AMERICAN HOME MORTGAGE INVESTMENT CORP
Form 10-Q
May 10, 2006

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2006.

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: 001-31916

AMERICAN HOME MORTGAGE INVESTMENT CORP.

(Exact Name of Registrant as Specified in its Charter)

Maryland	20-0103914
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
538 Broadhollow Road, Melville, New York	11747
(Address of Principal Executive Offices)	(Zip Code)

(516) 949-3900

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer [X]   Accelerated Filer [ ]   Non-Accelerated Filer [ ]

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

As of May 4, 2006, there were 50,036,033 shares of the registrant's common stock, par value $0.01 per share, outstanding.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I-FINANCIAL INFORMATION

PART II-OTHER INFORMATION

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands, except per share amounts)

	March 31, 2006
Assets:	
Cash and cash equivalents	$ 572,
Accounts receivable and servicing advances	327,
Mortgage-backed securities (including securities pledged of $9,068,102 as of March 31, 2006 and $10,063,621 as of December 31, 2005)	9,580,
Mortgage loans held for sale, net	1,589,
Mortgage loans held for investment, net of allowance of $3,454 as of March 31, 2006 and $2,142 as of December 31, 2005	4,315,
Derivative assets	102,
Mortgage servicing rights, net	371,
Premises and equipment, net	75,
Goodwill	110,
Other assets	30,
Total assets	$ 17,077,
Liabilities and Stockholders' Equity:	
Liabilities:	
Warehouse lines of credit	$ 1,754,
Drafts payable	16,
Commercial paper	1,073,
Reverse repurchase agreements	8,899,
Collateralized debt obligations	2,905,
Payable for securities purchased	215,
Derivative liabilities	7,
Trust preferred securities	204,
Accrued expenses and other liabilities	385,
Notes payable	330,
Income taxes payable	51,
Total liabilities	15,842,
Commitments and contingencies	
Stockholders' Equity:	
Preferred Stock, par value $0.01 per share, 10,000,000 shares authorized:	
9.75% Series A Cumulative Redeemable, 2,150,000 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	50,
9.25% Series B Cumulative Redeemable, 3,450,000 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	83,
Common Stock, par value $0.01 per share, 100,000,000 shares authorized, 50,004,965 and 49,639,646 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	
Additional paid-in capital	958,
Retained earnings	206,
Accumulated other comprehensive loss	(64,
Total stockholders' equity	1,234,
Total liabilities and stockholders' equity	$ 17,077,

See notes to consolidated financial statements.

-1-

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share amounts)

	Three Months Ended M
	2006
Net interest income:	
Interest income	$ 300,613
Interest expense	(254,035)
Total net interest income	46,578
Provision for loan losses	(1,311)
Total net interest income after provision for loan losses	45,267
Non-interest income:	
Gain on sales of mortgage loans	171,907
Gain on sales of current period securitized mortgage loans	-
(Loss) gain on sales of mortgage-backed securities and derivatives	(850)
Unrealized gain on mortgage-backed securities and derivatives	9,315
Loan servicing fees	24,333
Amortization and impairment of mortgage servicing rights	-
Change in fair value of mortgage servicing rights	(18,621)
Net loan servicing fees	5,712
Other non-interest income	1,769
Total non-interest income	187,853
Non-interest expenses:	
Salaries, commissions and benefits, net	99,267
Occupancy and equipment	17,970
Data processing and communications	7,126
Office supplies and expenses	4,332
Marketing and promotion	5,800
Travel and entertainment	6,753
Professional fees	5,331
Other	15,882
Total non-interest expenses	162,461
Net income before income tax expense	70,659
Income tax expense	16,200

Net income	$	54,459
Dividends on preferred stock		3,305
Net income available to common shareholders	$	51,154
Per share data:		
Basic	$	1.03
Diluted	$	1.02
Weighted average number of shares - basic		49,715
Weighted average number of shares - diluted		50,070

See notes to consolidated financial statements.

-2-

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at January 1, 2005	$ 134,040	$ 403	$ 631,530	$ 99,628
Comprehensive income:				
Net income	-	-	-	125,380
Net change in unrealized loss on mortgage-backed securities available for sale	-	-	-	-
Net change in unrealized gain on cash flow hedges, net of amortization	-	-	-	-
Comprehensive income				
Issuance of common stock - earnouts	-	-	846	-
Issuance of common stock - 1999 Omnibus Stock Incentive Plan	-	-	452	-
Dividends declared on Series A Preferred Stock	-	-	-	(1,310)
Dividends declared on Series B Preferred Stock	-	-	-	(1,995)
Dividends declared on Common Stock	-	-	-	(28,639)
Balance at March 31, 2005	$ 134,040	$ 403	$ 632,828	$ 193,064
Balance at January 1, 2006	$ 134,040	$ 496	$ 947,512	$ 203,778
Comprehensive income:				

Net income	-	-	-	54,459
Net change in unrealized loss on mortgage-backed securities available for sale	-	-	-	-
Net change in unrealized gain on cash flow hedges, net of amortization	-	-	-	-
Comprehensive income				
Cumulative effect adjustment as of beginning of year	-	-	-	(2,917)
Issuance of common stock - earnouts	-	3	9,555	-
Issuance of common stock - 1999 Omnibus Stock Incentive Plan	-	1	698	-
Stock-based employee compensation expense	-	-	410	-
Dividends declared on Series A Preferred Stock	-	-	-	(1,310)
Dividends declared on Series B Preferred Stock	-	-	-	(1,995)
Dividends declared on Common Stock	-	-	-	(45,503)
Balance at March 31, 2006	$ 134,040	$ 500	$ 958,175	$ 206,512

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash flows from operating activities:		
Net income	$ 54,459	$ 125,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,953	2,439
Provision for loan losses	1,311	-
Change in fair value of mortgage servicing rights	18,621	-
Amortization and impairment of mortgage servicing rights	-	5,082
Accretion and amortization of mortgage-backed securities, net	2,331	4,593
Deferred cash flow hedge gain, net of amortization	3,909	17,052
Loss on sales of mortgage-backed securities and derivatives	-	3,336
Unrealized loss on mortgage-backed securities	3,090	51,003
Unrealized gain on free standing derivatives	(4,765)	(40,312)
Decrease in forward delivery contracts	(24,041)	(9,595)
Capitalized mortgage servicing rights on securitized loans	-	(79,711)
Capitalized mortgage servicing rights on sold loans	(69,768)	(2,347)
Decrease in interest rate lock commitments	7,131	210
Decrease in mortgage loan basis adjustments	4,731	30,954
Other	(198)	1,177
(Increase) decrease in operating assets:		

Accounts receivable	6,829	12,952
Servicing advances	(3,281)	731
Other assets	(1,451)	7,714
Increase (decrease) in operating liabilities:		
Accrued expenses and other liabilities	93,876	21,432
Income taxes payable	16,173	(92)
Origination of mortgage loans held for sale	(12,203,014)	(7,255,400)
Principal received from sales of mortgage loans held for sale	13,372,574	3,080,795
Proceeds from securitizations of mortgage loans held for sale	-	7,336,612
Additions to mortgage-backed securities and derivatives	-	(2,840,259)
Principal proceeds from sales of self-originated mortgage-backed securities	1,809,796	-
Cash received from residual assets in securitizations	27,353	16,556
Principal repayments of mortgage-backed securities	93,845	108,403
Net cash provided by operating activities	3,213,464	598,705
Cash flows from investing activities:		
Purchases of premises and equipment	(10,765)	(6,849)
Origination of mortgage loans held for investment	(970,335)	-
Proceeds from repayments of mortgage loans held for investment	137,545	-
Purchases of mortgage-backed securities	(1,389,336)	-
Principal proceeds from sales of purchased mortgage-backed securities	-	1,133,989
Principal repayments of purchased mortgage-backed securities	438,297	368,671
Acquisition of business	(550,077)	-
Net cash (used in) provided by investing activities	(2,344,671)	1,495,811
Cash flows from financing activities:		
Decrease in warehouse lines of credit, net	(1,719,610)	(77,097)
Decrease in reverse repurchase agreements, net	(907,094)	(351,001)
Increase (decrease) in collateralized debt obligations	1,847,293	(2,022,218)
Decrease in payable for securities purchased	(46,425)	-
(Decrease) increase in commercial paper, net	(5,549)	328,592
(Decrease) increase in drafts payable, net	(4,377)	2,191
Increase in trust preferred securities	330	-
Increase in notes payable, net	11,405	23,578
Proceeds from issuance of Common Stock	652	311
Dividends paid	(48,477)	(28,931)
Net cash used in financing activities	(871,852)	(2,124,575)
Net decrease in cash and cash equivalents	(3,059)	(30,059)
Cash and cash equivalents, beginning of period	575,650	192,821
Cash and cash equivalents, end of period	$ 572,591	$ 162,762
Supplemental disclosure of cash flow information:		
Interest paid	$ 181,955	$ 79,937
Income taxes paid	32	115

See notes to consolidated financial statements.

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - American Home Mortgage Investment Corp. ("AHM Investment") is a mortgage REIT focused on earning net interest income from mortgage loans and securities, and through its taxable subsidiaries, on earning income from originating and selling mortgage loans and servicing mortgage loans for institutional investors. Mortgages are originated through a network of loan origination offices and mortgage brokers or are purchased from correspondents, and are serviced at the Company's Irving, Texas servicing center. As used herein, references to the "Company," "American Home," "we," "our" and "us" refer to AHM Investment collectively with its subsidiaries.

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

Due to the Company's exercising significant influence on the operations of its joint ventures, their balances and operations have been fully consolidated in the accompanying consolidated financial statements and all intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - Cash and cash equivalents are demand deposits and short-term investments with a maturity of 90 days or less. The carrying amount of cash and cash equivalents approximates its fair value.

Mortgage-backed Securities - Mortgage-backed securities are classified as either trading or available for sale. Trading securities are reported at fair value, and changes in fair value are reported in unrealized gain on mortgage-backed securities and derivatives in the consolidated statements of income. Available for sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss). Realized gains and losses on sales of available for sale securities are determined on an average cost basis and included in gain (loss) on sales of mortgage-backed securities and derivatives.

When the fair value of an available for sale security is less than amortized cost, management evaluates whether there is an other-than-temporary impairment in the value of the security (e.g., whether the security is likely to be sold prior to the recovery of fair value) based on estimated credit losses, prepayment speeds and the length of time in an unrealized loss position. If, in management's assessment, an other-than-temporary impairment exists, the cost basis of the security is written down to the then-current fair value, and the unrealized loss is transferred from accumulated other comprehensive income as an immediate reduction of current earnings (i.e., as if the loss had been realized in the period of impairment). Premiums and discounts on the Company's mortgage-backed securities held in available for sale are amortized to interest income using the level yield method over the estimated life of the security.

