima One, including related goodwill, intangible assets, and direct expenses, plus Lima One-related residential whole loans and REO (defined as both those owned by Lima One on the acquisition date and those originated by Lima One since the acquisition date) and the economics related thereto (including any related taxes and the economics of associated financing and hedging instruments), all as recorded under GAAP. Associated financing economics are equal to the results of direct financings of Lima One-related

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residential whole loans and REO plus allocations of the results of financings which include Lima One related residential whole loans and REO as part of their collateral, based on the relative carrying values of the financed assets. Associated hedging economics are equal to allocations of the Company's overall hedging results based on the relative estimated duration of each asset class hedged and the relative fair values of assets within each asset class.

Mortgage-Related Assets Segment

This segment is comprised of the remainder of the Company's investments (including any related taxes and the economics of associated financing and hedging instruments).

16. Subsequent Events

Securitization of loans

Subsequent to quarter end, the Company completed one additional loan securitization collateralized by \$245.4 million UPB of Legacy RPL/NPL loans and \$57.5 million UPB of Non-QM loans.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, we refer to MFA Financial, Inc. and its subsidiaries as “the Company,” “MFA,” “we,” “us,” or “our,” unless we specifically state otherwise or the context otherwise indicates.

The following discussion should be read in conjunction with our financial statements and accompanying notes included in Item 1 of this Quarterly Report on Form 10-Q as well as our Annual Report on Form 10-K for the year ended December 31, 2023.

Forward Looking Statements

When used in this Quarterly Report on Form 10-Q, in future filings with the SEC or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as “will,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “could,” “would,” “may,” the negative of these words or similar expressions, are intended to identify “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and, as such, may involve known and unknown risks, uncertainties and assumptions.

These forward-looking statements include information about possible or assumed future results with respect to our business, financial condition, liquidity, results of operations, plans and objectives. Among the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements we make are: general economic developments and trends and the performance of the housing, real estate, mortgage finance, broader financial markets; inflation, increases in interest rates and changes in the market (i.e., fair) value of our residential whole loans, MBS, securitized debt and other assets, as well as changes in the value of our liabilities accounted for at fair value through earnings; the effectiveness of hedging transactions; changes in the prepayment rates on residential mortgage assets, an increase of which could result in a reduction of the yield on certain investments in our portfolio and could require us to reinvest the proceeds received by us as a result of such prepayments in investments with lower coupons, while a decrease in which could result in an increase in the interest rate duration of certain investments in our portfolio making their valuation more sensitive to changes in interest rates and could result in lower forecasted cash flows; credit risks underlying our assets, including changes in the default rates and management’s assumptions regarding default rates and loss severities on the mortgage loans in our residential whole loan portfolio; our ability to borrow to finance our assets and the terms, including the cost, maturity and other terms, of any such borrowings; implementation of or changes in government regulations or programs affecting our business; our estimates regarding taxable income the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by us to accrete the market discount on residential whole loans and the extent of prepayments, realized losses and changes in the composition of our residential whole loan portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals and whole loan modifications, foreclosures and liquidations; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of our Board and will depend on, among other things, our taxable income, our financial results and overall financial condition and liquidity, maintenance of our REIT qualification and such other factors as the Board deems relevant; our ability to maintain our qualification as a REIT for federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (or the Investment Company Act), including statements regarding the concept release issued by the SEC relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; our ability to continue growing our residential whole loan portfolio, which is dependent on, among other things, the supply of loans offered for sale in the market; targeted or expected returns on our investments in recently-originated mortgage loans, the performance of which is, similar to our other mortgage loan investments, subject to, among other things, differences in prepayment risk, credit risk and financing costs associated with such investments; risks associated with the ongoing operation of Lima One Holdings, LLC (including, without limitation, industry competition, unanticipated expenditures relating to or liabilities arising from its operation (including, among other things, a failure to realize management’s assumptions regarding expected growth in Business purpose loan (BPL) origination volumes and credit risks underlying BPLs, including changes in the default rates and management’s assumptions regarding default rates and loss severities on the BPLs originated by Lima One)); expected returns on our investments in nonperforming residential whole loans (or NPLs), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; risks associated with our investments in MSR-related assets, including servicing, regulatory and economic risks, risks associated with our investments in loan originators; risks associated with investing in real estate assets generally, including changes in business conditions and the general economy; and other risks, uncertainties and factors, including those described in

the annual, quarterly and current reports that we file with the SEC. All forward-looking statements are based on beliefs, assumptions and expectations of our future performance, taking into account all information currently available. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Business/General

We are a specialty finance company that invests in and finances residential mortgage assets. We invest, on a leveraged basis, in residential whole loans, residential mortgage securities and other real estate assets. Through our wholly-owned subsidiary, Lima One, a leading nationwide originator and servicer of business purpose loans (or BPLs), we also originate and service business purpose loans for real estate investors. Our principal business objective is to deliver shareholder value through the generation of distributable income and through asset performance linked to residential mortgage credit fundamentals. We selectively invest in residential mortgage assets with a focus on credit analysis, projected prepayment rates, interest rate sensitivity and expected return. We are an internally-managed real estate investment trust.

At June 30, 2024, we had total assets of approximately \$11.1 billion, of which \$9.2 billion, or 83%, represented residential whole loans. Our residential whole loans include primarily: (i) loans to finance (or refinance) one-to-four family residential properties that are not considered to meet the definition of a “Qualified Mortgage” in accordance with guidelines adopted by the Consumer Financial Protection Bureau (“Non-QM loans”), (ii) short-term business purpose loans collateralized by residential properties made to non-occupant borrowers that generally intend to rehabilitate or construct residential housing and then refinance or sell the properties (“Single-family transitional loans”), (iii) short-term business purpose loans collateralized by multifamily properties, typically with a loan balance below \$10 million, made to non-occupant borrowers that generally intend to rehabilitate or stabilize and then refinance or sell the properties (“Multifamily transitional loans”) (collectively, “Transitional loans,” also sometimes referred to as “Rehabilitation loans” or “Fix and Flip loans”), (iv) business purpose loans to finance (or refinance) non-owner occupied one-to-four family residential properties that are rented to one or more tenants (“Single-family rental loans” and, collectively with Transitional loans, “Business purpose loans”), (v) loans primarily secured by residential real estate that were generally either non-performing or re-performing at acquisition (“Legacy RPL/NPL”) and (vi) loans on investor properties that conform to the standards for purchase by a federally chartered corporation, such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) (“Agency eligible investor loans,” which are included in “Other loans”). In addition, at June 30, 2024, we had approximately \$863.3 million or 8% of total assets invested in securities, including Agency MBS, Term notes backed by MSR collateral, CRT securities and Non-Agency MBS.

The results of our business operations are affected by a number of factors, many of which are beyond our control, and primarily depend on, among other things, the level of our net interest income and the market value of our assets, liabilities and hedges that are accounted for at fair value through earnings, which is driven by numerous factors, including the supply and demand for residential mortgage assets in the marketplace, the terms and availability of adequate financing, general economic and real estate conditions (both on a national and local level), the impact of government actions in the real estate and mortgage sector, and the credit performance of our credit sensitive residential mortgage assets. Changes in these factors, or uncertainty in the market regarding the potential for changes in these factors, can result in significant changes in the value and/or performance of our investment portfolio. Further, our GAAP results may be impacted by market volatility, resulting in changes in market values of certain financial instruments for which changes in fair value are recorded in net income each period, including certain residential whole loans, securitized debt and Swaps. Our net interest income varies primarily as a result of changes in interest rates, the slope of the yield curve (i.e., the differential between long-term and short-term interest rates), borrowing costs (i.e., our interest expense), the level of loan delinquencies, which may result in changes in the amount of non-accrual loans, and prepayment speeds, the behavior of which involves various risks and uncertainties. Interest rates and conditional prepayment rates (or CPRs) (which is an annualized measure of the amount of unscheduled principal prepayments on an asset as a percentage of the asset balance), vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our financial results are impacted by estimates of credit losses that are required to be recorded when loans that are not accounted for at fair value through net income are acquired or originated, as well as changes in these credit loss estimates that will be required to be made periodically.

With respect to our business operations, increases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to increase; (ii) the value of certain of our residential mortgage assets and securitized debt to decline; (iii) coupons on our adjustable-rate assets to reset, on a delayed basis, to higher interest rates; (iv) prepayments on our assets to decline, thereby slowing the amortization of purchase premiums and the accretion of our purchase discounts, and

slowing our ability to redeploy capital to generally higher-yielding investments; and (v) the value of our derivative hedging instruments, if any, to increase. Conversely, decreases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to decrease; (ii) the value of certain of our residential mortgage assets and securitized debt, to increase; (iii) coupons on our adjustable-rate assets, on a delayed basis, to lower interest rates; (iv) prepayments on our assets to increase, thereby accelerating the amortization of purchase premiums and the accretion of our purchase discounts, and accelerating the redeployment of our capital to generally lower yielding investments; and (v) the value of our derivative hedging instruments, if any, to decrease. Further, changes in credit spreads will also impact the valuation of our residential whole loans and securitized debt, which could result in volatility in GAAP earnings. In addition, our borrowing costs and credit lines are further affected by the type of collateral we pledge and general conditions in the credit market.

Our investments in residential mortgage assets expose us to credit risk, meaning that we are generally subject to credit losses due to the risk of delinquency, default and foreclosure on the underlying real estate collateral. Our investment process for credit sensitive assets focuses primarily on quantifying and pricing credit risk. With respect to investments in Business purpose and Non-QM loans, we believe that sound underwriting standards, including low LTVs at origination, significantly mitigate our risk of loss. Further, we believe the discounted purchase prices paid on Legacy RPL/NPL loans mitigate our risk of loss in the event that we receive less than 100% of the par value of these investments.

Premiums arise when we acquire an MBS or loan at a price in excess of the aggregate principal balance of the mortgages securing the MBS (i.e., par value) or when we acquire residential whole loans at a price in excess of their aggregate principal balance. Conversely, discounts arise when we acquire an MBS or loan at a price below the aggregate principal balance of the mortgages securing the MBS or when we acquire residential whole loans at a price below their aggregate principal balance. Accretible purchase discounts on these investments are accreted to interest income. Premiums paid to purchase loans are amortized against interest income over the life of the investment using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the interest income earned on these assets.

CPR levels are impacted by, among other things, conditions in the housing market, new regulations, government and private sector initiatives, interest rates, availability of credit to home borrowers, underwriting standards and the economy in general. In particular, CPR represents the annualized constant rate of principal repayment in excess of scheduled principal amortization. CPRs on our residential mortgage securities and whole loans may differ significantly. For the three months ended June 30, 2024, the average CPRs on certain of our loan portfolios were: 7.4% for Single-family rental loans, 10.8% for Non-QM loans, and 10.8% for Legacy RPL/NPL loans. In addition, for the three months ended June 30, 2024, the repayment rate (which includes both scheduled and unscheduled repayments of principal) was 66.3% for our Single-family transitional loans and 23.9% for our Multifamily transitional loans.

It is generally our business strategy to hold our residential mortgage assets as long-term investments. On at least a quarterly basis, excluding investments for which the fair value option has been elected or for which specialized loan accounting is otherwise applied, we assess our ability and intent to continue to hold each asset and, as part of this process, we monitor our investments in securities that are designated as AFS for impairment. A change in our ability and/or intent to continue to hold any of these securities that are in an unrealized loss position, or a deterioration in the underlying characteristics of these securities, could result in our recognizing future impairment charges or a loss upon the sale of any such security.

Our residential mortgage investments have longer-term contractual maturities than our non-securitization related financing liabilities, and the interest rates we pay on our non-securitization related financings will typically change at a faster pace than the interest rates we earn on our investments. In order to reduce this interest rate risk exposure, we may enter into derivative instruments, which currently include Swaps.

Recent Market Conditions and Our Strategy

Although interest rates ended relatively unchanged from the end of the prior quarter, fixed income markets continued to exhibit significant volatility during the second quarter of 2024. Credit assets again outperformed Treasuries in the quarter as credit spreads continued to tighten. During the second quarter, we generated GAAP earnings of \$0.32 per basic common share and Distributable Earnings, a non-GAAP financial measure that excludes the impact of fair value changes and certain other items, of \$0.44 per basic common share. During the quarter, our GAAP book value was flat and our Economic book value rose to \$14.34 per common share, and we declared dividends of \$0.35 per common share. In April 2024, we issued \$75 million of 9.00% senior unsecured notes due in August 2029, and in June 2024 we repaid our maturing 6.25% convertible notes. We added approximately \$688 million residential mortgage loans and \$176 million of Agency MBS with an average coupon of approximately 9.6% and 6.0%, respectively, and we completed two securitizations collateralized by \$365.2 million of Non-QM loans and \$191.8 million of Transitional loans. During the quarter we exercised the call option on one of our securitizations issued in 2021, and shortly following quarter end issued a new securitization collateralized predominantly by the called Legacy RPL/NPL loans. During the quarter, Lima One originated Business purpose loans with a maximum unpaid principal balance of \$412.3 million. In response to what we believe to be a softening in multifamily housing in certain markets and several consecutive quarters of declines in origination volumes in multifamily transitional lending, we decided to temporarily refocus our resources away from multifamily lending at Lima One and instead redeploy resources to single-family transitional and single-family rental lending. As a result of increased industry competition in single-family lending and our redeployment of resources away from multifamily lending over the next several quarters, we expect that Lima One's origination volumes will decline from previous quarters.

Second quarter 2024 portfolio activity and impact on financial results

At June 30, 2024, our residential mortgage asset portfolio, which includes residential whole loans and REO, and Securities, at fair value, was approximately \$10.2 billion, compared to \$10.0 billion at March 31, 2024.

The following table presents the activity for our residential mortgage asset portfolio for the three months ended June 30, 2024:

(In Millions)	March 31, 2024	Runoff (1)	Acquisitions (2)	Other (3)	June 30, 2024	Change
Residential whole loans and REO	\$ 9,225	\$ (624)	\$ 688	\$ 5	\$ 9,294	\$ 69
Securities, at fair value	737	(19)	176	(31)	863	126
Totals	\$ 9,962	\$ (643)	\$ 864	\$ (26)	\$ 10,157	\$ 195

(1) Primarily includes principal repayments and sales of REO.

(2) Includes draws on previously originated Transitional loans.

(3) Primarily includes sales, changes in fair value and changes in the allowance for credit losses.

At June 30, 2024, our total recorded investment in residential whole loans and REO was \$9.3 billion, or 91.5% of our residential mortgage asset portfolio. Of this amount, \$4.0 billion are Non-QM loans, \$1.6 billion are Single-family Rental loans, \$1.2 billion are Single-family transitional loans, \$1.2 billion are Multifamily transitional loans and \$1.1 billion are Legacy RPL/NPL loans. Loan acquisition activity of \$688.2 million for the three months ended June 30, 2024 included \$278.5 million of Single-family transitional loans (including draws), \$266.1 million of Non-QM loans, \$110.0 million of Single-family rental loans and \$33.6 million of Multifamily transitional loans (including draws). For the three months ended June 30, 2024, we recognized approximately \$165.7 million of residential whole loan interest income on our consolidated statements of operations, representing an effective yield of 6.92%, with Single-family transitional loans generating an effective yield of 9.75%, Multifamily transitional loans generating an effective yield of 8.34%, Single-family Rental loans generating an effective yield of 6.47%, Non-QM loans generating an effective yield of 5.49% and Legacy RPL/NPL loans generating an effective yield of 8.72%. All new loans and 85% of our total loan portfolio are measured at fair value as a result of the election of the fair value option at acquisition or origination. Included in earnings in Other Income/(Loss), net are net gains/losses on these loans of \$16.4 million for the three months ended June 30, 2024. At June 30, 2024 and March 31, 2024, we had REO with an aggregate carrying value of \$108.0 million and \$106.2 million, respectively, which is included in Other assets on our consolidated balance sheets.

At June 30, 2024, we held \$863.3 million of Securities, at fair value, including \$701.3 million of Agency MBS, \$54.3 million of MSR-related assets, \$84.6 million of CRT securities and \$23.1 million of Non-Agency MBS. For the three months ended June 30, 2024, there were \$175.5 million purchases of Agency MBS securities and \$26.9 million sales of MSR-related assets. The net yield on our Securities, at fair value was 7.03% for the three months ended June 30, 2024, compared to 7.24% for the three months ended March 31, 2024.

For the three months ended June 30, 2024, we recorded a reversal of provision for credit losses on residential whole loans held at carrying value of \$1.1 million. The total allowance for credit losses recorded on residential whole loans held at carrying value at June 30, 2024 was \$13.3 million.

During the second quarter of 2024, we completed two securitizations collateralized by \$365.2 million UPB of Non-QM loans and \$191.8 million UPB of Transitional loans. These securitizations provided longer term, non-recourse, non-mark-to-market financing. During the second quarter, we called one of our securitizations issued in 2021 and repaid the remaining \$68.1 million amount. Subsequent to the second quarter, we completed one additional securitization collateralized by \$245.4 million UPB of Legacy RPL/NPL loans and \$57.5 million of Non-QM loans. During the quarter, interest rates exhibited significant volatility, but ended the quarter only modestly higher, and credit spreads tightened. The net impact on the value of our investment portfolio resulted in net mark-to-market gains in our GAAP financial results. We continue to closely follow the actions of the Federal Reserve regarding the path and timing of changes in interest rates and the impact such rate changes would be expected to have on levels of inflation, the overall economic environment and our business.

Our GAAP book value per common share was \$13.80 as of June 30, 2024. Book value per common share was also \$13.80 as of March 31, 2024. Economic book value per common share, a non-GAAP financial measure of our financial position that adjusts GAAP book value by the amount of unrealized mark-to-market gains or losses on our residential whole loans and securitized debt held at carrying value, was \$14.34 as of June 30, 2024, an increase from \$14.32 as of March 31, 2024. Increases in GAAP and Economic book value during the second quarter of 2024 primarily reflect GAAP earnings in excess of dividends declared on our common stock. For additional information regarding the calculation of Economic book value per share, including a reconciliation to GAAP book value per share, refer to “Reconciliation of GAAP and Non-GAAP Financial Measures” below.

For more information regarding market factors which impact our portfolio, see Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 and Item 3. “Quantitative and Qualitative Disclosures About Market Risk” of this Quarterly Report on Form 10-Q.

Information About Our Assets

The table below presents certain information about our asset allocation at June 30, 2024:

ASSET ALLOCATION						
(Dollars in Millions)	Business purpose loans	Non-QM loans	Legacy RPL/NPL loans	Securities, at fair value	Other, net (1)	Total
Asset Amount	\$ 4,016	\$ 3,994	\$ 1,123	\$ 863	\$ 778	\$ 10,774
Financing Agreements with Non-mark-to-market Collateral Provisions	(931)	—	—	—	—	(931)
Financing Agreements with Mark-to-market Collateral Provisions	(651)	(796)	(479)	(731)	(72)	(2,729)
Securitized Debt	(1,843)	(2,747)	(457)	—	(1)	(5,048)
Senior Notes	—	—	—	—	(183)	(183)
Net Equity Allocated	<u>\$ 591</u>	<u>\$ 451</u>	<u>\$ 187</u>	<u>\$ 132</u>	<u>\$ 522</u>	<u>\$ 1,883</u>
Debt/Net Equity Ratio (2)	<u>5.8 x</u>	<u>7.9 x</u>	<u>5.0 x</u>	<u>5.5 x</u>		<u>4.7 x</u>

(1) Includes \$289.4 million of cash and cash equivalents, \$252.0 million of restricted cash, \$53.4 million of Other loans and \$18.3 million of capital contributions made to loan origination partners, as well as other assets and other liabilities.

(2) Total Debt/Net Equity ratio represents the sum of borrowings under our financing agreements as a multiple of net equity allocated.

Residential Whole Loans

The following table presents the contractual maturities of our residential whole loan portfolios at June 30, 2024. Amounts presented do not reflect estimates of prepayments or scheduled amortization.

(In Thousands)	Business purpose loans (1)	Non-QM loans (2)	Legacy RPL/NPL loans (3)	Other loans
Amount due:				
Within one year	\$ 1,607,992	\$ —	\$ 2,425	\$ —
After one year:				
Over one to five years	784,066	—	7,304	—
Over five years	1,625,386	3,995,591	1,123,328	53,416
Total due after one year	\$ 2,409,452	\$ 3,995,591	\$ 1,130,632	\$ 53,416
Total residential whole loans	\$ 4,017,445	\$ 3,995,591	\$ 1,133,056	\$ 53,416

(1) Excludes an allowance for credit losses of \$1.9 million at June 30, 2024.

(2) Excludes an allowance for credit losses of \$1.4 million at June 30, 2024.

(3) Excludes an allowance for credit losses of \$10.0 million at June 30, 2024.

The following table presents, at June 30, 2024, the dollar amount of certain of our residential whole loans, contractually maturing after one year, and indicates whether the loans have fixed interest rates or adjustable interest rates:

(In Thousands)	Business purpose loans (1) (2)	Non-QM loans (1) (2)	Legacy RPL/NPL loans (1) (2)	Other loans
Interest rates:				
Fixed	\$ 1,946,500	\$ 3,178,301	\$ 919,182	\$ 53,416
Adjustable	462,952	817,290	211,450	—
Total	\$ 2,409,452	\$ 3,995,591	\$ 1,130,632	\$ 53,416

(1) Includes loans on which borrowers have defaulted and are not making payments of principal and/or interest as of June 30, 2024.

(2) Excludes an allowance for credit losses.

Our Transitional loans contain various contractual extension features, typically ranging from three to twelve months subject to certain conditions, generally including our consent. Transitional loans are generally only extended if the loan is current and in compliance with various other loan terms. Given the short duration of our Transitional loans, maturity extensions are a regular occurrence, irrespective of market conditions. At June 30, 2024, approximately 11% of our Multifamily transitional loans and 21% of our Single-family transitional loans held as of period end had been extended.

For additional information regarding our residential whole loan portfolios, including information about delinquency trends, see Note 3 to the consolidated financial statements, included under Item 1 of this Quarterly Report on Form 10-Q.

Securities, at Fair Value

The following table presents information with respect to our Securities, at fair value at June 30, 2024 and December 31, 2023:

(Dollars in Thousands)	June 30, 2024		December 31, 2023	
Agency MBS				
Face/Par	\$	703,955	\$	554,300
Fair Value		701,313		559,144
Amortized Cost		705,878		555,624
Weighted average yield (1)		5.65 %		5.59 %
Weighted average time to maturity		29.0 years		29.3 years
Term notes backed by MSR collateral				
Face/Par	\$	55,000	\$	85,000
Fair Value		54,313		79,895
Amortized Cost		49,511		74,184
Weighted average yield (1)		14.52 %		16.96 %
Weighted average time to maturity		1.3 years		1.8 years
CRT Securities				
Face/Par	\$	79,132	\$	79,617
Fair Value		84,563		83,222
Amortized Cost		68,342		68,971
Weighted average yield (1)		10.68 %		10.30 %
Weighted average time to maturity		17.4 years		17.9 years
Non-Agency MBS				
Face/Par	\$	27,855	\$	28,485
Fair Value		23,100		23,828
Amortized Cost		23,074		23,482
Weighted average yield (1)		5.74 %		5.84 %
Weighted average time to maturity		27.3 years		27.8 years

(1) Weighted average yield is annualized interest income divided by average amortized cost for Securities, at fair value held at June 30, 2024 and December 31, 2023.

Tax Considerations

Current period estimated taxable income

We estimate that for the six months ended June 30, 2024, our REIT taxable income was approximately \$55.9 million.

Key differences between GAAP net income and REIT Taxable Income

Residential Whole Loans and Securities

The determination of taxable income attributable to residential whole loans and securities is dependent on a number of factors, including principal payments, defaults, loss mitigation efforts and loss severities. In estimating taxable income for such investments during the year, management considers estimates of the amount of discount expected to be accreted. Such estimates require significant judgment and actual results may differ from these estimates.

Potential timing differences can arise with respect to the accretion of discount and amortization of premium into income as well as the recognition of gain or loss for tax purposes as compared to GAAP. For example: a) while our REIT uses fair value accounting for GAAP in some instances, it generally is not used for purposes of determining taxable income; b) impairments generally are not recognized by us for income tax purposes until the asset is written-off or sold; c) capital losses may only be recognized by us to the extent of its capital gains; capital losses in excess of capital gains generally are carried over

by us for potential offset against future capital gains; and d) tax hedge gains and losses resulting from the termination of Swaps by us generally are amortized over the remaining term of the Swap.

Securitization

Generally, securitization transactions for GAAP and tax can be characterized as either sales or financings, depending on transaction type, structure and available elections. For GAAP purposes, our securitizations have been treated as on-balance sheet financing transactions. For tax purposes, they have been characterized as both financing and sale transactions.

Where a securitization has been characterized as a sale, gain or loss is recognized for tax purposes. In addition, we own or may in the future acquire interests in securitization and/or re-securitization trusts, in which several of the classes of securities are or will be issued with original issue discount (or OID). As the holder of the retained interests in the trust, for tax purposes we generally will be required to include OID in our current gross interest income over the term of the applicable securities as the OID accrues. The rate at which the OID is recognized into taxable income is calculated using a constant rate of yield to maturity, with realized losses impacting the amount of OID recognized in REIT taxable income once they are actually incurred. REIT taxable income may be recognized in excess of economic income (i.e., OID) or in advance of the corresponding cash flow from these assets, thereby affecting our dividend distribution requirement to stockholders.

For securitization and/or re-securitization transactions that were treated as a sale of the underlying collateral for tax purposes, the unwinding of any such transaction will likely result in taxable income or loss. Given that securitization and re-securitization transactions are typically accounted for as financing transactions for GAAP purposes, such income or loss is not likely to be recognized for GAAP. As a result, the income recognized from securitization and re-securitization transactions may differ for tax and GAAP purposes.

Whether our investments are held by our REIT or one of its Taxable REIT Subsidiaries (TRS)

We estimate that for the six months ended June 30, 2024, our net TRS taxable income will be \$24.0 million. Net income or loss generated by our TRS subsidiaries is included in consolidated GAAP net income, but may not be included in REIT taxable income in the same period. REIT taxable income generally does not include taxable income of the TRS unless and until it is distributed to the REIT. For example, because our securitization transactions that are treated as a sale for tax purposes are undertaken by a domestic TRS, any gain or loss recognized on the sale is not included in our REIT taxable income until it is distributed by the TRS. Similarly, the income earned from loans, securities, REO and other investments held by our domestic TRS is excluded from REIT taxable income until it is distributed by the TRS. Net income of our foreign domiciled TRS subsidiaries is included in REIT taxable income as if distributed to the REIT in the taxable year it is earned by the foreign domiciled TRS. A TRS may carry forward its net taxable losses indefinitely as net operating losses to offset up to 80% of its taxable income in future tax years, but REIT taxable income generally does not include the net taxable loss of a TRS unless the TRS liquidates for tax purposes.

Consequently, our REIT taxable income calculated in a given period may differ significantly from our GAAP net income.

Regulation

The Consumer Financial Protection Bureau (or the CFPB) has broad authority over a wide range of consumer financial products and services, including mortgage lending and servicing. One portion of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Act (or Mortgage Reform Act), contains underwriting and servicing standards for the mortgage industry, restrictions on compensation for mortgage loan originators, and various other requirements related to mortgage origination and servicing. In addition, the Dodd-Frank Act grants enforcement authority and broad discretionary regulatory authority to the CFPB to prohibit or condition terms, acts or practices relating to residential mortgage loans that the CFPB finds abusive, unfair, deceptive or predatory, as well as to take other actions that the CFPB finds are necessary or proper to ensure responsible affordable mortgage credit remains available to consumers. The Dodd-Frank Act also affects the securitization of mortgages (and other assets) with requirements for risk retention by securitizers and requirements for regulating rating agencies.