Mortgage Loans Held for Sale - Mortgage loans held for sale are carried at the lower of cost or aggregate market value. The cost basis includes the capitalized value of the prior interest rate lock commitments ("IRLCs") related to the mortgage loans and any net deferred origination costs. For mortgage loans held for sale that are hedged with forward sale commitments, if the Company meets hedge accounting requirements, the carrying value is adjusted for the change in market during the time the hedge was deemed to be highly effective. The market value is determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate basis.

Mortgage Loans Held for Investment - Mortgage loans held for investment represent loans securitized through transactions structured as financings, or pending securitization through transactions that are expected to be structured as financings. Mortgage loans held for investment are carried at the aggregate of their remaining unpaid principal balances, including the capitalized value of the prior IRLCs related to the mortgage loans, plus net deferred origination costs, less any related charge-offs and allowance for loan losses. Loan fees and direct origination costs are deferred and amortized into interest income over the contractual life of the loan using the level-yield method.

Allowance for Losses on Mortgage Loans Held for Investment - The Company maintains an allowance for loan losses for its mortgage loans held for investment, based on the Company's estimate of current existing losses. Additions to the allowance for loan losses are based on

assessments of certain factors, including historical loan loss experience of similar types of loans, the Company's loan loss experience, the amount of past due and nonperforming loans, specific known risks, the value of collateral securing the loans, and current and anticipated economic and interest rate conditions. Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance for loan losses are provided through a charge to income and recorded within provision for loan losses in the consolidated statements of income. The allowance for loan losses is reduced by subsequent charge-offs, net of recoveries.

Mortgage Servicing Rights - In March 2006, the Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards ("SFAS") No. 156, "Accounting for Servicing Financial Assets, an amendment of SFAS No. 140" ("SFAS No. 156"). SFAS No. 156 amends SFAS No. 140 to require that all separately recognized servicing assets and liabilities be initially measured at fair value, if practical. The effective date of this statement is as of the beginning of the entity's first fiscal year that begins after September 15, 2006; however, early adoption is permitted as of the beginning of any fiscal year, provided the entity has not issued financial statements for the interim period. The initial recognition and measurement of servicing assets and servicing liabilities are required to be applied prospectively to transactions occurring after the effective date. The Company elected to early adopt SFAS No. 156 as of January 1, 2006, and has recorded its mortgage servicing rights ("MSRs") at fair value. The Company's election increased MSRs by $1.2 million. Prior to January 1, 2006, MSRs were carried at the lower of cost or fair value, based on defined interest rate risk strata, and the gross MSR asset was amortized in proportion to and over the period of estimated net servicing income. The Company estimates the fair value of its MSRs by obtaining market information from one of the market's primary independent MSR brokers.

Premises and Equipment - Premises and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated service lives of the premises and equipment. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method. Depreciation and amortization are recorded within occupancy and equipment expense in the consolidated statements of income.

Goodwill - Goodwill represents the excess purchase price over the fair value of net assets acquired from business acquisitions. The Company tests for impairment at least annually and will test for impairment more frequently if events or circumstances indicate that an asset may be impaired. The Company tests for impairment by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. The discounted cash flow calculation related to the Company's loan origination segment includes a forecast of the expected future loan originations and the related revenues and expenses. The discounted cash flow calculation related to the Company's mortgage holdings segment includes a forecast of the expected future net interest income, gain on mortgage-backed securities and the related revenues and expenses. These cash flows are discounted using a rate that is estimated to be a weighted-average cost of capital for similar companies. We further test to ensure that the fair value of all of our business units does not exceed our total market capitalization.

Reverse Repurchase Agreements - The Company has entered into reverse repurchase agreements to finance certain of its investments. These agreements are secured by a portion of the Company's investments and bear interest rates that have historically moved in close relationship to the London Inter-Bank Offer Rate ("LIBOR"). Reverse repurchase agreements are accounted for as borrowings and recorded as a liability on the consolidated balance sheet.

Collateralized Debt Obligations - The Company has issued adjustable-rate collateralized debt obligations ("CDOs") to finance certain portions of its mortgage loans. The collateralized debt obligations are collateralized by adjustable-rate mortgage ("ARM") loans that have been placed in a trust and bear interest rates that have historically moved in close relationship to LIBOR. CDOs are accounted for as borrowings and recorded as a liability on the consolidated balance sheet.

Commercial Paper - The Company maintains a wholly owned special purpose entity for the purpose of issuing commercial paper in the form of short-term Secured Liquidity Notes ("SLNs") to finance certain portions of the Company's mortgage loans held for sale and mortgage loans held for investment. The commercial paper may be secured by the Company's mortgage loans held for sale, mortgage loans held for investment, mortgage-backed securities and cash and bears interest at prevailing money market rates approximating LIBOR. Commercial paper is accounted for as a borrowing and recorded as a liability on the consolidated balance sheet.

Trust Preferred Securities - The Company formed wholly owned statutory business trusts ("Trusts") for the purpose of issuing trust preferred securities. The Company does not consolidate its Trusts and results in a liability to the Trusts, which is recorded in trust preferred securities on the consolidated balance sheet. The securities begin to mature in 2035 and bear interest at rates ranging from LIBOR +235 basis points to LIBOR +300 basis points.

Drafts Payable - Drafts payable represent outstanding mortgage loan disbursements that the Company has provided to its customers for the purchase of a home. The amounts outstanding do not bear interest and the obligation is transferred into one of the Company's warehouse facilities when the related draft is presented to a bank.

Derivative Financial Instruments - The Company has developed risk management programs and processes designed to manage market risk associated with normal business activities.

Interest Rate Lock Commitments ("IRLCs"). The Company's mortgage committed pipeline includes IRLCs that have been extended to borrowers who have applied for loan funding and meet certain defined credit and underwriting criteria and have locked their terms and rates. The Company uses mortgage forward delivery contracts to economically hedge the IRLCs. The Company classifies and accounts for the IRLCs associated with loans expected to be sold as free-standing derivatives. Accordingly, IRLCs related to loans held for sale are recorded at fair value with changes in fair value recorded to current earnings.

Forward Delivery Commitments Used to Economically Hedge IRLCs. The Company uses mortgage forward delivery contracts to economically hedge the IRLCs, which are also classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

Forward Delivery Commitments Used to Hedge Mortgage Loans Held for Sale. The Company's risk management objective for its mortgage loans held for sale is to protect earnings from an unexpected charge due to a decline in value. The Company's strategy is to engage in a risk management program involving the use of mortgage forward delivery contracts designated as fair value hedging instruments to hedge 100% of its agency-eligible conforming loans and most of its non-conforming loans held for sale. At the inception of the hedge, to qualify for hedge accounting, the Company formally documents the relationship between the forward delivery contracts and the mortgage inventory as well as its objective and strategy for undertaking the hedge transaction. For conventional conforming fixed-rate loans, the notional amount of the forward delivery contracts, along with the underlying rate and terms of the contracts, are equivalent to the unpaid principal amount of the mortgage inventory being hedged; hence, the forward delivery contracts effectively fix the forward sales price and thereby substantially eliminate interest rate and price risk to the Company. The Company classifies and accounts for these forward delivery contracts as fair value hedges. The derivatives are carried at fair value with the changes in fair value recorded to current earnings. When the hedges are deemed highly effective, the book value of the hedged loans held for sale is adjusted for its change in fair value during the hedge period.

Interest Rate Swap Agreements. The Company enters into interest rate swap agreements which require it to pay a fixed interest rate and receive a variable interest rate based on LIBOR. The fair value of interest rate swap agreements is based on the net present value of estimated future interest payments over the remaining life of the interest rate swap agreement. All changes in the unrealized gains and losses on swap agreements designated as cash flow hedges have been recorded in accumulated other comprehensive income (loss) and are reclassified to earnings as interest expense is recognized on the Company's hedged borrowings. For interest rate swap agreements accounted for as cash flow hedges, the net amount accrued for the variable interest receivable and fixed interest payable affects the amount recorded as interest expense. If it becomes probable that the forecasted transaction, which in this case refers to interest payments to be made under the Company's short-term borrowing agreements, will not occur by the end of the originally specified time period, as documented at the inception of the hedging relationship, or within an additional two-month time period thereafter, then the related gain or loss in accumulated other comprehensive income (loss) would be reclassified to income. Certain swap agreements are designated as cash flow hedges against the benchmark interest rate risk associated with the Company's borrowings. Although the terms and characteristics of the Company's swap agreements and hedged borrowings are nearly identical, due to the explicit requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), the Company does not account for these hedges under a method defined in SFAS No. 133 as the "shortcut" method, but rather the Company calculates the effectiveness of these hedges on an ongoing basis, and, to date, has calculated effectiveness of approximately 100%. The Company classifies and accounts for interest rate swap agreements that are not designated as cash flow hedges as free-standing derivatives. Accordingly, these swap agreements are recorded at fair value with changes in fair value recorded to current earnings as a component of unrealized gain on mortgage-backed securities and derivatives as they are used to offset the price change exposure of mortgage-backed securities classified as trading. For interest rate swap agreements accounted for as free-standing derivatives, the net amount accrued for the variable interest receivable and fixed interest payable is recorded in current earnings as unrealized gain on mortgage-backed securities and derivatives.

Termination of Hedging Relationships. The Company employs a number of risk management monitoring procedures to ensure that the designated hedging relationships are demonstrating, and are expected to continue to demonstrate, a high level of effectiveness. Hedge accounting is discontinued on a prospective basis if it is determined that the hedging relationship is no longer highly effective or expected to be highly effective in offsetting changes in fair value of the hedged item. Additionally, the Company may elect to de-designate a hedge relationship during an interim period and re-designate upon the rebalancing of a hedge profile and the corresponding hedge relationship. When hedge accounting is discontinued, the Company continues to carry the derivative instruments at fair value with changes in their value recorded in earnings.

Gain on Sale of Loans - The Company recognizes gain on sale of loans for the difference between the sales price and the adjusted book value of the loans at the time of sale. The adjusted book value of the loans includes the original principal amount plus SFAS No. 133 basis adjustments plus deferrals of fees and points received and direct loan origination costs.

Loan Origination Fees and Direct Origination Costs - The Company records loan fees, discount points and certain direct origination costs as an adjustment of the cost of the loan or security and such amounts are included in revenues when the loan or security is sold. When loans held for investment are securitized, net deferred origination costs are amortized over the life of the loan using the level-yield method and such amounts adjust interest income. When loans are securitized and held as trading securities, net deferred origination costs are an adjustment to the cost of the security and such amounts affect the amount recorded as unrealized gain on mortgage-backed securities and derivatives.