Numerous regulations have been issued pursuant to the Dodd-Frank Act, including regulations regarding mortgage loan servicing, underwriting and loan originator compensation, and others could be issued in the future. As a result, we are unable to fully predict at this time how the Dodd-Frank Act, as well as other laws or regulations that may be adopted in the future, will affect our business, results of operations and financial condition, or the environment for repurchase financing and other forms of borrowing, the investing environment for Agency MBS, Non-Agency MBS and/or residential mortgage loans, the securitization industry, Swaps and other derivatives. We believe that the Dodd-Frank Act and the regulations promulgated

thereunder are likely to continue to increase the economic and compliance costs for participants in the mortgage and securitization industries, including us.

In addition, certain court rulings may call into question the CFPB's authority and other rules promulgated during CFPB's self-funding structure. For example, in October 2022, the Fifth Circuit Court of Appeals issued an opinion in *Community Financial Services Association of America, et al. v. Consumer Financial Protection Bureau, et al.*, concluding that the CFPB's funding structure unconstitutionally violates the Appropriations Clause of the U.S. Constitution, and vacated the payday lending rule that was the subject of challenge. On May 16, 2024, the Supreme Court reversed the Fifth Circuit's decision in the *Community Financial* case and upheld the CFPB's funding mechanism as constitutionally permissible. However, future litigation and court rulings may still cast uncertainty on the CFPB's authority and funding mechanism. Any such uncertainty could adversely impact the cash flow on mortgage loans.

The Federal Housing Finance Agency (or FHFA) and both houses of Congress have discussed and considered various measures intended to restructure the U.S. housing finance system and the operations of Fannie Mae and Freddie Mac. Congress may continue to consider legislation that would significantly reform the country's mortgage finance system, including, among other things, eliminating Freddie Mac and Fannie Mae and replacing them with a single new MBS insurance agency. Many details remain unsettled, including the scope and costs of the agencies' guarantee and their affordable housing mission, some of which could be addressed even in the absence of large-scale reform.

While the likelihood of enactment of major mortgage finance system reform in the short term remains uncertain, it is possible that the adoption of any such reforms could adversely affect the types of assets we can buy, the costs of these assets and our business operations. A reduction in the ability of mortgage loan originators to access Fannie Mae and Freddie Mac to sell their mortgage loans may adversely affect the mortgage markets generally and adversely affect the ability of mortgagors to refinance their mortgage loans. In addition, any decline in the value of securities issued by Fannie Mae and Freddie Mac may affect the value of MBS in general.

Results of Operations

Quarter Ended June 30, 2024 Compared to the Quarter Ended March 31, 2024

The following table summarizes the changes in our results of operations for the three months ended June 30, 2024 compared to the three months ended March 31, 2024.

(In Thousands, Except Per Share Amounts)	Three Months Ended		QoQ Change
	June 30, 2024	March 31, 2024	
Interest Income:			
Residential whole loans	\$ 165,717	\$ 157,665	\$ 8,052
Securities, at fair value	13,629	12,992	637
Other interest-earning assets	1,177	1,163	14
Cash and cash equivalent investments	6,308	5,011	1,297
Interest Income	\$ 186,831	\$ 176,831	\$ 10,000
Interest Expense:			
Asset-backed and other collateralized financing arrangements	\$ 126,755	\$ 123,442	\$ 3,313
Other interest expense	6,587	5,575	1,012
Interest Expense	\$ 133,342	\$ 129,017	\$ 4,325
Net Interest Income	\$ 53,489	\$ 47,814	\$ 5,675
Reversal/(Provision) for Credit Losses on Residential Whole Loans	\$ 1,079	\$ 460	\$ 619
Reversal/(Provision) for Credit Losses on Other Assets	(26)	(1,109)	1,083
Net Interest Income after Reversal/(Provision) for Credit Losses	\$ 54,542	\$ 47,165	\$ 7,377
Other Income/(Loss), net:			
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 16,430	\$ (11,513)	\$ 27,943
Impairment and other net gain/(loss) on securities and other portfolio investments	(2,842)	(4,776)	1,934
Net gain/(loss) on real estate owned	1,880	991	889
Net gain/(loss) on derivatives used for risk management purposes	16,087	49,941	(33,854)
Net gain/(loss) on securitized debt measured at fair value through earnings	(10,642)	(22,462)	11,820
Lima One - origination, servicing and other fee income	7,619	7,928	(309)
Net realized gain/(loss) on residential whole loans held at carrying value	—	\$ 418	(418)
Other, net	1,317	1,875	(558)
Other Income/(Loss), net	\$ 29,849	\$ 22,402	\$ 7,447
Operating and Other Expense:			
Compensation and benefits	\$ 21,747	\$ 25,468	\$ (3,721)
Other general and administrative expense	10,835	11,995	(1,160)
Loan servicing, financing and other related costs	8,717	7,042	1,675
Amortization of intangible assets	800	800	—
Operating and Other Expense	\$ 42,099	\$ 45,305	\$ (3,206)
Income/(loss) before income taxes	\$ 42,292	\$ 24,262	\$ 18,030
Provision for/(benefit from) income taxes	346	1,049	(703)
Net Income/(Loss)	\$ 41,946	\$ 23,213	\$ 18,733
Less Preferred Stock Dividend Requirement	\$ 8,218	\$ 8,219	\$ (1)
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 33,728	\$ 14,994	\$ 18,734
Basic Earnings/(Loss) per Common Share	\$ 0.32	\$ 0.14	\$ 0.18
Diluted Earnings/(Loss) per Common Share	\$ 0.32	\$ 0.14	\$ 0.18

General

For the second quarter of 2024, we had net income available to our common stock and participating securities of \$33.7 million, or \$0.32 per basic and diluted common share, compared to a net income available to common stock and participating securities of \$15.0 million, or \$0.14 per basic and diluted common share, for the first quarter of 2024. The increase in net income available to common stock and participating securities in the current period primarily reflects a higher Other income/(loss), net, which increased by \$7.4 million to \$29.8 million for the current quarter, compared to an Other income/(loss), net of \$22.4 million in the immediately prior quarter as well as higher Net Interest Income after Reversal/(Provision) for Credit Losses. The increase in Other income/(Loss) net was primarily driven by higher mark-to-market results in the current period on both our residential whole loans and securitized debt that are measured at fair value through earnings, partially offset by lower gains on derivatives used for risk management purposes.

Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends primarily upon the volume of interest-earning assets and interest-bearing liabilities and the corresponding interest rates earned or paid. Our net interest income varies primarily as a result of changes in interest rates, the slope of the yield curve (i.e., the differential between long-term and short-term interest rates), borrowing costs (i.e., our interest expense), the level of loan delinquencies, which may result in changes in the amount of non-accrual loans, and prepayment speeds on our investments. Interest rates and CPRs (which measure the amount of unscheduled principal prepayment on a bond or loan as a percentage of its unpaid balance) vary according to the type of investment, conditions in the financial markets and other factors, none of which can be predicted with any certainty.

The changes in average interest-earning assets and average interest-bearing liabilities and their related yields and costs are discussed in greater detail below under “Interest Income” and “Interest Expense.”

For the second quarter of 2024, our net interest spread and margin (including the impact of swaps) were 2.16% and 3.01%, respectively, compared to a net interest spread and margin (including the impact of swaps) of 2.06% and 2.88%, respectively, for the first quarter of 2024. Our net interest income increased by \$5.7 million and was \$53.5 million for the second quarter of 2024, compared to \$47.8 million for the first quarter of 2024. For the second quarter of 2024, net interest income, which does not include the benefit of swap carry, includes higher net interest income from our residential whole loan portfolio of \$5.3 million, compared to the first quarter of 2024, primarily due to higher average balances and asset yields, partially offset by an increase in financing rates and higher average balances for our financing agreement borrowings. Net interest income for the second quarter of 2024 also includes approximately \$1.3 million of additional interest income from cash investment and higher net interest income from our Securities, at fair value portfolio.

Analysis of Net Interest Income

The following table sets forth certain information about the average balances of our assets and liabilities and their related yields and costs for the three months ended June 30, 2024 and March 31, 2024. Average yields are derived by dividing annualized interest income by the average amortized cost of the related assets, and average costs are derived by dividing annualized interest expense by the daily average balance of the related liabilities, for the periods shown. The yields and costs include premium amortization and purchase discount accretion, which are considered adjustments to interest rates.

(Dollars in Thousands)	Three Months Ended June 30, 2024			Three Months Ended March 31, 2024		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:						
Interest-earning assets (1):						
Residential whole loans	\$ 9,577,245	\$ 165,717	6.92 %	\$ 9,513,309	\$ 157,665	6.63 %
Securities, at fair value	776,027	13,629	7.03	717,348	12,992	7.24
Cash and cash equivalents (2)	600,070	6,308	4.20	460,323	5,011	4.35
Other interest-earning assets	45,646	1,177	10.31	52,439	1,163	8.87
Total interest-earning assets	10,998,988	186,831	6.79	10,743,419	176,831	6.58
Liabilities:						
Interest-bearing liabilities:						
Collateralized financing agreements (3)	\$ 3,556,701	\$ 65,392	7.27 %	\$ 3,645,218	\$ 67,483	7.32 %
Securitized debt (4)	5,111,406	61,363	4.80	4,874,807	55,959	4.59
Convertible Senior Notes	143,516	2,380	6.64	182,206	3,158	6.94
8.875% Senior Notes	110,821	2,726	9.84	98,643	2,417	9.80
9.00% Senior Notes	59,481	1,481	9.96	—	—	—
Total interest-bearing liabilities	8,981,925	133,342	5.90	8,800,874	129,017	5.83
Net interest income/net interest rate spread (5)		53,489	0.89		47,814	0.75
Impact of net Swap carry (6)		28,933	1.27		29,091	1.31
Net interest rate spread (including the impact of Swaps)		\$ 82,422	2.16 %		\$ 76,905	2.06 %
Net interest-earning assets/net interest margin (7)	\$ 2,017,063		3.01 %	\$ 1,942,545		2.88 %

(1) Yields presented throughout this Quarterly Report on Form 10-Q are calculated using average amortized cost data for residential whole loans and securities, which excludes unrealized gains and losses. For GAAP reporting purposes, securities purchases and sales are reported on the trade date. Average amortized cost data used to determine yields is calculated based on the settlement date of the associated purchase or sale as interest income is not earned on purchased assets and continues to be earned on sold assets until settlement date.

(2) Includes average interest-earning cash, cash equivalents and restricted cash.

(3) Collateralized financing agreements include the following: mark-to-market asset based financing and non-mark-to-market asset based financing. For additional information, see Note 6, included under Item 1 of this Quarterly Report on Form 10-Q.

(4) Includes both securitized debt, at carrying value, and securitized debt, at fair value.

(5) Net interest rate spread reflects the difference between the yield on average interest-earning assets and average cost of funds.

(6) Reflects the impact of positive or negative swap carry. Positive swap carry results when income from the receive leg of a swap is greater than the expense on the pay leg. Negative swap carry results when income from the receive leg is less than the expense on the pay leg.

(7) Net interest margin reflects annualized net interest income (including net swap income or expense) divided by average interest-earning assets.

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates (yield/cost) and changes in the volume (average balance) of interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) the changes attributable to changes in volume (changes in average balance multiplied by prior rate); (ii) the changes attributable to changes in rate (changes in rate multiplied by prior average balance); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately, based on absolute values, to the changes due to rate and volume.

(In Thousands)	Three Months Ended June 30, 2024 Compared to Three Months Ended March 31, 2024		
	Increase/(Decrease) due to		Total Net Change in Interest Income/Expense
	Volume	Rate	
Interest-earning assets:			
Residential whole loans	\$ 1,072	\$ 6,980	\$ 8,052
Securities, at fair value	1,026	(389)	637
Cash and cash equivalents	1,475	(178)	1,297
Other interest earning assets	(161)	175	14
Total net change in income of interest-earning assets	<u>\$ 3,412</u>	<u>\$ 6,588</u>	<u>\$ 10,000</u>
Interest-bearing liabilities:			
Residential whole loans financing agreements	\$ (2,608)	\$ (76)	\$ (2,684)
Securities, at fair value repurchase agreements	687	(78)	609
REO financing agreement	(17)	1	(16)
Securitized debt	2,782	2,622	5,404
Convertible Senior Notes	(778)	—	(778)
8.875% Senior Notes	309	—	309
9.00% Senior Notes	1,481	—	1,481
Total net change in expense of interest-bearing liabilities	<u>\$ 1,856</u>	<u>\$ 2,469</u>	<u>\$ 4,325</u>
Net change in net interest income	<u>\$ 1,556</u>	<u>\$ 4,119</u>	<u>\$ 5,675</u>

The following table presents certain quarterly information regarding our net interest spread and net interest margin for the quarterly periods presented:

Quarter Ended	Total Interest-Earning Assets and Interest-Bearing Liabilities	
	Net Interest Spread (1)	Net Interest Margin (2)
June 30, 2024	2.16 %	3.01 %
March 31, 2024	2.06	2.88
December 31, 2023	2.13	2.96
September 30, 2023	2.17	3.02
June 30, 2023	2.14	2.99
March 31, 2023	1.74	2.64

(1) Reflects the difference between the yield on average interest-earning assets and average cost of funds (including net swap expense).

(2) Reflects annualized net interest income (including net swap expense) divided by average interest-earning assets.

The following table presents the components of the net interest spread earned on our Residential whole loans for the quarterly periods presented:

	Quarter Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Business purpose loans						
Net Yield (1)	7.99 %	7.66 %	7.48 %	7.21 %	6.88 %	6.62 %
Cost of Funding (2)	5.80 %	5.67 %	5.55 %	5.34 %	5.01 %	4.81 %
Net Interest Spread	2.19 %	1.99 %	1.93 %	1.87 %	1.87 %	1.81 %
Non-QM loans						
Net Yield (1)	5.49 %	5.39 %	5.06 %	5.10 %	4.69 %	4.64 %
Cost of Funding (2)	3.55 %	3.44 %	3.34 %	3.22 %	3.07 %	3.05 %
Net Interest Spread	1.94 %	1.95 %	1.72 %	1.88 %	1.62 %	1.59 %
Legacy RPL/NPL loans						
Net Yield (1)	8.72 %	7.62 %	8.25 %	8.23 %	8.69 %	7.39 %
Cost of Funding (2)	3.70 %	3.44 %	3.28 %	3.21 %	2.96 %	3.06 %
Net Interest Spread	5.02 %	4.18 %	4.97 %	5.02 %	5.73 %	4.33 %
Total Residential Whole Loans						
Net Yield (1)	6.92 %	6.63 %	6.47 %	6.34 %	6.10 %	5.68 %
Cost of Funding (2)	4.54 %	4.43 %	4.29 %	4.10 %	3.83 %	3.82 %
Net Interest Spread	2.38 %	2.20 %	2.18 %	2.24 %	2.27 %	1.86 %

(1) Reflects annualized interest income on Residential whole loans divided by average amortized cost of Residential whole loans. Excludes servicing costs.

(2) Reflects annualized interest expense divided by average balance of agreements with mark-to-market collateral provisions (repurchase agreements), agreements with non-mark-to-market collateral provisions, and securitized debt. Cost of funding shown in the table above includes the impact of the net carry (the difference between swap interest income received and swap interest expense paid) on our Swaps. While we have not elected hedge accounting treatment for Swaps and, accordingly, net carry is not presented in interest expense in our consolidated statement of operations, we believe it is appropriate to allocate net carry to the cost of funding to reflect the economic impact of our Swaps on the funding costs shown in the table above. For the quarter ended June 30, 2024, this decreased the overall funding cost by 128 basis points for our Residential whole loans, 92 basis points for our Business purpose loans, 163 basis points for our Non-QM loans, and 107 basis points for our Legacy RPL/NPL loans. For the quarter ended March 31, 2024, this decreased the overall funding cost by 132 basis points for our Residential whole loans, 227 basis points for our Business purpose loans, 168 basis points for our Non-QM loans, and 238 basis points for our Legacy RPL/NPL loans. For the quarter ended December 31, 2023, this decreased the overall funding cost by 140 basis points for our Residential whole loans, 235 basis points for our Business purpose loans, 177 basis points for our Non-QM loans, and 251 basis points for our Legacy RPL/NPL loans. For the quarter ended September 30, 2023, this decreased the overall funding cost by 143 basis points for our Residential whole loans, 240 basis points for our Business purpose loans, 176 basis points for our Non-QM loans, and 254 basis points for our Legacy RPL/NPL loans. For the quarter ended June 30, 2023, this decreased the overall funding cost by 144 basis points for our Residential whole loans, 222 basis points for our Business purpose loans, 175 basis points for our Non-QM loans, and 297 basis points for our Legacy RPL/NPL loans. For the quarter ended March 31, 2023, this decreased the overall funding cost by 127 basis points for our Residential whole loans, 198 basis points for our Business purpose loans, 161 basis points for our Non-QM loans, and 251 basis points for our Legacy RPL/NPL loans.

The following table presents the components of the net interest spread earned on our Securities for the quarterly periods presented:

Quarter Ended	Securities, at fair value		
	Net Yield (1)	Cost of Funding (2)	Net Interest Rate Spread
June 30, 2024	7.03 %	3.84 %	3.19 %
March 31, 2024	7.24	4.00	3.24
December 31, 2023	7.20	3.75	3.45
September 30, 2023	7.38	3.92	3.46
June 30, 2023	7.67	4.29	3.38
March 31, 2023	8.76	4.52	4.24

(1) Reflects annualized interest income divided by average amortized cost.

(2) Reflects annualized interest expense divided by average balance of repurchase agreements. Cost of funding shown in the table above includes the impact of the net carry (the difference between swap interest income received and swap interest expense paid) on our Swaps that is allocated to the financing of our Securities, at fair value. For the quarter ended June 30, 2024, this decreased the overall funding cost by 190 basis points. For the quarter ended March 31, 2024, this decreased the overall funding cost by 179 basis points. For the quarter ended December 31, 2023, this decreased the overall funding cost by 206 basis points. For the quarter ended September 30, 2023, this decreased the overall funding cost by 191 basis points. For the quarter ended June 30, 2023, this decreased the overall funding cost by 138 basis points. For the quarter ended March 31, 2023, this decreased the overall funding cost by 104 basis points.

Interest Income

Interest income on our residential whole loans for the second quarter of 2024 increased by \$8.1 million, or 5.1%, to \$165.7 million, compared to \$157.7 million for the first quarter of 2024. This increase primarily reflects a \$63.9 million increase in the average balance of this portfolio to \$9.6 billion for the second quarter of 2024 from the first quarter of 2024 and an increase in the yield to 6.92% for the second quarter of 2024 from 6.63% for the first quarter of 2024.

Interest Expense

Our interest expense for the second quarter of 2024 increased by \$4.3 million, or 3.4%, to \$133.3 million, from \$129.0 million for the first quarter of 2024. This increase primarily reflects an increase in financing rates and average balances of securitized debt as well as expense for the newly issued 9.00% Senior Notes, partially offset by lower average balance and rates on residential whole loans financing agreements.

Provision for Credit Losses on Residential Whole Loans Held at Carrying Value

For the second quarter of 2024, we recorded a reversal of provision for credit losses on residential whole loans held at carrying value of \$1.1 million compared to a reversal of provision for credit losses of \$0.5 million for the first quarter of 2024. The reversal of provision recorded in the current period and in the first quarter of 2024 primarily reflects the run-off of loans held at carrying value and minor changes to modeling assumptions.

Provision for Credit Losses on Other Assets

For the second quarter of 2024, we recorded a provision for credit losses on Other Assets of \$26,000 related to an uncollectible receivable from an unaffiliated third-party servicer. For the first quarter of 2024, we recorded a provision for credit losses on Other Assets of \$1.1 million related to an uncollectible receivable from an unaffiliated third-party servicer.

Other Income/(Loss), net

For the second quarter of 2024, Other Income/(Loss), net was \$29.8 million, compared to Other Income/(Loss), net of \$22.4 million for the first quarter of 2024. The components of Other Income/(Loss), net for the second and first quarter of 2024 are summarized in the table below:

(In Thousands)	Three Months Ended	
	June 30, 2024	March 31, 2024
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 16,430	\$ (11,513)
Impairment and other net gain/(loss) on securities and other portfolio investments	(2,842)	(4,776)
Net gain/(loss) on real estate owned	1,880	991
Net gain/(loss) on derivatives used for risk management purposes	16,087	49,941
Net gain/(loss) on securitized debt measured at fair value through earnings	(10,642)	(22,462)
Lima One - origination, servicing and other fee income	7,619	7,928
Net realized gain/(loss) on residential whole loans held at carrying value	—	418
Other, net	1,317	1,875
Other Income/(Loss), net	\$ 29,849	\$ 22,402

Operating and Other Expense

Operating and other expenses are composed of compensation and benefits, other general and administrative, loan servicing and other related operating expenses and amortization of Lima One intangible assets.

Compensation and benefits expenses are composed of salaries, annual bonus, stock-based awards, long-term incentives, Lima One sales commissions, related payroll taxes, medical insurance, 401(k) matching and other benefits expenses. Compensation and benefits expense decreased by \$3.7 million to \$21.7 million for the second quarter of 2024, compared to \$25.5 million for the first quarter of 2024, primarily as a result of inclusion of accelerated recognition of stock-based compensation in the first quarter of 2024 related to awards made to retirement eligible employees in January 2024 as well as lower bonus accruals at Lima One.

Other general and administrative expenses are comprised of leasing and other office expenses, professional fees, insurance costs, board of directors fees, and miscellaneous expenses. Other general and administrative expenses of \$10.8 million for the second quarter of 2024 were lower when compared to \$12.0 million for the first quarter of 2024, primarily as a result of reduced IT infrastructure costs at our corporate offices and lower professional fees.

Loan servicing and other related operating expenses are composed of non-recoverable advances, upfront costs on securitization and other fees related to our residential whole loan activities. These expenses increased compared to the prior quarter period by approximately \$1.7 million, or 23.8%, primarily due to higher expenses recognized related to loan securitization activities.

Selected Financial Ratios

The following table presents information regarding certain of our financial ratios at or for the dates presented:

At or for the Quarter Ended	Return on Average Total Assets (1)	Return on Average Total Stockholders' Equity (2)	Dividend Payout Ratio (3)	Total Average Stockholders' Equity to Total Average Assets (4)	Leverage Multiple (5)	Recourse Leverage Multiple (6)
June 30, 2024	1.52 %	8.85 %	1.09	17.14 %	4.7	1.7
March 31, 2024	0.85	4.69	2.50	18.23	4.6	1.8
December 31, 2023	3.46	19.04	0.44	18.16	4.5	1.7
September 30, 2023	(0.56)	(2.96)	—	19.10	4.3	2.0
June 30, 2023	(0.27)	(1.31)	—	20.99	3.9	1.9
March 31, 2023	3.14	14.40	0.56	21.81	3.5	1.6

(1) Reflects annualized net income divided by average total assets. For the quarters ended September 30, 2023, and June 30, 2023, the amounts calculated reflect the quarterly net income divided by average total assets.

(2) Reflects annualized net income divided by average total stockholders' equity. For the quarters ended September 30, 2023, and June 30, 2023, the amounts calculated reflect the quarterly net income divided by average total stockholders' equity.

(3) Reflects dividends declared per share of common stock divided by earnings per share. The ratio has not been calculated for periods where earnings per share is negative as the calculations are not meaningful.

(4) Reflects total average stockholders' equity divided by total average assets.

(5) Represents the sum of our borrowings under financing agreements and payable for unsettled purchases divided by stockholders' equity.

(6) Represents the sum of our borrowings under financing agreements (excluding securitized and other non-recourse debt) and payable for unsettled purchases divided by stockholders' equity.

Six Month Period Ended June 30, 2024 Compared to the Six Month Period Ended June 30, 2023

The following table summarizes the changes in our results of operations for the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

(In Thousands, Except Per Share Amounts)	Six Months Ended		YoY Change
	June 30, 2024	June 30, 2023	
Interest Income:			
Residential whole loans	\$ 323,382	\$ 247,558	\$ 75,824
Securities, at fair value	26,621	17,256	9,365
Other interest-earning assets	2,340	4,973	(2,633)
Cash and cash equivalent investments	11,319	6,768	4,551
Interest Income	\$ 363,662	\$ 276,555	\$ 87,107
Interest Expense:			
Asset-backed and other collateralized financing arrangements	\$ 250,197	\$ 184,764	\$ 65,433
Other interest expense	12,162	7,917	4,245
Interest Expense	\$ 262,359	\$ 192,681	\$ 69,678
Net Interest Income	\$ 101,303	\$ 83,874	\$ 17,429
Reversal/(Provision) for Credit Losses on Residential Whole Loans	\$ 1,539	\$ (281)	\$ 1,820
Reversal/(Provision) for Credit Losses on Other Assets	(1,135)	—	(1,135)
Net Interest Income after Reversal/(Provision) for Credit Losses	\$ 101,707	\$ 83,593	\$ 18,114
Other Income/(Loss), net:			
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 4,917	\$ (1,529)	\$ 6,446
Impairment and other net gain/(loss) on securities and other portfolio investments	(7,618)	(1,638)	(5,980)
Net gain/(loss) on real estate owned	2,871	6,095	(3,224)
Net gain/(loss) on derivatives used for risk management purposes	66,028	39,243	26,785
Net gain/(loss) on securitized debt measured at fair value through earnings	(33,104)	(24,331)	(8,773)
Lima One - origination, servicing and other fee income	15,547	20,453	(4,906)
Net realized gain/(loss) on residential whole loans held at carrying value	418	—	418
Other, net	3,192	8,506	(5,314)
Other Income/(Loss), net	\$ 52,251	\$ 46,799	\$ 5,452
Operating and Other Expense:			
Compensation and benefits	\$ 47,215	\$ 42,401	\$ 4,814
Other general and administrative expense	22,830	21,199	1,631
Loan servicing, financing and other related costs	15,759	17,137	(1,378)
Amortization of intangible assets	1,600	2,600	(1,000)
Operating and Other Expense	\$ 87,404	\$ 83,337	\$ 4,067
Income/(loss) before income taxes	\$ 66,554	\$ 47,055	\$ 19,499
Provision for/(benefit from) income taxes	1,395	199	1,196
Net Income/(Loss)	\$ 65,159	\$ 46,856	\$ 18,303
Less Preferred Stock Dividend Requirement	\$ 16,437	\$ 16,437	\$ —
Net Income/(Loss) Available to Common Stock and Participating Securities	\$ 48,722	\$ 30,419	\$ 18,303
Basic Earnings/(Loss) per Common Share	\$ 0.47	\$ 0.30	\$ 0.17
Diluted Earnings/(Loss) per Common Share	\$ 0.46	\$ 0.29	\$ 0.17

General

For the six months ended June 30, 2024, we had net income available to our common stock and participating securities of \$48.7 million, or \$0.47 per basic common share and \$0.46 per diluted common share, compared to net income available to our common stock and participating securities of \$30.4 million, or \$0.30 per basic common share and \$0.29 per diluted common share, for the six months ended June 30, 2023. The net income available to common stock and participating securities in the current period primarily reflects increased Net interest income by \$17.4 million from the prior year period, primarily due to higher asset yields earned on our residential whole loans portfolio and higher amounts invested in our residential mortgage asset portfolio, partially offset by higher funding costs associated with our financing arrangements. In addition, Other Income/(Loss), net, increased \$5.5 million from the prior year period, partially offset by higher Operating and other expense of \$4.1 million.