Interest Recognition - The Company accrues interest income as it is earned and interest expense as it is incurred. Loans are placed on a nonaccrual status when any portion of the principal or interest is 90 days past due or earlier when concern exists as to the ultimate collectibility of principal or interest. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

The Company enters into interest rate swap agreements which require it to pay a fixed interest rate and receive a variable interest rate based on the LIBOR. For interest rate swap agreements accounted for as cash flow hedges, the net amount accrued for the variable interest receivable and fixed interest payable affects the amount recorded as interest expense. For interest rate swap agreements accounted for as free-standing derivatives, the net amount accrued for the variable interest receivable and fixed interest payable is recorded in current earnings as unrealized gain on mortgage-backed securities and derivatives.

Servicing Fees - The Company recognizes servicing fees when the fees are collected.

Marketing and Promotion - The Company charges the costs of marketing, promotion and advertising to expense in the period incurred.

Income Taxes - The Company accounts for income taxes in conformity with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for accounting and reporting of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences ("temporary differences") attributable to the differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided for deferred tax assets where realization is not considered "more likely than not." The Company recognizes the effect of changes in tax laws or rates on deferred tax assets and liabilities in the period that includes the enactment date.

Stock Option Plans - In 1999, the Company established the 1999 Omnibus Stock Incentive Plan, as amended (the "Plan"). Prior to January 1, 2006, the Company accounted for the Plan using Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and provided pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value based method, as required by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS No. 148"), had been applied. Prior to January 1, 2006, in accordance with APB Opinion No. 25, no stock-based compensation cost was reflected in the Company's net income for grants of stock options to employees because the Company granted stock options with an exercise price equal to the market value of the stock on the date of grant. Had the Company used the fair value based accounting method for stock compensation expense prescribed by SFAS Nos. 123 and 148 for the three months ended March 31, 2005, the Company's consolidated net income and earnings per share would have been reduced to the pro-forma amounts presented in the following table:

(In thousands, except per share data)		Three Months Ende March 31, 2005
Net income available to common shareholders - as reported	$	122,
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		(
Net income available to common shareholders - pro forma	$	121,
Earnings per share:		
Basic - as reported	$	3

Basic - pro forma	$	3
Diluted - as reported	$	2
Diluted - pro forma	$	2

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment" ("SFAS No. 123R"), which requires that the compensation cost relating to share-based payment transactions (including employee stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans) be recognized as an expense in the Company's consolidated financial statements. Under SFAS No. 123R, the related compensation cost is measured based on the fair value of the award at the date of grant. In March 2005, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment," which expresses views of the SEC Staff about the application of SFAS No. 123R. SFAS No. 123 requires only that the expense relating to employee stock options be disclosed in the footnotes to the consolidated financial statements. SFAS No. 123R replaced SFAS No. 123 and superseded APB Opinion No. 25. While SFAS No. 123R was originally to have been effective for interim and annual reporting periods beginning after June 15, 2005, the SEC, in April 2005, deferred the compliance date to the first annual reporting period beginning after June 15, 2005.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, using the modified prospective method. Under this method, compensation cost in the three months ended March 31, 2006 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using a binomial lattice-based option valuation model. Results of prior periods do not reflect any restated amounts and the Company had no cumulative effect adjustment upon adoption of SFAS No. 123R under the modified prospective method. The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's policy is to issue authorized but unissued shares of common stock to satisfy stock option exercises.

During the three months ended March 31, 2006, the Company's adoption of SFAS No. 123R decreased income before income taxes by $410 thousand, decreased net income by $309 thousand and decreased basic and diluted net income per share by $.01 per share. The expense, before income tax effect, is included in salaries, commissions and benefits expense. The income tax benefit recognized in income for the three months ended March 31, 2006 for stock options was $101 thousand.

Earnings Per Share - Basic earnings per share excludes dilution and is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

Cash Flows - Cash and cash equivalents are demand deposits and short-term investments with a maturity of 90 days or less.

NOTE 2 - MORTGAGE-BACKED SECURITIES

The following table presents the Company's mortgage-backed securities available for sale as of March 31, 2006 and December 31, 2005:

	March 31, 2006			
(In thousands)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	$ 128,573	$ --	$ (5,716)	$ 122,857
Privately issued:				
Rated	8,222,041	81	(81,191)	8,140,931
Unrated	6,552	460	--	7,012
Securities available for sale	$ 8,357,166	$ 541	$ (86,907)	$8,270,800

	December 31, 2005			
(In thousands)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	$ 135,545	$ --	$ (5,225)	$ 130,320
Privately issued:				
Rated	7,282,916	4,562	(49,963)	7,237,515
Unrated	7,176	25	--	7,201
Securities available for sale	$ 7,425,637	$ 4,587	$ (55,188)	$7,375,036

-10-

The following table presents the Company's mortgage-backed securities available for sale in an unrealized loss position as of March 31, 2006 and December 31, 2005:

	March 31, 2006				
	Less Than 12 Months		12 Months or More		To
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Agency securities	$ --	$ --	$ 122,857	$ (5,716)	$ 122,857

Privately issued:					
Rated	6,790,519	(53,252)	1,175,988	(27,939)	7,966,507
Securities available for sale	$6,790,519	$ (53,252)	$1,298,845	$ (33,655)	$8,089,364

	December 31, 2005				
	Less Than 12 Months		12 Months or More		To
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In thousands)					
Agency securities	$ --	$ --	$ 130,320	$ (5,225)	$ 130,320
Privately issued:					
Rated	3,834,893	(29,230)	926,942	(20,733)	4,761,835
Securities available for sale	$3,834,893	$ (29,230)	$1,057,262	$ (25,958)	$4,892,155

The Company has evaluated its mortgage-backed securities available for sale in an unrealized loss position for twelve months or more and determined there was no other-than-temporary impairment as of March 31, 2006.

The following table presents the Company's mortgage-backed trading securities as of March 31, 2006 and December 31, 2005:

	March 31, 2006	December 31, 2005
	Fair Value	
(In thousands)		
Privately issued:		
Rated	$ 1,080,385	$ 2,997,650
Unrated	229,778	229,418
Trading securities	$ 1,310,163	$ 3,227,068

During the three months ended March 31, 2006, the Company recorded $1.0 million in unrealized gains on trading securities that related to trading securities held at March 31, 2006. During the three months ended March 31, 2005, the Company recorded $23.2 million in unrealized gains on trading securities that related to trading securities held at March 31, 2005.

During the three months ended March 31, 2006, the Company sold $1.8 billion of mortgage-backed securities and realized $0.9 million in losses, net of hedges. The $1.8 billion of mortgage-backed securities sold were self-originated.

During the three months ended March 31, 2005, the Company sold $1.1 billion of mortgage-backed securities, excluding securities sold contemporaneously with the execution of securitization transactions, and realized $6.1 million in gains, net of hedges. The $1.1 billion of

mortgage-backed securities sold were market-purchased. During the three months ended March 31, 2005, the Company securitized and held in its portfolio $2.8 billion of mortgage-backed securities.

The Company's mortgage-backed securities held at March 31, 2006 were primarily either agency obligations or were rated AAA or AA by Standard & Poor's.

The Company has credit exposure on $13.9 billion and $15.1 billion of loans it has securitized privately as of March 31, 2006 and December 31, 2005, respectively. The following table summarizes the loan delinquency information as of March 31, 2006 and December 31, 2005:

(Dollars in thousands)	March 31, 2006			
Delinquency Status	Loan Count	Loan Balance	Percentage of Total Portfolio	Percentage of Total Assets
60 to 89 days	38	$ 5,960	0.04%	0.03%
90 and greater days	75	12,982	0.09%	0.08%
Foreclosure	662	165,733	1.19%	0.97%
	775	$ 184,675	1.32%	1.08%

(Dollars in thousands)	December 31, 2005			
Delinquency Status	Loan Count	Loan Balance	Percentage of Total Portfolio	Percentage of Total Assets
60 to 89 days	49	$ 10,194	0.07%	0.06%
90 and greater days	82	13,596	0.09%	0.08%
Foreclosure	451	119,181	0.79%	0.67%
	582	$ 142,971	0.95%	0.81%

As of March 31, 2006 and December 31, 2005, the fair value of residual assets from securitizations reported in mortgage-backed securities was $261.0 million and $276.0 million, respectively.

The significant assumptions used in estimating the fair value of residual cash flows as of March 31, 2006 and December 31, 2005 were as follows:

	March 31, 2006	December 31, 2005

Weighted-average prepayment speed (CPR)	29.20%	30.63%
Weighted-average discount rate	16.77%	16.52%
Weighted-average annual default rate	0.54%	0.54%

NOTE 3 - MORTGAGE LOANS, NET

Mortgage Loans Held For Sale, Net

The following table presents the Company's mortgage loans held for sale, net, as of March 31, 2006 and December 31, 2005:

(In thousands)	March 31, 2006	December 31, 2005
Mortgage loans held for sale	$ 1,579,842	$ 2,190,062
SFAS No. 133 basis adjustments	(4,187)	(2,099)
Deferred origination costs, net	13,958	20,786
Mortgage loans held for sale, net	$ 1,589,613	$ 2,208,749

During the three months ended March 31, 2006, the Company sold mortgage loans to third parties totaling $13.5 billion and realized $171.9 million in gains.

During the three months ended March 31, 2006, the Company deferred $127.9 million of loan origination costs as an adjustment to the cost basis for additions to mortgage loans held for sale. The Company's gain on sale of loans was reduced by $134.7 million of deferred origination costs associated with mortgage loans sold during the three months ended March 31, 2006.

The following tables summarize delinquency information as of March 31, 2006 and December 31, 2005 for the Company's mortgage loans held for sale:

(Dollars in thousands)	March 31, 2006		
Delinquency Status	Loan Count	Loan Balance	Percentage of Total Portfolio
60 to 89 days	20	$ 1,826	0.12%
90 and greater days	77	9,869	0.63%
Foreclosure	84	15,650	0.99%
Mortgage loans held for sale	181	$ 27,345	1.74%

(Dollars in thousands)	December 31, 2005		
Delinquency Status	Loan Count	Loan Balance	Percentage of Total Portfolio

60 to 89 days	15	$ 2,404	0.11%
90 and greater days	51	6,530	0.30%
Foreclosure	32	4,824	0.22%
Mortgage loans held for sale	98	$ 13,758	0.63%

Mortgage Loans Held For Investment, Net

The following table presents the Company's mortgage loans held for investment, net, as of March 31, 2006 and December 31, 2005:

(In thousands)	March 31, 2006	December 31, 2005
Mortgage loans held for investment	$ 4,271,215	$ 3,438,425
SFAS No. 133 basis adjustments	(1,441)	--
Deferred origination costs, net	49,064	43,438
Allowance for loan losses	(3,454)	(2,142)
Mortgage loans held for investment, net	$ 4,315,384	$ 3,479,721

In March 2006, the Company transferred $2.0 billion of its mortgage loans held for investment to American Home Mortgage Investment Trust 2006-1 (the "2006-1 Trust") in a securitization transaction accounted for as a financing of the loans held for investment.