Net Interest Income

For the six months ended June 30, 2024, our net interest spread and margin were 2.11% and 2.95%, respectively, compared to a net interest spread and margin of 1.94% and 2.82%, respectively, for the six months ended June 30, 2023. Our net interest income increased by \$17.4 million, or 20.8%, to \$101.3 million for the six months ended June 30, 2024 compared to net interest income of \$83.9 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, net interest income, which does not include the benefit of swap carry, includes higher net interest income from our residential whole loan portfolio of \$19.3 million compared to the six months ended June 30, 2023, primarily due to higher average balances and asset yields, partially offset by an increase in financing rates and higher average balances for our financing agreement borrowings. In addition, net interest income for the six months ended June 30, 2024 included higher net interest income from our Securities, at fair value portfolio of approximately \$0.4 million. Net interest income for the six months ended June 30, 2024 also includes approximately \$1.9 million of additional interest income from cash and other interest earning assets compared to the six months ended June 30, 2023.

Analysis of Net Interest Income

The following table sets forth certain information about the average balances of our assets and liabilities and their related yields and costs for the six months ended June 30, 2024 and 2023. Average yields are derived by dividing annualized interest income by the average amortized cost of the related assets, and average costs are derived by dividing annualized interest expense by the daily average balance of the related liabilities, for the periods shown. The yields and costs include premium amortization and purchase discount accretion which are considered adjustments to interest rates.

(Dollars in Thousands)	Six Months Ended June 30,					
	2024			2023		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:						
Interest-earning assets (1):						
Residential whole loans	\$ 9,545,277	\$ 323,382	6.78 %	\$ 8,412,755	\$ 247,558	5.89 %
Securities, at fair value	746,688	26,621	7.13	426,894	17,256	8.08
Cash and cash equivalents (2)	530,197	11,319	4.27	473,708	6,768	2.86
Other interest-earning assets	49,042	2,340	9.54	61,812	4,973	16.09
Total interest-earning assets	10,871,204	363,662	6.69	9,375,169	276,555	5.90
Liabilities:						
Interest-bearing liabilities:						
Collateralized financing agreements (3)	\$ 3,600,960	\$ 132,875	7.30 %	\$ 3,146,920	\$ 109,862	6.94 %
Securitized debt (4)	4,993,106	117,322	4.70	3,934,185	74,902	3.81
Convertible Senior Notes	162,861	5,539	6.80	228,152	7,917	6.94
8.875% Senior Notes	104,732	5,142	9.82	—	—	—
9.00% Senior Notes	29,740	1,481	9.96	—	—	—
Total interest-bearing liabilities	8,891,399	262,359	5.87	7,309,257	192,681	5.26
Net interest income/net interest rate spread (5)		101,303	0.82		83,874	0.64
Impact of net Swap carry (6)		58,024	1.29		47,782	1.30
Net interest rate spread (including the impact of Swaps)		\$ 159,327	2.11 %		\$ 131,656	1.94 %
Net interest-earning assets/net interest margin (7)	\$ 1,979,805		2.95 %	\$ 2,065,912		2.82 %

(1) Yields presented throughout this Quarterly Report on Form 10-Q are calculated using average amortized cost data for residential whole loans and securities, which excludes unrealized gains and losses. For GAAP reporting purposes, securities purchases and sales are reported on the trade date. Average amortized cost data used to determine yields is calculated based on the settlement date of the associated purchase or sale as interest income is not earned on purchased assets and continues to be earned on sold assets until settlement date.

(2) Includes average interest-earning cash, cash equivalents and restricted cash.

(3) Collateralized financing agreements include the following: mark-to-market asset based financing and non-mark-to-market asset based financing. For additional information, see Note 6, included under Item 1 of this Quarterly Report on Form 10-Q.

(4) Includes both securitized debt, at carrying value, and securitized debt, at fair value.

(5) Net interest rate spread reflects the difference between the yield on average interest-earning assets and average cost of funds.

(6) Reflects the impact of positive or negative swap carry. Positive swap carry results when income from the receive leg of a swap is greater than the expense on the pay leg. Negative swap carry results when income from the receive leg is less than the expense on the pay leg.

(7) Net interest margin reflects annualized net interest income (including net swap carry) divided by average interest-earning assets.

Rate/Volume Analysis

(In Thousands)	Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023		
	Increase/(Decrease) due to		Total Net Change in Interest Income/Expense
	Volume	Rate	
Interest-earning assets:			
Residential whole loans	\$ 35,725	\$ 40,099	\$ 75,824
Securities, at fair value	11,600	(2,235)	9,365
Cash and cash equivalents	887	3,664	4,551
Other interest-earning assets	(886)	(1,747)	(2,633)
Total net change in income from interest-earning assets	<u>\$ 47,326</u>	<u>\$ 39,781</u>	<u>\$ 87,107</u>
Interest-bearing liabilities:			
Residential whole loan financing agreements	\$ 6,127	\$ 7,873	\$ 14,000
Securities, at fair value repurchase agreements	8,706	231	8,937
REO financing agreements	(38)	114	76
Securitized debt	22,710	19,710	42,420
Convertible Senior Notes	(2,378)	—	(2,378)
8.875% Senior Notes	5,142	—	5,142
9.00% Senior Notes	1,481	—	1,481
Total net change in expense of interest-bearing liabilities	<u>\$ 41,750</u>	<u>\$ 27,928</u>	<u>\$ 69,678</u>
Net change in net interest income	<u>\$ 5,576</u>	<u>\$ 11,853</u>	<u>\$ 17,429</u>

The following table presents the components of the net interest spread earned on our Residential whole loans for the periods presented:

	Six Months Ended	
	June 30, 2024	June 30, 2023
Business purpose loans		
Net Yield (1)	7.83 %	6.75 %
Cost of Funding (2)	5.74 %	4.91 %
Net Interest Spread	2.09 %	1.84 %
Non-QM loans		
Net Yield (1)	5.44 %	4.67 %
Cost of Funding (2)	3.50 %	3.06 %
Net Interest Spread	1.94 %	1.61 %
Legacy RPL/NPL loans		
Net Yield (1)	8.16 %	8.03 %
Cost of Funding (2)	3.57 %	3.01 %
Net Interest Spread	4.59 %	5.02 %
Total Residential Whole Loans		
Net Yield (1)	6.78 %	5.89 %
Cost of Funding (2)	4.49 %	3.82 %
Net Interest Spread	2.29 %	2.07 %

(1) Reflects annualized interest income on Residential whole loans divided by average amortized cost of Residential whole loans. Excludes servicing costs.

(2) Reflects annualized interest expense divided by average balance of agreements with mark-to-market collateral provisions (repurchase agreements), agreements with non-mark-to-market collateral provisions, and securitized debt. Cost of funding shown in the table above includes the impact of the net carry (the difference between swap interest income received and swap interest expense paid) on our Swaps. While we have not elected hedge accounting treatment for Swaps, and accordingly, net carry is not presented in interest expense in our consolidated statement of operations, we believe it is appropriate to allocate net carry to the cost of funding to reflect the economic impact of our Swaps on the funding costs shown in the table above. For the period ended June 30, 2024, this decreased the overall funding cost by 130 basis points for our Residential whole loans, 96 basis points for our Business purpose loans, 166 basis points for our Non-QM loans, and 107 basis points for our Legacy RPL/NPL loans. For the period ended June 30, 2023, this decreased the overall funding cost by 135 basis points for our Residential whole loans, 211 basis points for our Business purpose loans, 169 basis points for our Non-QM loans, and 275 basis points for our Legacy RPL/NPL loans.

The following table presents the components of the net interest spread earned on our Securities, at fair value for the periods presented:

Six Months Ended	Securities, at fair value		
	Net Yield (1)	Cost of Funding (2)	Net Interest Rate Spread
June 30, 2024	7.13 %	3.92 %	3.21 %
June 30, 2023	8.08	4.38	3.70

(1) Reflects annualized interest income divided by average amortized cost.

(2) Reflects annualized interest expense divided by average balance of repurchase agreements. Cost of funding shown in the table above includes the impact of the net carry (the difference between swap interest income received and swap interest expense paid) on our Swaps that is allocated to the financing of our Securities, at fair value. For the six months ended June 30, 2024, this decreased the overall funding cost by 185 basis points for our Securities, at fair value. For the six months ended June 30, 2023, this decreased the overall funding cost by 125 basis points for our Securities, at fair value.

Interest Income

Interest income on our residential whole loans for the six months ended June 30, 2024 increased by \$75.8 million, or 30.6%, to \$323.4 million, compared to \$247.6 million for the six months ended June 30, 2023. This increase primarily reflects an increase in the yield to 6.78% for the six months ended June 30, 2024 from 5.89% for the six months ended June 30, 2023, and a \$1.1 billion increase in the average balance of this portfolio to \$9.5 billion for the six months ended June 30, 2024 from \$8.4 billion for the six months ended June 30, 2023.

Interest income on our Securities, at fair value portfolio for the six months ended June 30, 2024 increased by \$9.4 million to \$26.6 million from \$17.3 million for the six months ended June 30, 2023. This increase primarily reflects an increase in the average amortized cost of the portfolio of \$319.8 million, primarily due to purchases of Agency MBS, partially offset by a decrease in the net yield on our Securities, at fair value portfolio to 7.13% for the six months ended June 30, 2024, compared to 8.08% for the six months ended June 30, 2023.

Interest Expense

Our interest expense for the six months ended June 30, 2024 increased by \$69.7 million, or 36.2%, to \$262.4 million, from \$192.7 million for the six months ended June 30, 2023. This increase primarily reflects the higher overall average balances of our financing agreements and an increase in financing rates on our financing agreements. In addition, the six months ended June 30, 2024 included \$5.1 million and \$1.5 million of interest expense related to our 8.875% Senior Notes issued in January 2024 and 9.00% Senior Notes that were issued in April 2024, respectively.

Provision for Credit Losses on Residential Whole Loans Held at Carrying Value

For the six months ended June 30, 2024, we recorded a reversal of provision for credit losses on residential whole loans held at carrying value of \$1.5 million compared to a provision for credit losses of \$0.3 million for the six months ended June 30, 2023. The reversal of provision for the current period primarily reflects the run-off of loans held at carrying value and minor changes to modeling assumptions.

Provision for Credit Losses on Other Assets

For the six months ended June 30, 2024, we recorded a provision for credit losses on Other Assets of \$1.1 million, related to an uncollectible receivable from an unrelated third party servicer. No such provision was recorded for the six months ended June 30, 2023.

Other Income/(Loss), net

For the six months ended June 30, 2024, Other Income/(Loss), net was \$52.3 million, compared to an Other Income/(Loss), net of \$46.8 million for the six months ended June 30, 2023. The components of Other Income/(Loss), net for the six months ended June 30, 2024 and 2023 are summarized in the table below:

(In Thousands)	Six Months Ended June 30,	
	2024	2023
Net gain/(loss) on residential whole loans measured at fair value through earnings	\$ 4,917	\$ (1,529)
Impairment and other net gain/(loss) on securities and other portfolio investments	(7,618)	(1,638)
Net gain/(loss) on real estate owned	2,871	6,095
Net gain/(loss) on derivatives used for risk management purposes	66,028	39,243
Net gain/(loss) on securitized debt measured at fair value through earnings	(33,104)	(24,331)
Lima One - origination, servicing and other fee income	15,547	20,453
Net realized gain/(loss) on residential whole loans held at carrying value	418	—
Other, net	3,192	8,506
Other Income/(Loss), net	\$ 52,251	\$ 46,799

Operating and Other Expense

Operating and other expenses are composed of compensation and benefits, other general and administrative, loan servicing and other related operating expenses and amortization of Lima One intangible assets.

Compensation and benefits expenses are composed of salaries, annual bonus, stock-based awards, long-term incentives, Lima One sales commissions, related payroll taxes, medical insurance, 401(k) matching and other benefits expenses. Compensation and benefits expense increased \$4.8 million to \$47.2 million for the six months ended June 30, 2024, compared to \$42.4 million for the six months ended June 30, 2023, primarily reflecting an increase in long-term incentive compensation and higher salaries expense at Lima One.

Other general and administrative expenses are comprised of leasing and other office expenses, professional fees, insurance costs, board of directors fees, and miscellaneous expenses. Other general and administrative expenses increased by \$1.6 million to \$22.8 million for the six months ended June 30, 2024, compared to \$21.2 million for the six months ended June 30, 2023, primarily reflecting higher costs associated with IT infrastructure at our corporate offices, partially offset by lower depreciation.

Loan servicing and other related operating expenses are composed of non-recoverable advances, upfront costs on securitization and other fees related to our residential whole loan activities. These expenses decreased compared to the prior year period by approximately \$1.4 million, or 8.0%, primarily due to lower expenses recognized related to loan securitization activities.

Selected Financial Ratios

The following table presents information regarding certain of our financial ratios at or for the dates presented:

At or for the Six Months Ended	Return on Average Total Assets (1)	Return on Average Total Stockholders' Equity (2)	Dividend Payout Ratio (3)	Total Average Stockholders' Equity to Total Average Assets (4)	Leverage Multiple (5)	Recourse Leverage Multiple (6)
June 30, 2024	1.19 %	6.85 %	1.49	17.36 %	4.7	1.7
June 30, 2023	1.00 %	4.68 %	2.33	21.39 %	3.9	1.9

(1) Reflects annualized net income divided by average total assets.

(2) Reflects annualized net income divided by average total stockholders' equity.

(3) Reflects dividends declared per share of common stock divided by earnings per share. The ratio has not been calculated for periods where earnings per share is negative as the calculations are not meaningful.

(4) Reflects total average stockholders' equity divided by total average assets.

(5) Represents the sum of borrowings under our financing agreements, and payable for unsettled purchases divided by stockholders' equity.

(6) Represents the sum of our borrowings under financing agreements (excluding securitized debt) and payable for unsettled purchases divided by stockholders' equity.

Reconciliation of GAAP and Non-GAAP Financial Measures

Reconciliation of GAAP Net Income to non-GAAP Distributable Earnings

“Distributable earnings” is a non-GAAP financial measure of our operating performance, within the meaning of Regulation G and Item 10(e) of Regulation S-K, as promulgated by the Securities and Exchange Commission. Distributable earnings is determined by adjusting GAAP net income/(loss) by removing certain unrealized gains and losses, primarily on residential mortgage investments, associated debt, and hedges that are, in each case, accounted for at fair value through earnings, certain realized gains and losses, as well as certain non-cash expenses and securitization-related transaction costs. The transaction costs are primarily comprised of costs only incurred at the time of execution of our securitizations and include costs such as underwriting fees, legal fees, diligence fees, bank fees and other similar transaction related expenses. These costs are all incurred prior to or at the execution of our securitizations and do not recur. Recurring expenses, such as servicing fees, custodial fees, trustee fees and other similar ongoing fees are not excluded from distributable earnings. Management believes that the adjustments made to GAAP earnings result in the removal of (i) income or expenses that are not reflective of the longer term performance of our investment portfolio, (ii) certain non-cash expenses, and (iii) expense items required to be recognized solely due to the election of the fair value option on certain related residential mortgage assets and associated liabilities. Distributable earnings is one of the factors that our Board of Directors considers when evaluating distributions to our shareholders. Accordingly, we believe that the adjustments to compute Distributable earnings specified below provide investors and analysts with additional information to evaluate our financial results.

Distributable earnings should be used in conjunction with results presented in accordance with GAAP. Distributable earnings does not represent and should not be considered as a substitute for net income or cash flows from operating activities, each as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of our GAAP net income/(loss) used in the calculation of basic EPS to our non-GAAP Distributable earnings for the quarterly periods below:

(In Thousands, Except Per Share Amounts)	Quarter Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
GAAP Net income/(loss) used in the calculation of basic EPS	\$ 33,614	\$ 14,827	\$ 81,527	\$ (64,657)	\$ (34,146)	\$ 64,565
Adjustments:						
Unrealized and realized gains and losses on:						
Residential whole loans held at fair value	(16,430)	11,513	(224,272)	132,894	130,703	(129,174)
Securities held at fair value	4,026	4,776	(21,371)	13,439	3,698	(2,931)
Residential whole loans and securities at carrying value	(2,668)	(418)	332	—	—	—
Interest rate swaps	10,237	(23,182)	97,400	(9,433)	(37,018)	40,747
Securitized debt held at fair value	7,597	20,169	108,693	(40,229)	(30,908)	48,846
Investments in loan origination partners	1,484	—	254	722	872	—
Expense items:						
Amortization of intangible assets	800	800	800	800	1,300	1,300
Equity based compensation	3,899	6,243	3,635	4,447	3,932	3,020
Securitization-related transaction costs	3,009	1,340	2,702	3,217	2,071	4,602
Total adjustments	11,954	21,241	(31,827)	105,857	74,650	(33,590)
Distributable earnings	\$ 45,568	\$ 36,068	\$ 49,700	\$ 41,200	\$ 40,504	\$ 30,975
GAAP earnings/(loss) per basic common share	\$ 0.32	\$ 0.14	\$ 0.80	\$ (0.64)	\$ (0.34)	\$ 0.63
Distributable earnings per basic common share	\$ 0.44	\$ 0.35	\$ 0.49	\$ 0.40	\$ 0.40	\$ 0.30
Weighted average common shares for basic earnings per share	103,446	103,175	102,266	102,255	102,186	102,155

Selected Financial Ratios (using Distributable earnings)

The following table presents information regarding certain of our financial ratios at or for the dates presented:

At or for the Quarter Ended	Return on Average Total Assets (1)	Return on Average Total Stockholders' Equity (2)	Dividend Payout Ratio (3)
June 30, 2024	1.95 %	11.35 %	0.80
March 31, 2024	1.63	8.94	1.00
December 31, 2023	2.23	12.29	0.71
September 30, 2023	1.98	10.36	0.88
June 30, 2023	2.06	9.81	0.88
March 31, 2023	1.69	7.76	1.17

(1) Reflects annualized Distributable earnings before preferred dividends divided by average total assets.

(2) Reflects annualized Distributable earnings before preferred dividends divided by average total stockholders' equity.

(3) Reflects dividends declared per share of common stock divided by Distributable earnings per share.

Segment Reporting (using Distributable earnings)

The following table presents our non-GAAP Distributable earnings by segment for the quarterly period below:

(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Three Months Ended June 30, 2024				
GAAP Net income/(loss) used in the calculation of basic EPS	\$ 61,223	\$ 4,876	\$ (32,485)	\$ 33,614
Adjustments:				
Unrealized and realized gains and losses on:				
Residential whole loans held at fair value	(28,474)	12,044	—	(16,430)
Securities held at fair value	4,026	—	—	4,026
Residential whole loans and securities at carrying value	(2,668)	—	—	(2,668)
Interest rate swaps	7,863	2,374	—	10,237
Securitized debt held at fair value	4,179	3,418	—	7,597
Investments in loan origination partners	—	—	1,484	1,484
Expense items:				
Amortization of intangible assets	—	800	—	800
Equity based compensation	—	279	3,620	3,899
Securitization-related transaction costs	(197)	—	3,206	3,009
Total adjustments	\$ (15,271)	\$ 18,915	\$ 8,310	\$ 11,954
Distributable earnings	\$ 45,952	\$ 23,791	\$ (24,175)	\$ 45,568

(In Thousands)	Mortgage-Related Assets	Lima One	Corporate	Total
Three Months Ended March 31, 2024				
GAAP Net income/(loss) used in the calculation of basic EPS	\$ 36,363	\$ 10,655	\$ (32,191)	\$ 14,827
Adjustments:				
Unrealized and realized gains and losses on:				
Residential whole loans held at fair value	8,699	2,814	—	11,513
Securities held at fair value	4,776	—	—	4,776
Residential whole loans and securities at carrying value	(418)	—	—	(418)
Interest rate swaps	(17,068)	(6,114)	—	(23,182)
Securitized debt held at fair value	9,591	10,578	—	20,169
Investments in loan origination partners	—	—	—	—
Expense items:				
Amortization of intangible assets	—	800	—	800
Equity based compensation	—	261	5,982	6,243
Securitization-related transaction costs	197	—	1,143	1,340
Total adjustments	\$ 5,777	\$ 8,339	\$ 7,125	\$ 21,241
Distributable earnings	\$ 42,140	\$ 18,994	\$ (25,066)	\$ 36,068

Reconciliation of GAAP Book Value per Common Share to non-GAAP Economic Book Value per Common Share

“Economic book value” is a non-GAAP financial measure of our financial position. To calculate our Economic book value, our portfolios of Residential whole loans and securitized debt held at carrying value are adjusted to their fair value, rather than the carrying value that is required to be reported under the GAAP accounting model applied to these financial instruments. These adjustments are also reflected in the table below in our end of period stockholders’ equity. Management considers that Economic book value provides investors with a useful supplemental measure to evaluate our financial position as it reflects the impact of fair value changes for all of our investment activities, irrespective of the accounting model applied for GAAP reporting purposes. Economic book value does not represent and should not be considered as a substitute for Stockholders’ Equity, as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of our GAAP book value per common share to our non-GAAP Economic book value per common share as of the quarterly periods below:

(In Millions, Except Per Share Amounts)	Quarter Ended:					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
GAAP Total Stockholders’ Equity	\$ 1,883.2	\$ 1,884.2	\$ 1,899.9	\$ 1,848.5	\$ 1,944.8	\$ 2,018.6
Preferred Stock, liquidation preference	(475.0)	(475.0)	(475.0)	(475.0)	(475.0)	(475.0)
GAAP Stockholders’ Equity for book value per common share	1,408.2	1,409.2	1,424.9	1,373.5	1,469.8	1,543.6
Adjustments:						
Fair value adjustment to Residential whole loans, at carrying value	(26.8)	(35.4)	(35.6)	(85.3)	(58.3)	(33.9)
Fair value adjustment to Securitized debt, at carrying value	82.3	88.4	95.6	122.5	129.8	122.4
Stockholders’ Equity including fair value adjustments to Residential whole loans and Securitized debt held at carrying value (Economic book value)	\$ 1,463.7	\$ 1,462.2	\$ 1,484.9	\$ 1,410.7	\$ 1,541.3	\$ 1,632.1
GAAP book value per common share	\$ 13.80	\$ 13.80	\$ 13.98	\$ 13.48	\$ 14.42	\$ 15.15
Economic book value per common share	\$ 14.34	\$ 14.32	\$ 14.57	\$ 13.84	\$ 15.12	\$ 16.02
Number of shares of common stock outstanding	102.1	102.1	101.9	101.9	101.9	101.9

Recent Accounting Standards to Be Adopted in Future Periods

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures (or ASU 2023-07). The amendments in ASU 2023-07 primarily require entities to disclose certain significant segment expenses and other segment items on both an annual and interim basis. ASU 2023-07 is effective for public business entities for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We do not expect that the adoption of ASU 2023-07 will have a significant impact on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) – Improvements to Income Tax Disclosures (or ASU 2023-09). The amendments in ASU 2023-09 primarily require entities to disclose more details about their income tax rate, expense and payments. ASU 2023-09 is effective for public business entities for fiscal years beginning after December 15, 2024. Early adoption is permitted. We do not expect that the adoption of ASU 2023-09 will have a significant impact on our financial statement disclosures.

Liquidity and Capital Resources

General

Our principal sources of cash generally consist of borrowings under repurchase agreements and other collateralized financings, payments of principal and interest we receive on our investment portfolio, cash generated from our operating results and, to the extent such transactions are entered into, proceeds from capital market and structured financing transactions. Our most significant uses of cash are generally to pay principal and interest on our financing transactions, to purchase and originate residential mortgage assets, to make dividend payments on our capital stock, to fund our operations, to meet margin calls and to make other investments that we consider appropriate.

We seek to employ a diverse capital raising strategy under which we may issue capital stock and other types of securities. To the extent we raise additional funds through capital market transactions, we currently anticipate using the net proceeds from such transactions to acquire additional residential mortgage-related assets, consistent with our investment policy, and for working capital, which may include, among other things, the repayment of our financing transactions. There can be no assurance, however, that we will be able to access the capital markets at any particular time or on any particular terms. We have available for issuance an unlimited amount (subject to the terms and limitations of our charter) of common stock, preferred stock, depository shares representing preferred stock, warrants, debt securities, rights and/or units pursuant to our universal shelf registration statement and, at June 30, 2024, we had approximately 2.0 million shares of common stock available for issuance pursuant to our Discount Waiver, Direct Stock Purchase and Dividend Reinvestment Plan (or DRSP) shelf registration statement. The Company did not issue any shares pursuant to its DRSP during the six months ended June 30, 2024.

On February 29, 2024, we entered into a distribution agreement pursuant to which we may offer and sell shares of our common stock having an aggregate gross sales price of up to \$300 million, from time to time, through various sales agents in transactions deemed to be “at-the-market” offerings under federal securities laws (or the ATM Program). During the six months ended June 30, 2024, we did not sell any shares of common stock through the ATM Program. At June 30, 2024, \$300 million remained available under the distribution agreement.

On February 29, 2024, we announced our Board had authorized a new \$200 million stock repurchase program with respect to our common stock, which will be in effect through the end of 2025. The new stock repurchase program supersedes the prior stock repurchase program in its entirety. Refer to Part II, Item 2 for further information about the stock repurchase program. During the six months ended June 30, 2024, we did not repurchase any share of common stock through the stock repurchase program. At June 30, 2024, \$200 million remained available under the current Board authorization for the purchase of common stock under our stock repurchase program.

In February 2023, our Board authorized a repurchase program for our Convertible Senior Notes pursuant to which we could repurchase up to \$100 million of our Convertible Senior Notes. During the three months ended March 31, 2024, we repurchased \$39.9 million principal amount of our Convertible Senior Notes for \$39.8 million and recorded a loss of \$0.1 million to Other Income/(Loss), net on the consolidated statement of operations. During the year ended December 31, 2023, we repurchased \$20.4 million principal amount of the Convertible Senior Notes for \$20.2 million and recorded a gain of \$0.1 million to Other Income/(Loss), net on the consolidated statement of operations. During the three months ended June 30, 2024, the Convertible Senior Notes matured and we repaid the amount in full.

Financing Agreements

Our borrowings under financing agreements include a combination of shorter and longer term arrangements. Certain of these arrangements are collateralized directly by our residential mortgage investments or otherwise have recourse to us, while securitized debt financing is non-recourse financing. Further, certain of our financing agreements contain terms that allow the lender to make margin calls on us based on changes in the value of the underlying collateral securing the borrowing. As of June 30, 2024, we had \$2.7 billion of total unpaid principal balance related to asset-backed financing agreements with mark-to-market collateral provisions and \$6.1 billion of total unpaid principal balance related to asset-backed financing agreements that do not include mark-to-market collateral provisions. Repurchase agreements and other forms of collateralized financing are uncommitted and renewable at the discretion of our lenders, and, as such, our lenders could determine to reduce or terminate our access to future borrowings at virtually any time. The terms of the repurchase transaction borrowings under our master repurchase agreements, as such terms relate to repayment, margin requirements and the segregation of all securities that are the subject of repurchase transactions, generally conform to the terms contained in the standard master repurchase agreement published by the Securities Industry and Financial Markets Association (or SIFMA) or the global master repurchase agreement published by SIFMA and the International Capital Market Association. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions, which differ by lender, may include changes to the margin maintenance requirements, required haircuts (or the percentage amount by which the collateral value is contractually required to exceed the loan amount), purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default and setoff provisions. Other non-repurchase agreement financing arrangements also contain provisions governing collateral maintenance. At June 30, 2024, we had unused financing capacity of approximately \$2.7 billion across our financing arrangements for all collateral types.