During the three months ended March 31, 2006, the Company deferred $8.4 million of loan origination costs as an adjustment to the cost basis for mortgage loans added to its held for investment portfolio. The Company's interest income was reduced by $2.8 million of deferred origination cost amortization on mortgage loans held for investment during the three months ended March 31, 2006.

During the three months ended March 31, 2006, the Company provided a $1.3 million allowance for loan losses through a charge to provision for loan losses. There were no subsequent charge-offs, net of recoveries, to the allowance for loan losses for the three months ended March 31, 2006.

The following tables summarize delinquency information as of March 31, 2006 and December 31, 2005 for the Company's mortgage loans held for investment:

(Dollars in thousands)	March 31, 2006		
Delinquency Status	Loan Count	Loan Balance	Percentage of Total Portfolio
60 to 89 days	19	$ 2,159	0.05%
90 and greater days	17	1,585	0.04%
Foreclosure	97	14,746	0.35%

Mortgage loans held for investment	133	$18,490	0.44%

(Dollars in thousands)

Delinquency Status	December 31, 2005 Loan Count	Loan Balance	Percentage of Total Portfolio
60 to 89 days	23	$ 2,898	0.08%
90 and greater days	26	2,489	0.07%
Foreclosure	49	8,797	0.26%
Mortgage loans held for investment	98	$14,184	0.41%

NOTE 4 - DERIVATIVE ASSETS AND LIABILITIES

The following table presents the Company's derivative assets and liabilities as of March 31, 2006 and December 31, 2005:

(In thousands)	March 31, 2006	December 31, 2005
Derivative Assets		
Interest rate swaps	$ 80,152	$ 30,508
Interest rate lock commitments	14,467	14,086
Forward delivery contracts - loan commitments	5,190	--
Forward delivery contracts - loans held for sale	2,078	--
Interest rate caps	380	--
Derivative assets	$ 102,267	$ 44,594
Derivative Liabilities		
Interest rate lock commitments	$ 7,512	$ --
Forward delivery contracts - loan commitments	--	8,659
Forward delivery contracts - loans held for sale	--	8,114
Derivative liabilities	$ 7,512	$ 16,773

As of March 31, 2006, the notional amount of forward delivery contracts and interest rate swap agreements was approximately $2.9 billion and $9.2 billion, respectively.

As of December 31, 2005, the notional amount of forward delivery contracts and interest rate swap agreements was approximately $2.2 billion and $8.7 billion, respectively.

During the three months ended March 31, 2006, the Company recognized in earnings $8.3 million in unrealized gains on free standing derivatives. During the three months ended March 31, 2005, the Company recognized in earnings $34.3 million in unrealized gains on free standing derivatives. These gains are recorded in unrealized gain on mortgage-backed securities and derivatives in the consolidated statements of income.

During the three months ended March 31, 2005, the Company realized $9.5 million in gains on sales of interest rate swap agreements associated with its securitizations of mortgage loans. These gains are recorded in (loss) gain on sales of mortgage-backed securities and derivatives in the consolidated statements of income.

The Company's forward delivery contracts have a high correlation to the price movement of the loans being hedged. The ineffectiveness in hedging loans held for sale recorded on the consolidated balance sheets was insignificant as of March 31, 2006 and December 31, 2005.

As of March 31, 2006, the unrealized gain on interest rate swap agreements relating to cash flow hedges recorded in accumulated other comprehensive loss was $21.5 million. As of December 31, 2005, the unrealized loss on interest rate swap agreements relating to cash flow hedges recorded in accumulated other comprehensive loss was $28.2 million.

The following table presents the Company's estimate of amounts that will be reclassified from accumulated other comprehensive loss to interest expense:

(In thousands)	
Twelve months ended March 31, 2007	$ 17,931
Twelve months ended March 31, 2008	7,180
Twelve months ended March 31, 2009	4,419
Twelve months ended March 31, 2010	609

NOTE 5 - MORTGAGE SERVICING RIGHTS, NET

The Company elected to early adopt SFAS No. 156 as of January 1, 2006, and has recorded its MSRs at fair value. The Company's adoption of SFAS No. 156 resulted in a cumulative-effect adjustment as of January 1, 2006, which increased MSRs by $1.2 million.

Prior to January 1, 2006, MSRs were carried at the lower of cost or fair value, based on defined interest rate risk strata, and the gross MSR asset was amortized in proportion to and over the period of estimated net servicing income. Prior to the Company's adoption of SFAS No. 156, the Company evaluated MSRs for impairment based on risk strata and a valuation allowance was recognized for MSRs that had an amortized balance in excess of the estimated fair value for the individual risk stratification.

The following table presents the activity in the Company's MSRs, net, for the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31,	
(In thousands)	2006	2005
Mortgage Servicing Rights		
Balance at beginning of period	$ 340,377	$ 163,374
Cumulative-effect adjustment as of beginning of year	1,156	--
Fair value measurement method adjustment	(20,706)	--
Additions	69,768	82,058

Amortization	--	(8,501)
Change in fair value	(18,621)	--
Balance at end of period	$ 371,974	$ 236,931
Impairment Allowance		
Balance at beginning of period	$ (20,706)	$ (11,938)
Fair value measurement method adjustment	20,706	--
Impairment recovery	--	3,419
Balance at end of period	$ --	$ (8,519)
Mortgage servicing rights, net	$ 371,974	$ 228,412

The amount of contractually specified servicing fees earned by the Company during the three months ended March 31, 2006 and 2005 were $20.4 million and $10.1 million, respectively. The Company reports contractually specified servicing fees in loan servicing fees in the consolidated statements of income.

The estimated fair value of MSRs is determined by obtaining a market valuation from one of the market's primary independent MSR brokers. To determine the market value of MSRs, the MSR broker uses a valuation model which incorporates assumptions relating to the estimate of the cost of servicing the loan, a discount rate, a float value, an inflation rate, ancillary income per loan, prepayment speeds and default rates that market participants use for similar MSRs. Market assumptions are held constant over the life of the portfolio. The key risks inherent in MSRs are changes in interest rates and prepayment speeds.

The significant assumptions used in estimating the fair value of MSRs at March 31, 2006 and December 31, 2005 were as follows:

	March 31, 2006	December 31, 2005
Weighted-average prepayment speed (PSA)	379	315
Weighted-average discount rate	11.46%	11.94%
Weighted-average default rate	2.01%	2.78%

The following table presents certain information regarding the Company's servicing portfolio of loans serviced for others at March 31, 2006 and December 31, 2005:

	March 31, 2006	December 31, 2005
	(Dollars in thousands)	
Loan servicing portfolio - loans sold or securitized	$ 28,976,495	$ 25,044,676
ARM loans as a percentage of total loans	72%	73%
Average loan size	$ 204	$ 194
Weighted-average servicing fee	0.329%	0.330%
Weighted-average note rate	6.09%	5.79%
Weighted-average remaining term (in months)	345	337
Weighted-average age (in months)	14	15

NOTE 6 - GOODWILL

The following table presents the activity in the Company's goodwill for the three months ended March 31, 2006 and 2005:

(In thousands)	Loan Origination Segment	Mortgage Holdings Segment	Total
Balance at January 1, 2005	$ 66,037	$ 24,840	$ 90,877
Earnouts from previous acquisitions	1,868	--	1,868
Balance at March 31, 2005	$ 67,905	$ 24,840	$ 92,745
Balance at January 1, 2006	$ 74,687	$ 24,840	$ 99,527
Acquisitions	700	--	700
Earnouts from previous acquisitions	10,103	--	10,103
Balance at March 31, 2006	$ 85,490	$ 24,840	$110,330

As of December 31, 2005, the Company completed a goodwill impairment test by comparing the fair value of goodwill with its carrying value and did not recognize impairment.

NOTE 7 - WAREHOUSE LINES OF CREDIT, REVERSE REPURCHASE AGREEMENTS AND COMMERCIAL PAPER

Warehouse Lines of Credit

To originate a mortgage loan, the Company draws against either a $3.3 billion SLN commercial paper program, a $2.5 billion pre-purchase facility with UBS Real Estate Securities Inc., a facility of $2.0 billion with Bear Stearns, a facility of $1.0 billion with Barclays Bank PLC, a $1.0 billion bank syndicated facility led by Bank of America, N.A. (which includes a $350 million term loan facility which the Company uses to finance its MSRs), a facility of $750 million with Morgan Stanley Bank ("Morgan Stanley"), a facility of $150 million with J.P. Morgan Chase, a $450 million facility with IXIS Real Estate Capital, Inc. (formerly CDC Mortgage Capital Inc.) ("IXIS"), and a $1.4 billion syndicated facility led by Calyon New York Branch ("Calyon"). The Bank of America, IXIS, Morgan Stanley and Calyon facilities are committed facilities. The interest rate on outstanding balances fluctuates daily based on a spread to the LIBOR and interest is paid monthly.

-17-

The facilities are secured by mortgage loans and other assets of the Company. The facilities contain various covenants pertaining to maintenance of net worth, working capital and maximum leverage. At March 31, 2006, the Company was in compliance with respect to the loan covenants.

Included within the Bank of America line of credit, the Company has a working capital sub-limit that allows for borrowings up to $50 million at a rate based on a spread to the LIBOR that may be adjusted for earnings on compensating balances on deposit at creditors' banks. As of March 31, 2006, borrowings under the working capital line of credit were $29.7 million.

As of March 31, 2006, the Company had $1.8 billion of warehouse lines of credit outstanding with a weighted-average borrowing rate of 5.18%. As of December 31, 2005, the Company had $3.5 billion of warehouse lines of credit outstanding with a weighted-average borrowing rate of 4.78%.

Reverse Repurchase Agreements

The Company has arrangements to enter into reverse repurchase agreements, a form of collateralized short-term borrowing, with seventeen different financial institutions and on March 31, 2006 had borrowed funds from thirteen of these firms. Because the Company borrows money under these agreements based on the fair value of its mortgage-backed securities, and because changes in interest rates can negatively impact the valuation of mortgage-backed securities, the Company's borrowing ability under these agreements could be limited and lenders could initiate margin calls in the event interest rates change or the value of the Company's mortgage-backed securities declines for other reasons.