Margin calls are typically determined by our counterparties based on their assessment of changes in the fair value of the underlying collateral and in accordance with the agreed upon haircuts specified in the transaction confirmation with the

counterparty. We address margin call requests in accordance with the required terms specified in the applicable agreement and such requests are typically satisfied by posting additional cash or collateral on the same business day. We review margin calls made by counterparties and assess them for reasonableness by comparing the counterparty valuation against our valuation determination. When we believe that a margin call is unnecessary because our assessment of collateral value differs from the counterparty valuation, we typically hold discussions with the counterparty and attempt to resolve the matter. If this is not successful, we will look to resolve the dispute based on the remedies available to us under the terms of the repurchase agreement, which in some instances may include the engagement of a third-party to review collateral valuations. For certain other agreements that do not include such provisions, we could resolve the matter by substituting collateral as permitted in accordance with the agreement or otherwise request the counterparty to return the collateral in exchange for cash to unwind the financing. For additional information regarding our various types of financing arrangements, including those with non-mark-to-market terms and the haircuts for those agreements with mark-to-market collateral provisions, see Note 6 to the consolidated financial statements, included under Item 1 of this Quarterly Report on Form 10-Q.

At June 30, 2024, we had a total of \$3.9 billion of residential whole loans and securities and \$17.8 million of restricted cash pledged to our financing counterparties excluding securitized debt. We expect that we will continue to pledge residential mortgage assets as part of certain of our ongoing financing arrangements. When the value of our residential mortgage assets pledged as collateral experiences rapid decreases, margin calls under our financing arrangements could materially increase, causing an adverse change in our liquidity position. Additionally, if one or more of our financing counterparties choose not to provide ongoing funding, our ability to finance our long-maturity assets would decline or otherwise become available on possibly less advantageous terms. Further, when liquidity tightens, our counterparties to our short term arrangements with mark-to-market collateral provisions may increase their required collateral cushion (or margin) requirements on new financings, including financings that we roll with the same counterparty, thereby reducing our ability to use leverage. Access to financing may also be negatively impacted by ongoing volatility in financial markets, thereby potentially adversely impacting our current or future lenders' ability or willingness to provide us with financing. In addition, there is no assurance that favorable market conditions will exist to permit us to consummate additional securitization transactions if we determine to seek that form of financing.

Our ability to meet future margin calls will be affected by our ability to use cash or obtain financing from unpledged collateral, the amount of which can vary based on the market value of such collateral, our cash position and margin requirements. Our cash position fluctuates based on the timing of our operating, investing and financing activities and is managed based on our anticipated cash needs. (See our Consolidated Statements of Cash Flows, included under Item 1 of this Quarterly Report on Form 10-Q and "Interest Rate Risk" included under Item 3 of this Quarterly Report on Form 10-Q.)

The table below presents certain information about our borrowings under asset-backed financing agreements and securitized debt:

Quarter Ended (1)	Asset-backed Financing Agreements			Securitized Debt		
	Quarterly Average Balance	End of Period Balance	Maximum Balance at Any Month-End	Quarterly Average Balance	End of Period Balance	Maximum Balance at Any Month-End
(In Thousands)						
June 30, 2024	\$ 3,556,701	\$ 3,660,342	\$ 3,660,342	\$ 5,029,703	\$ 5,047,613	\$ 5,078,946
March 31, 2024	3,645,218	3,611,212	3,686,018	4,792,515	4,794,400	4,812,304
December 31, 2023	3,682,792	3,576,952	3,717,477	4,438,548	4,750,805	4,750,805
September 30, 2023	3,574,547	3,486,440	3,766,848	4,014,161	4,332,936	4,332,936
June 30, 2023	3,148,269	3,370,327	3,370,327	3,924,422	3,969,274	4,043,482
March 31, 2023	3,145,555	3,042,802	3,189,587	3,680,042	3,830,309	3,838,654

(1) The information presented in the table above excludes Senior notes (Note 6).

Cash Flows and Liquidity for the Six Months Ended June 30, 2024

Our cash, cash equivalents and restricted cash increased by \$53.2 million during the six months ended June 30, 2024, reflecting: \$272.7 million used in our investing activities, \$225.9 million provided by our financing activities and \$99.9 million provided by our operating activities.

At June 30, 2024, our debt-to-equity multiple was 4.7 times compared to 4.5 times at December 31, 2023. Our recourse leverage multiple at June 30, 2024 was 1.7 times compared to 1.7 times at December 31, 2023. At June 30, 2024, we had borrowings under asset-backed financing agreements of \$3.7 billion, of which \$2.9 billion were secured by residential whole

loans, \$730.8 million were secured by securities and \$25.8 million were secured by REO. In addition, at June 30, 2024, we had securitized debt of \$5.0 billion in connection with our loan securitization transactions. At December 31, 2023, we had borrowings under asset-backed financing agreements of \$3.6 billion, of which \$2.9 billion were secured by residential whole loans, \$622.6 million were secured by securities and \$25.2 million were secured by REO. In addition, at December 31, 2023, we had securitized debt of \$4.8 billion in connection with our loan securitization transactions.

During the six months ended June 30, 2024, \$272.7 million was used in our investing activities. We utilized \$1,453.1 million for acquisitions and origination of residential whole loans, loan related investments and capitalized advances. During the six months ended June 30, 2024, we received \$1,002.1 million of principal payments on residential whole loans and loan related investments, \$166.4 million of proceeds from the sale of residential whole loans, and \$49.8 million of proceeds on sales of REO. In addition, during the six months ended June 30, 2024, we utilized \$175.5 million for acquisitions of securities and received cash proceeds of \$29.6 million from sales of securities and other assets and \$26.3 million from principal payments on our securities.

In connection with our repurchase agreement financings and Swaps, we routinely receive margin calls/reverse margin calls from our counterparties and make margin calls to our counterparties. Margin calls and reverse margin calls, which requirements vary over time, may occur daily between us and any of our counterparties when the value of collateral pledged changes from the amount contractually required. The value of securities pledged as collateral fluctuates reflecting changes in: (i) the face (or par) value of our assets; (ii) market interest rates and/or other market conditions; and (iii) the market value of our Swaps. Margin calls/reverse margin calls are satisfied when we pledge/receive additional collateral in the form of additional assets and/or cash.

The table below summarizes our margin activity with respect to our repurchase agreement financings and derivative hedging instruments for the quarterly periods presented:

For the Quarter Ended (1)	Collateral Pledged for Margin Activity			Cash and Securities Received for Reverse Margin	Net Assets Received/(Pledged) for Margin Activity
	Fair Value of Securities Pledged	Cash Pledged	Aggregate Assets Pledged For Margin		
June 30, 2024	\$ —	\$ 6,795	\$ 6,795	\$ 17,348	\$ 10,553
March 31, 2024	17,379	3,358	20,737	16,514	(4,223)
December 31, 2023	10,616	4,085	14,701	23,060	8,359
September 30, 2023	35,690	4,363	40,053	34,846	(5,207)
June 30, 2023	5,982	2,909	8,891	5,328	(3,563)
March 31, 2023	676	2,965	3,641	6,529	2,888

(1) Excludes variation margin payments on our cleared Swaps which are treated as a legal settlement of the exposure under the Swap contract.

We are subject to various financial covenants under our financing agreements, which include minimum liquidity and net worth requirements, net worth decline limitations and maximum debt-to-equity ratios. We were in compliance with all financial covenants as of June 30, 2024.

During the six months ended June 30, 2024, we paid \$71.8 million for cash dividends on our common stock and dividend equivalents and paid cash dividends of \$16.4 million on our preferred stock. On June 11, 2024, we declared our second quarter 2024 dividend on our common stock of \$0.35 per share; on July 31, 2024, we paid this dividend, which totaled approximately \$36.0 million, including dividend equivalents of approximately \$318,000.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We seek to manage our risks related to interest rates, liquidity, prepayment speeds, market value and the credit quality of our assets while, at the same time, seeking to provide an opportunity to stockholders to realize attractive total returns through ownership of our capital stock. While we do not seek to avoid risk, we seek, consistent with our investment policies, to: assume risk that can be quantified based on management's judgment and experience and actively manage such risk; earn sufficient returns to justify the taking of such risks; and maintain capital levels consistent with the risks that we undertake.

Interest Rate Risk

We are exposed to interest rate risk on our residential mortgage assets, as well as on our liabilities. Changes in interest rates can affect our net interest income and the fair value of our assets and liabilities.

In general, when interest rates change, borrowing costs on our financing agreements will change more quickly than the yield on our assets. In a rising interest rate environment, the borrowing costs may increase faster than the interest income on our assets, thereby reducing our net income. In order to mitigate compression in net income based on such interest rate movements, we may use Swaps or other derivatives to lock in a portion of the net interest spread between assets and liabilities or otherwise hedge interest rate risk.

When interest rates change, the fair value of our residential mortgage assets could change at a different rate than the fair value of our liabilities. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities, and in order to reduce this exposure, we have historically used Swaps and other derivatives to reduce the gap in duration between our assets and liabilities.

The fair value of our re-performing and non-performing residential whole loans is in part dependent on the value of the underlying real estate collateral, past and expected delinquency status of the borrower as well as the level of interest rates. For certain loans that were re-performing or non-performing when purchased and where the borrower has brought the loan current, but nonetheless may be less likely to prepay due to weak credit history and/or high LTV, we believe these loans exhibit positive duration. We estimate the duration of these residential whole loans using management's assumptions.

The fair value of our Business purpose and Non-QM loans is typically dependent on the value of the underlying real estate collateral, as well as the level of interest rates. Because these loans are primarily newly or recently originated performing loans, we believe these investments exhibit positive duration. Given the short duration of our Single-family and Multifamily transitional loans, we believe the fair value of these loans exhibits little sensitivity to changes in interest rates. We estimate the duration of these Business purpose and Non-QM loans using management's assumptions.

The fair value of our non-performing residential whole loans is typically dependent on the value of the underlying real estate collateral and the time required for collateral liquidation. Since neither the value of the collateral nor the liquidation timeline is generally sensitive to interest rates, we believe their fair value exhibits little sensitivity to interest rates. We estimate the duration of our non-performing residential whole loans using management's assumptions.

We estimate the duration of our Agency MBS using a third-party financial model, which takes into account key characteristics of securities, market data, and assumptions based on management's view and observed empirical data.

We use derivative financial instruments, including Swaps, as part of our overall interest rate risk management strategy. Such instruments are used to economically hedge against future interest rate increases on our financing transactions. While use of such derivatives does not extend the maturities of our borrowings under repurchase agreements, they do, in effect, lock in a fixed rate of interest over their term for a corresponding amount of our repurchase agreement financings that are hedged, or otherwise act as a hedge against changes in interest rates.

Shock Table

The information presented in the following “Shock Table” projects the potential impact of sudden parallel changes in interest rates on our net interest income and portfolio value, including the impact of Swaps and securitized debt and other fixed rate debt, based on the assets in our investment portfolio at June 30, 2024. All changes in income and value are measured as the percentage change from the projected net interest income (over a 12 month period) and portfolio value under the base interest rate scenario at June 30, 2024.

Change in Interest Rates (Dollars in Thousands)	Change in Estimated Net Portfolio Value (1) (2)	Percentage Change in Net Interest Income (3)	Percentage Change in Portfolio Value
+100 Basis Point Increase	\$ (149,944)	(0.63)%	(1.37)%
+ 50 Basis Point Increase	\$ (68,194)	(0.16)%	(0.62)%
Actual at June 30, 2024	\$ —	— %	— %
- 50 Basis Point Decrease	\$ 54,637	0.22 %	0.50 %
-100 Basis Point Decrease	\$ 95,717	0.55 %	0.87 %

(1) Assets in our portfolio include residential whole loans and REO, securities, other portfolio investments, goodwill, intangibles, receivables, and cash and cash equivalents and restricted cash.

(2) Change in estimated net portfolio value includes the effect of our Swaps, securitized debt, and other fixed-rate debt.

(3) Includes the impact of the net carry on our Swaps.

Certain assumptions have been made in connection with the calculation of the information set forth in the Shock Table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The base interest rate scenario assumes interest rates at June 30, 2024. The analysis presented utilizes assumptions and estimates based on management’s judgment and experience. Furthermore, while we generally expect to retain the majority of our assets and the associated interest rate risk to maturity, future purchases and sales of assets could materially change our interest rate risk profile. It should be specifically noted that the information set forth in the above table and all related disclosure constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the Shock Table above.

The Shock Table quantifies the potential changes in net interest income and portfolio value, which includes the value of our derivative and other hedging transactions (if any) and securitized and other fixed rate debt (which are carried at fair value), should interest rates immediately change (i.e., are shocked). The Shock Table presents the estimated impact of interest rates instantaneously rising 50 and 100 basis points, and falling 50 and 100 basis points. The cash flows associated with our portfolio for each rate shock are calculated based on assumptions, including, but not limited to, prepayment speeds, yield on replacement assets, the slope of the yield curve and composition of our portfolio. Assumptions made with respect to the interest rate sensitive liabilities include anticipated interest rates, collateral requirements as a percent of repurchase agreement financings, and the amounts and terms of borrowing. At June 30, 2024, we applied a floor of 0% for all anticipated interest rates included in our assumptions. Because the presence of this floor could limit the potential impact of an interest rate decrease in certain rate environments, hypothetical interest rate shock decreases below the assumed floor could cause changes in the fair value of our financial instruments and our net interest income in excess of the amounts assumed.

At June 30, 2024, the impact on portfolio value was approximated using estimated net effective duration (i.e., the price sensitivity to changes in interest rates), including the effect of securitized and other fixed rate debt, of 1.12 which is the weighted average of 3.48 for our Residential whole loans, 3.09 for our Securities investments, (2.60) for our derivative and other hedging transactions and securitized and other fixed rate debt, and 0.01 for our Other assets and cash and cash equivalents. Estimated convexity (i.e., the approximate change in duration relative to the change in interest rates) of the portfolio was (0.49), which is the weighted average of (0.50) for our Residential whole loans, zero for our derivative and other hedging transactions and securitized and other fixed rate debt, (0.93) for our Securities and zero for our Other assets and cash and cash equivalents. The impact on our net interest income is driven mainly by the difference between portfolio yield and cost of funding of our repurchase agreements. Our asset/liability structure is generally such that an increase in interest rates would be expected to result in a decrease in net interest income, as our borrowings are generally shorter in term than our interest-earning assets. When interest rates are shocked, prepayment assumptions are adjusted based on management’s expectations along with the results from the prepayment model.