As of March 31, 2006, the Company had $8.9 billion of reverse repurchase agreements outstanding with a weighted-average borrowing rate of 4.81% and a weighted-average remaining maturity of three months. As of December 31, 2005, the Company had $9.8 billion of reverse repurchase agreements outstanding with a weighted-average borrowing rate of 4.40% and a weighted-average remaining maturity of four months.

As of March 31, 2006 and December 31, 2005, the Company's reverse repurchase agreements had the following remaining maturities:

	March 31, 2006	December 31, 2005
	(In thousands)	
Within 30 days	$ 290,161	$ 689,469
31 to 89 days	4,649,235	4,817,885
90 to 365 days	3,959,654	4,298,790
Reverse repurchase agreements	$8,899,050	$ 9,806,144

The Company's average reverse repurchase agreements outstanding were $9.3 billion and $6.9 billion for the three months ended March 31, 2006 and 2005, respectively.

Commercial Paper

The Company maintains a wholly owned special purpose entity for the purpose of issuing commercial paper in the form of short-term SLNs to finance certain portions of the Company's mortgage loans. The special purpose entity allows for issuance of short-term notes with maturities of up to 180 days, extendable up to 300 days. The SLNs bear interest at prevailing money market rates approximating the LIBOR. The SLN program capacity, based on aggregate commitments of underlying credit enhancers, was $3.3 billion at March 31, 2006.

As of March 31, 2006, the Company had $1.1 billion of SLNs outstanding, with an average interest cost of 4.75%. The SLNs were collateralized by mortgage loans held for sale, mortgage loans held for investment and cash with a balance of $1.2 billion as of March 31, 2006. As of December 31, 2005, the Company had $1.1 billion of SLNs outstanding, with an average interest cost of 4.35%. The SLNs were collateralized by mortgage loans held for sale, mortgage loans held for investment and cash with a balance of $1.2 billion as of December 31, 2005.

As of March 31, 2006 and December 31, 2005, the Company's SLNs had remaining maturities within 30 days.

NOTE 8 - COLLATERALIZED DEBT OBLIGATIONS

In March 2006, the Company transferred $2.0 billion of its mortgage loans held for investment to the 2006-1 Trust in a securitization transaction. In this transaction, the Company, issued $1.9 billion of CDOs in the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained $61.3 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2006-1 Trust. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the first quarter of 2006, the Company incurred CDO issuance costs of $4.0 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. This securitization transaction was accounted for as a financing of the mortgage loans held for investment.

In the fourth quarter of 2005, the Company transferred $1.2 billion of its mortgage loans held for investment to two American Home Mortgage Investment Trusts (the "2005 Trusts") in two securitization transactions. In these transactions, the Company issued $1.1 billion of CDOs in the form of AAA and AA-rated floating-rate pass-through certificates to third-party investors and the Company retained $134.6 million of subordinated certificates, which provide credit support to the certificates issued to third parties. The Company's CDOs are collateralized by loans held for investment transferred to the 2005 Trusts. The interest rates on the floating-rate pass-through certificates reset monthly and are indexed to one-month LIBOR. In the fourth quarter of 2005, the Company incurred CDO issuance costs of $5.5 million, which were deducted from the proceeds of the transactions and are being amortized over the expected life of the CDOs. These securitization transactions were accounted for as financings of the mortgage loans held for investment.

In December 2004, the Company transferred $3.5 billion of its mortgage loans held for sale to American Home Mortgage Investment Trust 2004-4 (the "2004-4 Trust") in a securitization transaction. In the transaction, the Company issued $2.0 billion of CDOs, which were collateralized by loans held for sale transferred to the 2004-4 Trust. This securitization transaction was accounted for as a financing of the mortgage loans held for sale. This securitization transaction qualified for sale treatment under SFAS No. 140 in the first quarter of 2005, and consequently the loans were derecognized.

As of March 31, 2006, the Company's CDOs had a balance of $2.9 billion and an effective interest cost of 5.09%. As of March 31, 2006, the CDOs were collateralized by mortgage loans held for investment of $2.9 billion.

As of December 31, 2005, the Company's CDOs had a balance of $1.1 billion and an effective interest cost of 4.54%. As of December 31, 2005, the CDOs were collateralized by mortgage loans held for investment of $1.1 billion.

NOTE 9 - COMMON STOCK AND PREFERRED STOCK

In August 2005, the Company issued 9,000,000 shares of its common stock, par value $0.01 per share ("Common Stock") at a price of $35.50 per share. The total proceeds to the Company were $319.5 million, before underwriting discounts, commissions and other offering expenses.

Under the Company's charter, the Company's Board of Directors is authorized to issue 110,000,000 shares of stock, of which up to 100,000,000 shares may be Common Stock and up to 10,000,000 shares may be Preferred Stock. As of March 31, 2006, there were 50,004,965 shares of Common Stock issued and outstanding, 2,150,000 shares of 9.75% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") issued and outstanding and 3,450,000 shares of 9.25% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") issued and outstanding. On or after July 7, 2009, the Company may, at its option, redeem the Series A Preferred Stock, in whole or part, at any time and from time to time, for cash at a price of $25 per share, plus accumulated or unpaid dividends (whether or not declared), if any, to the date of redemption. On or after December 15, 2009, the Company may, at its option, redeem the Series B Preferred Stock, in whole or part, at any time and from time to time, for cash at a price of $25 per share, plus accumulated or unpaid dividends (whether or not declared), if any, to the date of redemption.

During the three months ended March 31, 2006, the Company declared dividends totaling $45.5 million, or $0.91 per share of Common Stock, which were paid on April 28, 2006. During the three months ended March 31, 2005, the Company declared dividends totaling $28.6 million, or $0.71 per share of Common Stock, which were paid on April 27, 2005.

During the three months ended March 31, 2006, the Company declared dividends totaling $1.3 million, or $0.609375 per share of Series A Preferred Stock, which were paid on May 1, 2006. During the three months ended March 31, 2005, the Company declared dividends totaling $1.3 million, or $0.609375 per share of Series A Preferred Stock, which were paid on May 2, 2005.

During the three months ended March 31, 2006, the Company declared dividends totaling $2.0 million, or $0.578125 per share of Series B Preferred Stock, which were paid on May 1, 2006. During the three months ended March 31, 2005, the Company declared dividends totaling $2.0 million, or $0.578125 per share of Series B Preferred Stock, which were paid on May 2, 2005.

NOTE 10 - INCOME TAXES

A reconciliation of the statutory income tax provision to the effective income tax expense is as follows:

	Three Months Ended March 31,			
	2006		2005	
	(Dollars in thousands)			
Tax provision at statutory rate	$ 24,731	35.0%	$ 43,880	35.0%
Non-taxable REIT income	(10,989)	(15.6)	(43,802)	(34.9)
State and local taxes, net of federal income tax benefit	1,997	2.8	(272)	(0.2)
Meals and entertainment	461	0.7	194	0.1

Income tax expense	$ 16,200	22.9%	$ --	--%

The major sources of temporary differences and their deferred tax effect at March 31, 2006 and December 31, 2005 are as follows:

	March 31, 2006	December 31, 2005
	(In thousands)	
Deferred tax liabilities:		
Capitalized cost of mortgage servicing rights	$180,685	$150,926
Loan origination costs	4,323	8,973
Depreciation	3,083	3,083
Broker fees	2,640	--
Deferred state income taxes	432	1,465
Other	132	11
Deferred tax liabilities	191,295	164,458
Deferred tax assets:		
Tax loss carryforwards	125,242	109,145
Allowance for bad debts and foreclosure reserve	4,791	2,817
Mark-to-market adjustments	7,943	10,721
AMT credit	1,745	1,745
Broker fees	--	958
Bonus accrual	347	8,399
Deferred compensation	4,707	3,436
Deferred tax assets	144,775	137,221
Net deferred tax liabilities	$ 46,520	$ 27,237

American Home Mortgage Servicing, Inc. has approximately $40 million of separate company net operating loss carryforwards which begin to expire in 2008. In addition, American Home Mortgage Holdings, Inc. has approximately $355 million of federal and approximately $416 million of state net operating loss carryforwards which begin to expire in 2024 and 2009, respectively.

-20-

At March 31, 2006 and December 31, 2005, no valuation allowance has been established against deferred tax assets since it is more likely than not that the deferred tax assets will be realized.

The Company has been audited by various state tax jurisdictions which have settled with a "no change" decision. In addition, the Company is currently under examination by other tax jurisdictions which the Company expects to result in no material assessments. The Company regularly assesses the likelihood of additional assessments in each of the tax jurisdictions in the calculation of its provision and maintains an appropriate reserve as needed.

NOTE 11 - EARNINGS PER SHARE

The following is a reconciliation of the denominators used in the computations of basic and diluted earnings per share for the three months ended March 31, 2006 and 2005:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Numerator for basic earnings per share - Net income available to common shareholders	$ 51,154	$ 122,075
Denominator:		
Denominator for basic earnings per share Weighted average number of common shares outstanding during the period	49,715,423	40,307,617
Net effect of dilutive stock options	354,813	503,082
Denominator for diluted earnings per share	50,070,236	40,810,699
Net income per share available to common shareholders:		
Basic	$ 1.03	$ 3.03
Diluted	$ 1.02	$ 2.99

NOTE 12 - STOCK INCENTIVE PLAN

Pursuant to the Plan, eligible employees, officers and directors may be offered the opportunity to acquire the Company's Common Stock through the grant of options and the award of restricted stock under the Plan. The total number of shares that may be optioned or awarded under the Plan is 4,000,000 shares of Common Stock. The Plan provides for the granting of options at the fair market value on the date of grant. The options issued primarily vest 50% on the two-year anniversary of the grant date and 50% on the three-year anniversary of the grant date, and expire ten years from the grant date.

Effective January 1, 2006, the Company adopted SFAS No. 123R, which requires that the compensation cost relating to share-based payment transactions (including employee stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans) be recognized as an expense in the Company's consolidated financial statements. Under SFAS No. 123R, the related compensation cost is measured based on the fair value of the award at the date of grant. The Company adopted the fair value recognition provisions of SFAS No. 123R, using the modified prospective method. Under this method, compensation cost in the three months ended March 31, 2006 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using a binomial lattice-based option valuation model.

During the three months ended March 31, 2006, the Company recognized compensation expense of $410 thousand relating to stock options granted under the Plan. The expense, before income tax effect, is included in salaries, commissions and benefits expense. The income tax benefit recognized in income for the three months ended March 31, 2006 for stock options was $101 thousand. No compensation cost was recognized for the three months ended March 31, 2005.

During the three months ended March 31, 2006, the fair value of the options granted was estimated using the binomial lattice option-pricing model. Under the binomial lattice option-pricing model, the fair value of each option award is estimated, with the assistance of an outside consulting service, on the date of grant, which incorporates ranges of assumptions for inputs as shown in the following table. The assumptions are as follows:

Dividend yield range: The expected dividend yield assumption is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

Expected volatility: The expected volatility assumption is a blend of implied volatility based on market-traded options on the Company's Common Stock and historical volatility of the Company's Common Stock over the contractual life of the options.

Risk-free interest rate range: The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option.

Expected term: The Company uses historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected life of options granted is derived from the output of the option valuation model and represents the period of time the options are expected to be outstanding.

The weighted-average fair value per share of options granted during the three months ended March 31, 2006 was $4.57. The fair value of the options granted during the three months ended March 31, 2006 was estimated using the binomial lattice option-pricing model with the following assumptions used for the grants:

	Three Months Ended March 31, 2006
Dividend yield range	12.6% - 13.1%
Expected volatility	40.0 %
Risk-free interest rate range	4.3% - 4.6%
Expected term (in years)	7.0 - 7.6

Prior to adoption of SFAS No. 123R as of January 1, 2006, the Company's pro forma disclosures reflected the fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model. Under the Black-Scholes option-pricing model, the Company estimated volatility using only its historical share price performance over the expected life of the option.

The weighted-average fair value per share of options granted during the three months ended March 31, 2005 was $3.72. The fair value of the options granted during the three months ended March 31, 2005 was estimated using the Black-Scholes option-pricing model with the following assumptions used for the grants:

	Three Months Ended March 31, 2005
Dividend yield	9.1 %
Expected volatility	28.4 %

Risk-free interest rate	5.0 %
Expected term (in years)	3.0

The following table presents a summary of the Company's stock option activity for the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31,			
	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - beginning of period	1,501,384	$ 23.09	1,248,102	$ 18.65
Granted	352,159	27.81	277,419	32.83
Exercised	(51,351)	12.68	(25,883)	12.01
Canceled	(53,000)	16.18	--	--
Options outstanding - end of period	1,749,192	$ 24.52	1,499,638	$ 21.39
Options exercisable - end of period	400,693	$ 12.73		

The intrinsic value of an option is defined as the difference between an option's current market value and the grant price. The intrinsic value of options exercised during the three months ended March 31, 2006 was $869 thousand.

As of March 31, 2006, the intrinsic value and weighted-average remaining life of the Company's options outstanding were $12.5 million and 8.3 years, respectively.

As of March 31, 2006, the intrinsic value of the Company's exercisable options outstanding was $7.4 million.

As of March 31, 2006, the total remaining unrecognized compensation expense related to the Company's unvested stock options was $2.8 million. This unrecognized compensation expense is expected to be recognized over a weighted-average period of 2.4 years.

As of March 31, 2006, the Company has awarded 215,944 shares of restricted stock under the Plan. During the three months ended March 31, 2006 and 2005, the Company recognized compensation expense of $47 thousand and $141 thousand, respectively, relating to shares of restricted stock granted under the Plan. As of March 31, 2006, 188,402 shares are vested. In general, unvested restricted stock is forfeited upon the recipient's termination of employment.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers with similar characteristics, which would cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. The Company invests in negative amortization ARM, interest-only ARM, HELOC and certain other types of loans described in FSP SOP 94-6-1, "Terms of Loan Products that May Give Rise to a Concentration of Credit Risk." The Company, however, generally has purchased supplemental credit insurance for the loans of these types retained in the Company's portfolio if such loans have an initial loan-to-value ratio between 75% and 80%. In addition, the Company generally is the beneficiary of a borrower paid insurance policy on these types of loans if the initial loan-to-value ratio is greater than 80%. A substantial portion of the Company's mortgage loans held for investment at March 31, 2006 are the types of loans described in FSP SOP 94-6-1.

The Company had originations of loans during the three months ended March 31, 2006 exceeding 5% of total originations in the following states:

California	24.3 %
Florida	11.2
Illinois	7.3
New York	5.1
Virginia	5.1
Arizona	5.0

During the three months ended March 31, 2006, the three institutions that bought the most loans from the Company accounted for 43% of the Company's total loan sales.

NOTE 14 - ACQUISITIONS

Waterfield Financial Corporation

On January 12, 2006, American Home Mortgage Corp. ("AHM"), a wholly-owned subsidiary of the Company, entered into a Stock and Mortgage Loan Purchase Agreement with Union Federal Bank of Indianapolis ("Union Federal") and Waterfield Financial Corporation ("WFC"), pursuant to which AHM agreed to purchase from Union Federal 100% of the outstanding capital stock of WFC and certain mortgage loans held by Union Federal, comprised of warehouse loans held for sale by Union Federal as of December 31, 2005 (the "Warehouse Loans"), construction loans held by Union Federal as of the closing (the "Construction Loans") and certain other loans held by Union Federal as of the closing, for a cash purchase price equal to the net book value of such assets, as modified by certain agreed upon adjustments, as of the respective closing dates (or, in the case of the Warehouse Loans, as of January 12, 2006).

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

(In thousands)	
Mortgage loans held for sale, net	$559,340
Accounts receivable	2,002
Other assets	2,442
Total assets acquired	563,784
Other liabilities	13,707
Total liabilities assumed	13,707

Net assets acquired	550,077
Cash paid	550,077
Goodwill	$ --

Valley Bancorp, Inc.

In August 2001, AHM Holdings entered into an agreement to acquire Valley Bancorp, Inc. ("Valley Bancorp") and its wholly-owned subsidiary, Valley Bank of Maryland, a federal savings bank located in suburban Baltimore, Maryland. In 2004, subsequent to AHM Investment's merger with Apex Mortgage Capital, Inc. and internal reorganization, AHM Investment, as successor in interest to AHM Holdings, entered into an amended and restated agreement and plan of reorganization with Valley Bancorp. Under the terms of the definitive agreement, the Company will pay $46 for each share of Valley Bancorp common stock outstanding, and will pay in cash to the holders of Valley Bancorp stock options the difference between $46 and the exercise price of such options, or an aggregate of approximately $6.3 million. This transaction is subject to regulatory approval and no assurance can be given that such approval will be obtained or that the acquisition agreement with Valley Bancorp will be further extended if necessary.

NOTE 15 - SEGMENTS AND RELATED INFORMATION

The Company has three segments, the Mortgage Holdings segment, the Loan Origination segment and the Loan Servicing segment. The Mortgage Holdings segment uses the Company's equity capital and borrowed funds to invest in mortgage-backed securities and mortgage loans held for investment, thereby producing net interest income. The Loan Origination segment originates mortgage loans through the Company's retail and wholesale loan production offices and its correspondent channel, as well as its direct-to-consumer channel supported by its call center. The Loan Servicing segment includes investments in MSRs as well as servicing operations primarily for other financial institutions. The Company's segments are presented on a consolidated basis and do not include the effects of separately recording intercompany transactions.

The Mortgage Holdings segment includes realized gains or losses on sales of mortgage-backed securities and unrealized mark-to-market gains or losses subsequent to the securitization date on mortgage-backed securities classified as trading securities.

The Loan Origination segment includes unrealized gains or losses that exist on the date of securitization of self-originated loans that are classified as trading securities.

	Three Months Ende	
	(In thou	
	Mortgage Holdings Segment	Loan Origination Segment

Net interest income:		
Interest income	$ 154,946	$ 145,667
Interest expense	(128,555)	(122,327)
Net interest income	26,391	23,340
(Provision) recovery of loan losses	(2,507)	1,196
Net interest income after (provision) recovery of loan losses	23,884	24,536
Non-interest income:		
Gain on sales of mortgage loans	--	171,907
Loss on sales of mortgage-backed securities and derivatives	(850)	--
Unrealized gain on mortgage-backed securities and derivatives	9,040	275
Loan servicing fees	--	--
Change in fair value of mortgage servicing rights	--	--
Net loan servicing fees	--	--
Other non-interest income	--	782
Total non-interest income	8,190	172,964
Non-interest expenses:		
Salaries, commissions and benefits, net	5,025	90,337
Occupancy and equipment	2	17,650
Data processing and communications	16	6,949
Office supplies and expenses	--	4,278
Marketing and promotion	4	5,791
Travel and entertainment	--	6,701
Professional fees	1,454	3,877
Other	2,003	5,016
Total non-interest expenses	8,504	140,599
Net income before income tax expense (benefit)	23,570	56,901
Income tax expense (benefit)	--	19,860
Net income	$ 23,570	$ 37,041
Dividends on preferred stock	3,305	--
Net income available to common shareholders	$ 20,265	$ 37,041

	March 3	
Segment assets	$ 12,935,531	$ 3,650,025

	Three Months Ended Mar (In thousand	
	Mortgage Holdings Segment	Loan Origination Segment
Net interest income:		
Interest income	$ 58,305	$ 88,589
Interest expense	(38,985)	(47,735)
Total net interest income	19,320	40,854
Non-interest income:		
Gain on sales of mortgage loans	--	35,253
Gain on sales of current period securitized mortgage loans	--	69,919
(Loss) gain on sales of mortgage-backed securities and derivatives	(3,337)	9,469
Unrealized gain on mortgage-backed securities and derivatives	16,840	40,659
Loan servicing fees	--	--
Amortization of mortgage servicing rights	--	--
Impairment recovery of mortgage servicing rights	--	--
Net loan servicing fees	--	--
Other non-interest income	--	663
Total non-interest income	13,503	155,963
Non-interest expenses:		
Salaries, commissions and benefits, net	1,076	65,604
Occupancy and equipment	2	12,542
Data processing and communications	22	5,814
Office supplies and expenses	1	4,125
Marketing and promotion	2	4,102
Travel and entertainment	--	3,843
Professional fees	973	2,244
Other	2,562	2,435
Total non-interest expenses	4,638	100,709

Net income before income tax expense	28,185	96,108
Income tax expense	--	--
Net income	$ 28,185	$ 96,108
Dividends on preferred stock	3,305	--
Net income available to common shareholders	$ 24,880	$ 96,108
	March 31,	
Segment assets	$ 7,354,423	$ 1,905,139

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTES OF CAUTION

Cautionary Note Regarding Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of the federal securities laws. Some of the forward-looking statements can be identified by the use of forward-looking words. When used in this report, statements that are not historical in nature, including, but not limited to, the words "anticipate," "may," "estimate," "should," "seek," "expect," "plan," "believe," "intend," and similar words, or the negatives of those words, are intended to identify forward-looking statements. In addition, statements that contain a projection of revenues, earnings (loss), capital expenditures, dividends, capital structure or other financial terms are intended to be forward-looking statements. Certain statements regarding the following particularly are forward-looking in nature:

- our business strategy;
- future performance, developments, market forecasts or projected dividends;
- projected acquisitions or joint ventures; and
- projected capital expenditures.