Credit Risk

We are exposed to credit risk through our credit sensitive residential mortgage investments, in particular residential whole loans and certain of our securities investments. We do not believe we are exposed to credit risk in our Agency MBS portfolio,

Our exposure to credit risk from our credit sensitive investments is discussed in more detail below:

Residential Whole Loans

We are exposed to credit risk from our investments in residential whole loans. Credit risk on our residential whole loans is mitigated through our process to underwrite the loan before it is acquired and/or originated and includes an assessment of the borrower’s financial condition and ability to repay the loan, nature of the collateral and relatively low LTV, including after-repair LTV for the majority of our Single-family and Multifamily transitional loans. Given the extent of home price appreciation that has occurred since the majority of our loans collateralized by single-family homes were acquired or originated, we estimate that current LTVs have decreased significantly, further mitigating the risk of material credit losses on this portfolio. As a result of higher cap rates and an increasing supply of multifamily units in certain markets, we estimate that current LTVs on certain of our Multifamily transitional loans may have increased since origination, increasing the risk of credit losses on this portfolio.

Our investment process for Legacy RPL/NPL loans is focused on quantifying and pricing credit risk. Legacy RPL/NPL loans are acquired at purchase prices that are generally discounted to the contractual loan balances based on a number of factors, including the impaired credit history of the borrower and the value of the collateral securing the loan. In addition, as we generally own the mortgage-servicing rights associated with these loans, our process is also focused on selecting a sub-servicer with the appropriate expertise to mitigate losses and maximize our overall return. This involves, among other things, performing due diligence on the sub-servicer prior to their engagement as well as ongoing oversight and surveillance. To the extent that delinquencies and defaults on these loans are higher than our expectation at the time the loans were purchased, the discounted purchase price at which the asset is acquired is intended to provide a level of protection against financial loss.

The following table presents certain information about our Residential whole loans at June 30, 2024:

(Dollars in Thousands)	Single-family transitional loans		Multifamily transitional loans		Single-family rental loans		Non-QM loans		Legacy RPL/NPL loans	
	Loans with an LTV:		Loans with an LTV:		Loans with an LTV:		Loans with an LTV:		Loans with an LTV:	
	80% or Below	Above 80%	80% or Below	Above 80%	80% or Below	Above 80%	80% or Below	Above 80%	80% or Below	Above 80%
Amortized cost	\$ 1,169,050	\$ 58,901	\$ 1,076,912	\$ 108,605	\$ 1,691,158	\$ 29,035	\$ 4,073,457	\$ 219,660	\$ 920,221	\$ 130,672
Unpaid principal balance (UPB)	\$ 1,168,044	\$ 58,692	\$ 1,076,014	\$ 108,599	\$ 1,683,887	\$ 28,992	\$ 3,968,593	\$ 215,324	\$ 1,077,230	\$ 207,002
Weighted average coupon (1)	10.5 %	8.7 %	9.0 %	8.1 %	6.6 %	5.3 %	6.1 %	6.7 %	5.1 %	5.0 %
Weighted average term to maturity (months)	6	1	11	8	330	323	340	346	249	301
Weighted average LTV (2)	65 %	123 %	63 %	100 %	67 %	172 %	63 %	85 %	46 %	103 %
Loans 90+ days delinquent UPB	\$ 66,406	\$ 30,523	\$ 30,556	\$ 8,002	\$ 32,475	\$ 25,662	\$ 83,476	\$ 8,321	\$ 173,783	\$ 58,156

(1) Weighted average is calculated based on the interest bearing principal balance of each loan within the related category. For loans acquired with servicing rights released by the seller, interest rates included in the calculation do not reflect loan servicing fees. For loans acquired with servicing rights retained by the seller, interest rates included in the calculation are net of servicing fees.

(2) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the origination date. For Single-family and Multifamily transitional loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated “after repaired” value of the collateral securing the related loan, where available. For certain Single-family transitional loans, totaling \$467.2 million, an after repaired valuation was not obtained and the loan was underwritten based on an “as is” valuation. The LTV of these loans based on the current unpaid principal balance and the valuation obtained during underwriting, is 74%. For certain Multifamily transitional loans, totaling \$498.7 million, an after repaired valuation was not obtained and the loan was underwritten based on an “as is” valuation. The LTV of these loans based on the current unpaid principal balance and the valuation obtained during underwriting, is 72%. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots for which the LTV ratio is not meaningful.

The following table presents the five largest geographic concentrations by state of certain of our residential whole loan portfolio and in total at June 30, 2024:

Rank	Business purpose loans		Non-QM loans		Legacy RPL/NPL loans		All Loans	
	State	Percent of UPB	State	Percent of UPB	State	Percent of UPB	State	Percent of UPB
1	TX	11.4%	CA	51.3%	CA	21.9%	CA	26.7%
2	FL	11.2%	FL	16.4%	NY	16.6%	FL	12.8%
3	GA	9.2%	TX	4.9%	FL	7.3%	TX	7.3%
4	NY	5.8%	AZ	3.0%	NJ	7.1%	NY	5.2%
5	OH	5.5%	WA	2.5%	MD	5.1%	GA	4.9%

CRT Securities

We are exposed to potential credit losses from our investments in CRT securities issued by or sponsored by Fannie Mae and Freddie Mac. While CRT securities are issued by or sponsored by these GSEs, payment of principal on these securities is not guaranteed. As an investor in a CRT security, we may incur a loss if losses on the mortgage loans in the reference pool exceed the credit enhancement on the underlying CRT security owned by us or if an actual pool of loans experience losses. We assess the credit risk associated with our investments in CRT securities by assessing the current and expected future performance of the associated loan pool.

Term Notes Backed by MSR Collateral

We have invested in certain term notes that are issued by SPVs that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. Payment of principal and interest on these term notes is considered by us to be largely dependent on the cash flows generated by the underlying MSRs as this impacts the cash flows available to the SPV that issued the term notes. Credit risk borne by the holders of the term notes is also mitigated by structural credit support in the form of over-collateralization. In addition, credit support is also provided by a corporate guarantee from the ultimate parent or sponsor of the SPV that is intended to provide for payment of interest and principal to the holders of the term notes should cash flows generated by the underlying MSRs be insufficient.

Credit Spread Risk

Credit spreads measure the additional yield demanded by investors in financial instruments based on the credit risk associated with an instrument relative to benchmark interest rates. They are impacted by the available supply and demand for instruments with various levels of credit risk. Widening credit spreads would result in higher yields being required by investors in financial instruments. Credit spread widening generally results in lower values of the financial instruments we hold at that time, but will generally result in a higher yield on future investments with similar credit risk. It is possible that the credit spreads on our assets and liabilities, including hedges, will not always move in tandem. Consequently, changes in credit spreads can result in volatility in our financial results and reported book value.

Liquidity Risk

The primary liquidity risk we face arises from financing long-maturity assets with shorter-term borrowings primarily in the form of repurchase agreement financings. We pledge residential mortgage assets and cash to secure our financing agreements. Our financing agreements with mark-to-market collateral provisions require us to pledge additional collateral in the event the market value of the assets pledged decreases, in order to maintain the lenders contractually specified collateral cushion, which is measured as the difference between the loan amount and the market value of the asset pledged as collateral. Should the value of our residential mortgage assets pledged as collateral suddenly decrease, margin calls under our repurchase agreements would likely increase, causing an adverse change in our liquidity position. Additionally, if one or more of our financing counterparties chose not to provide ongoing funding, our ability to finance our long-maturity assets would decline or be available on possibly less advantageous terms. Further, when liquidity tightens, our repurchase agreement counterparties may increase our collateral cushion (or margin) requirements on new financings, including repurchase agreement borrowings that we roll with the same counterparty, reducing our ability to use leverage.

At June 30, 2024, we had access to various sources of liquidity, including \$289.4 million of cash and cash equivalents. Our sources of liquidity do not include restricted cash. In addition, at June 30, 2024, we had \$81.7 million of unencumbered residential whole loans.

Prepayment Risk

Premiums arise when we acquire an MBS or loan at a price in excess of the aggregate principal balance of the mortgages securing the MBS (i.e., par value) or when we acquire residential whole loans at a price in excess of their aggregate principal balance. Conversely, discounts arise when we acquire an MBS or loan at a price below the aggregate principal balance of the mortgages securing the MBS or when we acquire residential whole loans at a price below their aggregate principal balance. Premiums paid are amortized against interest income and accretable purchase discounts on these investments are accreted to interest income. Purchase premiums, which are primarily carried on our Single-family rental and Non-QM loans, are amortized against interest income over the life of the investment using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the interest income earned on these assets. Fees payable by borrowers on the early repayment of certain of our Business purpose and Non-QM loans serve to mitigate the impact on our income of higher prepayment rates. Generally, if prepayments on residential whole loans purchased at significant discounts and not accounted for at fair value are less than anticipated, we expect that the income recognized on these assets will be reduced and impairments and/or credit loss reserves may result.

In addition, increased prepayments are generally associated with decreasing market interest rates as borrowers are able to refinance their mortgages at lower rates. Therefore, increased prepayments on our investments may accelerate the redeployment of our capital to generally lower yielding investments. Similarly, decreased prepayments are generally associated with increasing market interest rates and may slow our ability to redeploy capital to generally higher-yielding investments.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, under the direction of its Chief Executive Officer and Chief Financial Officer, is responsible for maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, management reviewed and evaluated the Company's disclosure controls and procedures. The evaluation was performed under the direction of the Company's Chief Executive Officer and Chief Financial Officer to determine the effectiveness, as of June 30, 2024, of the design and operation of the Company's disclosure controls and procedures. Based on that review and evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures, as designed and implemented, were effective as of June 30, 2024. Notwithstanding the foregoing, a control system, no matter how well designed, implemented and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's current periodic reports.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or any of our assets are subject.

Item 1A. Risk Factors

For a discussion of the Company's risk factors, see Part 1, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). There are no material changes from the risk factors

set forth in the 2023 Form 10-K. However, the risks and uncertainties that the Company faces are not limited to those set forth in the 2023 Form 10-K. Additional risks and uncertainties not currently known to the Company (or that it currently believes to be immaterial) may also adversely affect the Company's business and the trading price of our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 29, 2024, the Company announced its Board had authorized a new \$200 million stock repurchase program with respect to the Company's common stock, which will be in effect through the end of 2025. The Company's prior stock repurchase program, which was adopted in March 2022, had authorized the repurchase of up to \$250 million of the Company's common stock and expired on December 31, 2023, with approximately \$202.5 million remaining available at the date of expiration. The new stock repurchase program supersedes the prior stock repurchase program in its entirety.

The stock repurchase program does not require the purchase of any minimum number of shares. The timing and extent to which the Company repurchases its shares will depend upon, among other things, market conditions, share price, liquidity, regulatory requirements and other factors, and repurchases may be commenced or suspended at any time without prior notice. Acquisitions under the stock repurchase program may be made in the open market, through privately negotiated transactions or block trades or other means, in accordance with applicable securities laws (including, in the Company's discretion, through the use of one or more plans adopted under Rule 10b5-1 promulgated under the Exchange Act of 1934, as amended (the "Exchange Act")).

At June 30, 2024, \$200 million remained available under the current authorization for the purchase of our common stock under the stock repurchase program.

We engaged in no share repurchase activity during the second quarter of 2024 pursuant to the stock repurchase program nor did we withhold shares (under the terms of grants under our Equity Compensation Plan (or Equity Plan)) to satisfy tax and payroll withholding obligations resulting from the vesting and settlement of restricted stock awards and/or restricted stock units (RSUs).

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K.

EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report. The exhibit numbers followed by an asterisk (*) indicate exhibits electronically filed or furnished herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference.

Exhibit	Description
4.1	Indenture, dated June 3, 2019, between the Company and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K, dated June 3, 2019).
4.2	Third Supplemental Indenture, dated April 17, 2024, between the Company and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.10 to the Company's Registration Statement on Form 8-A, dated April 17, 2024).
4.3	Form of 9.000% Senior Notes Due 2029 of the Company (attached as Exhibit A to the Third Supplemental Indenture, incorporated herein by reference to Exhibit 4.10 to the Company's Registration Statement on Form 8-A, dated April 17, 2024).
31.1*	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in iXBRL (Inline Extensible Business Reporting Language): (i) our Consolidated Balance Sheets as of June 30, 2024 (Unaudited) and December 31, 2023; (ii) our Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2024 and 2023; (iii) our Consolidated Statements of Comprehensive Income / (Loss) (Unaudited) for the three and six months ended June 30, 2024 and 2023; (iv) Consolidated Statements of Changes in Stockholders' Equity (Unaudited) for the three and six months ended June 30, 2024 and 2023; (v) our Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2024 and 2023; and (vi) the notes to our Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 8, 2024

MFA FINANCIAL, INC.
(Registrant)

By: /s/ Michael Roper
Michael Roper
Chief Financial Officer

CERTIFICATION

I, Craig L. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MFA Financial, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 8, 2024

By: /s/ Craig L. Knutson
Name: Craig L. Knutson
Title: President and Chief Executive Officer

CERTIFICATION

I, Michael Roper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MFA Financial, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 8, 2024

By: /s/ Michael Roper

Name: Michael Roper

Title: Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer of MFA Financial, Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (the "Form 10-Q"), filed herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Craig L. Knutson
Name: Craig L. Knutson
Title: President and Chief Executive Officer

Date: August 8, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, and is not being "filed" as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this statement required by Section 906 had been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Financial Officer of MFA Financial, Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (the "Form 10-Q"), filed herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Michael Roper
Name: Michael Roper
Title: Chief Financial Officer

Date: August 8, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, and is not being "filed" as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

A signed original of this statement required by Section 906 had been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.