It is important to note that the description of our business in general, and our mortgage-backed securities holdings in particular, is a statement about our operations as of a specific point in time. It is not meant to be construed as an investment policy, and the types of assets we hold, the amount of leverage we use, the liabilities we incur and other characteristics of our assets and liabilities are subject to reevaluation and change without notice.

The forward-looking statements in this report are based on our management's beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to it. These statements are not statements of historical fact and are not guarantees of future performance, events or results. Forward-looking statements are subject to a number of factors, risks and uncertainties, some of which are not currently known to us, that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial position. These factors include, without limitation, those factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2005, entitled "Risk Factors," as well as general economic, political, market, financial or legal conditions and any other factors, risks and uncertainties discussed in filings we make with the Securities and Exchange Commission ("SEC").

In light of these risks, uncertainties and assumptions, any forward-looking events discussed in this report might not occur, and we qualify any and all of our forward-looking statements entirely by these cautionary factors. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements are inherently uncertain, and you must recognize that actual results may differ from expectations. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Critical Accounting Policies and Estimates

Our accounting policies are described in Note 1 to the Consolidated Financial Statements. We have identified the following accounting policies that are critical to the presentation of our financial statements and that require critical accounting estimates by management.

Mortgage-Backed Securities - We record our mortgage-backed securities at fair value. The fair values of our mortgage-backed securities are generally based on market prices provided by certain dealers who make markets in these financial instruments.

Mortgage Loans Held for Sale - Mortgage loans held for sale are carried at the lower of cost or aggregate market value. For mortgage loans held for sale that are hedged with forward sale commitments, the carrying value is adjusted for the change in market during the time the hedge was deemed to be highly effective. The market value is determined by outstanding commitments from investors or current yield requirements calculated on an aggregate basis.

Mortgage Loans Held for Investment - Mortgage loans held for investment are carried at the aggregate of their remaining unpaid principal balances, plus net deferred origination costs, less any related charge-offs and allowance for loan losses. Our periodic evaluation of the adequacy of the allowance for loan losses is based on our past loan loss experience, known and inherent risks in the loan portfolio, adverse

circumstances which may affect the borrowers' ability to repay, the estimated value of the underlying real estate collateral and current market conditions within the geographic areas surrounding the underlying real estate. The allowance for loan losses is increased by provision to loan losses charged to income and reduced by charge-offs, net of recoveries.

Mortgage Servicing Rights ("MSRs") - When we acquire servicing assets through either purchase or origination of loans and sell or securitize those loans with servicing assets retained, the fair value attributable to the servicing assets is capitalized as MSRs on the consolidated balance sheets. We estimate the fair value of the servicing assets by obtaining market information from one of the market's primary independent MSR brokers.

Derivative Assets and Derivative Liabilities - Our mortgage-committed pipeline includes interest rate lock commitments ("IRLCs") that have been extended to borrowers who have applied for loan funding and meet certain defined credit and underwriting criteria and have locked their terms and rates. IRLCs associated with loans expected to be sold are recorded at fair value with changes in fair value recorded to current earnings.

We use other derivative instruments, including mortgage forward delivery contracts and treasury futures options, to economically hedge the IRLCs, which are also classified and accounted for as free-standing derivatives and thus are recorded at fair value with the changes in fair value recorded to current earnings.

We use mortgage forward delivery contracts designated as fair value hedging instruments to hedge 100% of our agency-eligible conforming fixed-rate loans and most of our non-conforming fixed-rate loans held for sale. At the inception of the hedge, we formally document the relationship between the forward delivery contracts and the mortgage inventory, as well as our objective and strategy for undertaking the hedge transactions. In the case of our conventional conforming fixed-rate loan products, the notional amount of the forward delivery contracts, along with the underlying rate and terms of the contracts, are equivalent to the unpaid principal amount of the mortgage inventory being hedged; hence, the forward delivery contracts effectively fix the forward sales price and thereby substantially eliminate interest rate and price risk to us. We classify and account for these forward delivery contracts as fair value hedges. The derivatives are carried at fair value with the changes in fair value recorded to current earnings. When the hedges are deemed to be highly effective, the book value of the hedged loans held for sale is adjusted for its change in fair value during the hedge period.

We enter into interest rate swap agreements to manage our interest rate exposure when financing our mortgage-backed securities and certain ARM loans. Certain swap agreements accounted for as cash flow hedges and certain swap agreements not designated as cash flow hedges are both carried on the balance sheet at fair value. The fair values of our swap agreements are generally based on market prices provided by certain dealers who make markets in these financial instruments or by third-party pricing services.

Goodwill - Goodwill represents the excess purchase price over the fair value of net assets stemming from business acquisitions, including identifiable intangibles. We test for impairment, at least annually, by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. The discounted cash flow calculation related to our loan origination segment includes a forecast of the expected future loan originations and the related revenues and expenses. The discounted cash flow calculation related to our Mortgage Holdings segment includes a forecast of the expected future net interest income, gain on mortgage-backed securities and the related revenues and expenses. These cash flows are discounted using a rate that is estimated to be a weighted-average cost of capital for similar companies. We further test to ensure that the fair value of all our business units does not exceed our total market capitalization.

Financial Condition

The following table presents the Company's consolidated balance sheets as of March 31, 2006 and December 31, 2005:

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2006	December 31, 2005
Assets:		
Cash and cash equivalents	$ 572,591	$ 575,650
Accounts receivable and servicing advances	327,586	329,132
Mortgage-backed securities	9,580,963	10,602,104
Mortgage loans held for sale, net	1,589,613	2,208,749
Mortgage loans held for investment, net	4,315,384	3,479,721
Derivative assets	102,267	44,594
Mortgage servicing rights, net	371,974	319,671
Premises and equipment, net	75,594	68,782
Goodwill	110,330	99,527
Other assets	30,708	26,815
Total assets	$ 17,077,010	$ 17,754,745
Liabilities and Stockholders' Equity:		
Liabilities:		
Warehouse lines of credit	$ 1,754,581	$ 3,474,191
Drafts payable	16,377	20,754
Commercial paper	1,073,630	1,079,179
Reverse repurchase agreements	8,899,050	9,806,144
Collateralized debt obligations	2,905,199	1,057,906
Payable for securities purchased	215,114	261,539
Derivative liabilities	7,512	16,773
Trust preferred securities	204,018	203,688
Accrued expenses and other liabilities	385,392	277,476
Notes payable	330,714	319,309
Income taxes payable	51,016	30,770
Total liabilities	15,842,603	16,547,729
Stockholders' Equity:		
Preferred Stock	134,040	134,040
Common Stock	500	496
Additional paid-in capital	958,175	947,512
Retained earnings	206,512	203,778
Accumulated other comprehensive loss	(64,820)	(78,810)
Total stockholders' equity	1,234,407	1,207,016
Total liabilities and stockholders' equity	$ 17,077,010	$ 17,754,745

Total assets at March 31, 2006 were $17.1 billion, a $677.7 million decrease from $17.8 billion at December 31, 2005. The decrease in total assets primarily reflects a decrease in mortgage-backed securities of $1.0 billion and a decrease in mortgage loans held for sale of $619.1 million, partly offset by an increase in mortgage loans held for investment of $835.7 million. At March 31, 2006, 56.1% of our total assets were mortgage-backed securities, 25.3% were mortgage loans held for investment and 9.3% were mortgage loans held for sale, compared to 59.7%, 19.6% and 12.4%, respectively, at December 31, 2005.

The following table summarizes our mortgage-backed securities owned at March 31, 2006 and December 31, 2005, classified by type of issuer and by ratings categories:

	March 31, 2006				
	Trading Securities		Securities Available for Sale		
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix	Carr
	(Dollars in thousands)				
Agency securities	$ --	--%	$ 122,857	1.5%	$
Privately issued:					
AAA	716,822	54.7	8,121,911	98.2	
AA	47,427	3.6	9,443	0.1	
A	166,212	12.7	6,641	0.1	
BB	4,549	0.4	--	--	
BBB	145,376	11.1	2,936	0.0	
Unrated	229,777	17.5	7,012	0.1	
Total	$ 1,310,163	100.0%	$ 8,270,800	100.0%	$

	December 31, 2005				
	Trading Securities		Securities Available for Sale		
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix	Carr
	(Dollars in thousands)				
Agency securities	$ --	--%	$ 130,320	1.8%	$
Privately issued:					
AAA	2,619,546	81.1	7,216,527	97.9	
AA	47,253	1.5	9,989	0.1	
A	166,507	5.2	7,558	0.1	
BBB	164,344	5.1	3,441	0.0	
Unrated	229,418	7.1	7,201	0.1	
Total	$ 3,227,068	100.0%	$ 7,375,036	100.0%	$

The following table classifies our mortgage-backed securities portfolio by type of interest rate index at March 31, 2006 and December 31, 2005:

	March 31, 2006			
	Trading Securities		Securities Available for Sale	
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix
	(Dollars in thousands)			
Index:				
One-month LIBOR	$ 394,201	30.1%	$ 55,612	0.7%
Six-month LIBOR	613,440	46.8	4,909,712	59.4
One-year LIBOR	243,128	18.6	2,813,206	34.0
One-year constant maturity treasury	318	0.0	492,270	5.9
One-year monthly treasury average	59,076	4.5	--	--
Total	$ 1,310,163	100.0%	$ 8,270,800	100.0%

	December 31, 2005			
	Trading Securities		Securities Available for Sale	
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix
	(Dollars in thousands)			
Index:				
One-month LIBOR	$ 402,311	12.5%	$ 10,836	0.1%
Six-month LIBOR	2,538,016	78.6	4,838,532	65.6
One-year LIBOR	218,530	6.8	2,128,376	28.9
One-year constant maturity treasury	2,054	0.1	397,292	5.4
One-year monthly treasury average	66,157	2.0	--	--
Total	$ 3,227,068	100.0%	$ 7,375,036	100.0%

The following table classifies our mortgage loans held for investment and mortgage-backed securities portfolio by product type at March 31, 2006 and

December 31, 2005:

	March 31, 2006					
	Trading Securities		Securities Available for Sale		Loans Held for Investment	
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix	Carrying Value	Portfol Mix
	(Dollars in thousands)					
Product:						
ARMs less than 3 years	$ 681,672	52.0%	$ 403,904	4.9%	$2,971,903	68
3/1 Hybrid ARM	185,648	14.2	230,485	2.8	16,376	0
5/1 Hybrid ARM	442,843	33.8	7,636,411	92.3	327,696	7
Home equity/Second	--	--	--	--	222,722	5
Other	--	--	--	--	776,687	17
Total	$1,310,163	100.0%	$8,270,800	100.0%	$4,315,384	100

	December 31, 2005					
	Trading Securities		Securities Available for Sale		Loans Held for Investment	
	Carrying Value	Portfolio Mix	Carrying Value	Portfolio Mix	Carrying Value	Portfol Mix
	(Dollars in thousands)					
Product:						
ARMs less than 3 years	$ 700,164	21.7%	$ 487,122	6.6%	$2,628,977	75
3/1 Hybrid ARM	194,313	6.0	262,598	3.6	11,563	0
5/1 Hybrid ARM	2,332,591	72.3	6,625,316	89.8	121,227	3
Home equity/Second	--	--	--	--	611,370	17
Other	--	--	--	--	106,584	3
Total	$3,227,068	100.0%	$7,375,036	100.0%	$3,479,721	100

During the three months ended March 31, 2006, we purchased $1.4 billion of mortgage-backed securities.

During the three months ended March 31, 2006, we sold $1.8 billion of mortgage-backed securities.

During the three months ended March 31, 2006, we added $835.7 million of loans held for investment to our portfolio.

Results of Operations - Comparison of the Three Months Ended March 31, 2006 and 2005

The following tables present our consolidated and segment statements of income:

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Three Month		
	March 31, 2006	Dec. 31, 2005	Sept. 20
Net interest income:			
Interest income	$ 300,613	$265,435	$ 180
Interest expense	(254,035)	(215,057)	(133
Net interest income	46,578	50,378	46
Provision for loan losses	(1,311)	(2,142)	
Net interest income after provision for loan losses	45,267	48,236	46
Non-interest income:			
Gain on sales of mortgage loans	171,907	98,777	123
Gain on sales of current period securitized mortgage loans	--	--	19
(Loss) gain on sales of mortgage-backed securities and derivatives	(850)	38,068	6
Unrealized gain (loss) on mortgage-backed securities and derivatives	9,315	(44,778)	(10
Loan servicing fees	24,333	26,715	21
Amortization and impairment of mortgage servicing rights	--	(18,745)	(3
Change in fair value of mortgage servicing rights	(18,621)	--	
Net loan servicing fees (loss)	5,712	7,970	17
Other non-interest income	1,769	2,181	1
Non-interest income	187,853	102,218	157
Non-interest expenses:			
Salaries, commissions and benefits, net	99,267	95,237	101
Occupancy and equipment	17,970	16,459	15
Data processing and communications	7,126	6,402	6
Office supplies and expenses	4,332	4,612	5
Marketing and promotion	5,800	5,951	5
Travel and entertainment	6,753	6,982	4
Professional fees	5,331	3,586	3
Other	15,882	10,946	7

Non-interest expenses	162,461	150,175	149
Net income before income tax expense (benefit)	70,659	279	55
Income tax expense (benefit)	16,200	(16,419)	2
Net income	$ 54,459	$ 16,698	$ 53
Dividends on preferred stock	3,305	3,304	3
Net income available to common shareholders	$ 51,154	$ 13,394	$ 49
Per share data:			
Basic	$ 1.03	$ 0.27	$
Diluted	$ 1.02	$ 0.27	$
Weighted average number of shares - basic	49,715	49,605	45
Weighted average number of shares - diluted	50,070	49,998	45

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
MORTGAGE HOLDINGS SEGMENT
(In thousands)

	Three Months Ended March 31,	
	2006	2005
Net interest income:		
Interest income	$ 154,946	$ 58,305
Interest expense	(128,555)	(38,985)
Net interest income	26,391	19,320
Provision for loan losses	(2,507)	--
Net interest income after provision for loan losses	23,884	19,320
Non-interest income:		
Loss on sales of mortgage-backed securities and derivatives	(850)	(3,337)
Unrealized gain on mortgage-backed securities and derivatives	9,040	16,840
Non-interest income	8,190	13,503
Non-interest expenses:		
Salaries, commissions and benefits, net	5,025	1,076

Occupancy and equipment	2	2
Data processing and communications	16	22
Office supplies and expenses	--	1
Marketing and promotion	4	2
Travel and entertainment	--	--
Professional fees	1,454	973
Other	2,003	2,562
Non-interest expenses	8,504	4,638
Net income before income tax expense	23,570	28,185
Income tax expense	--	--
Net income	$ 23,570	$ 28,185
Dividends on preferred stock	3,305	3,305
Net income available to common shareholders	$ 20,265	$ 24,880

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
LOAN ORIGINATION SEGMENT
(In thousands)

	Three Months Ended March 31,	
	2006	2005
Net interest income		
Interest income	$ 145,667	$ 88,589
Interest expense	(122,327)	(47,735)
Net interest income	23,340	40,854
Recovery of loan losses	1,196	--
Net interest income after recovery of loan losses	24,536	40,854
Non-interest income:		
Gain on sales of mortgage loans	171,907	35,253
Gain on sales of current period securitized mortgage loans	--	69,919
Gain on sales of mortgage-backed securities and derivatives	--	9,469
Unrealized gain on mortgage-backed securities and derivatives	275	40,659

Other non-interest income	782	663
Non-interest income	172,964	155,963
Non-interest expenses:		
Salaries, commissions and benefits, net	90,337	65,604
Occupancy and equipment	17,650	12,542
Data processing and communications	6,949	5,814
Office supplies and expenses	4,278	4,125
Marketing and promotion	5,791	4,102
Travel and entertainment	6,701	3,843
Professional fees	3,877	2,244
Other	5,016	2,435
Non-interest expenses	140,599	100,709
Net income before income tax expense	56,901	96,108
Income tax expense	19,860	--
Net income	$ 37,041	$ 96,108
Dividends on preferred stock	--	--
Net income available to common shareholders	$ 37,041	$ 96,108

AMERICAN HOME MORTGAGE INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
LOAN SERVICING SEGMENT
(In thousands)

	Three Months Ended March 31,	
	2006	2005
Net interest income:		
Interest income	$ --	$ --
Interest expense	(3,153)	(1,371)
Net interest income	(3,153)	(1,371)
Non-interest income:		
Loan servicing fees	24,333	11,312
Amortization and impairment of mortgage servicing rights	--	(5,082)
Change in fair value of mortgage servicing rights	(18,621)	--

Net loan servicing fees	5,712	6,230
Other non-interest income	987	803
Non-interest income	6,699	7,033
Non-interest expenses:		
Salaries, commissions and benefits, net	3,905	1,795
Occupancy and equipment	318	127
Data processing and communications	161	114
Office supplies and expenses	54	303
Marketing and promotion	5	26
Travel and entertainment	52	85
Professional fees	--	253
Other	8,863	1,872
Non-interest expenses	13,358	4,575
Net income before income tax benefit	(9,812)	1,087
Income tax benefit	(3,660)	--
Net income	$ (6,152)	$ 1,087
Dividends on preferred stock	--	--
Net income available to common shareholders	$ (6,152)	$ 1,087

Overview

Net income for the three months ended March 31, 2006 was $54.5 million compared to $125.4 million for the three months ended March 31, 2005, a decrease of $70.9 million, or 56.6%. Through the third quarter of 2005, we securitized a substantial portion of our mortgage loans held for sale each quarter and had intended for each of these transactions to qualify as a sale under Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"). Our December 2004 securitization ("Q4-04 Securitization") did not qualify as a sale at December 31, 2004 and was accounted for as a financing in accordance with SFAS 140 because we retained a small amount of securities which were benefited by derivative contracts embedded in the securitization trust. These securities were sold during the first quarter of 2005, qualifying the Q4-04 Securitization as a sale at March 31, 2005 in accordance with SFAS 140. Net income for the three months ended March 31, 2005 includes approximately $71.4 million of revenues related to the delay in recognizing the Q4-04 Securitization as a sale into the first quarter of 2005. The decrease in net income was the result of a $52.5 million increase in non-interest expenses, a $16.2 million increase in income tax expense, a $12.2 million decrease in net interest income and a $1.3 million increase in provision for loan losses, partly offset by an $11.3 million increase in non-interest income. The $11.3 million increase in non-interest income consists of a $136.6 million increase in gain on sales of mortgage loans and a $0.3 million increase in other non-interest income, partly offset by a $69.9 million decrease in gain on sales of current period securitized mortgage loans, a $55.2 million decrease in realized and unrealized gains on mortgage-backed securities and derivatives and a $0.5 million decrease in net loan servicing fees in the three months ended March 31, 2006 versus the three months ended March 31, 2005.

Net Interest Income

The following table presents the average balances for our interest-earning assets, interest-bearing liabilities, corresponding annualized effective rates of interest and the related interest income or expense for the three months ended March 31, 2006 compared to the three months ended March 31, 2005:

(Dollars in thousands)	Three Months Ended March 31,				
	2006			20	
	Average Balance	Interest	Average Yield/Cost	Average Balance	Int
Interest earning assets:					
Mortgage-backed securities, net (1)	$ 9,914,293	$135,093	5.45%	$ 5,853,318	$ 5
Mortgage loans held for sale	6,965,722	102,371	5.88%	6,239,851	8
Mortgage loans held for investment	3,785,573	63,149	6.67%	--	
	20,665,588	300,613	5.82%	12,093,169	14
Interest bearing liabilities:					
Warehouse lines of credit (2)	6,713,022	85,223	5.08%	1,490,755	1
Commercial paper	2,666,665	31,047	4.66%	1,184,803	
Reverse repurchase agreements (3)	9,309,261	115,505	4.96%	6,898,461	4
Collateralized debt obligations	1,253,797	13,580	4.33%	1,987,085	1
Trust preferred securities	210,000	4,245	8.09%	--	
Notes payable	317,992	4,435	5.58%	150,167	
	20,470,737	254,035	4.96%	11,711,271	8
Net interest income		$ 46,578			$ 5
Interest rate spread			0.86%		
Net interest margin			0.90%		

(1) The average yield does not give effect to changes in the fair value that are reflected as a component of stockholders' equity.

(2) Includes $2.7 million of net interest expense on interest rate swap agreements for 2005.

(3) Includes $8.4 million and $6.0 million of net interest expense on interest rate swap agreements for 2006 and 2005, respectively.

The following table presents the effects of changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities on our interest income and interest expense for the three months ended March 31, 2006 compared to the three months ended March 31, 2005:

(In thousands)	Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005		
	Average Rate	Average Volume	Total
Mortgage-backed securities, net	$ 26,611	$ 50,177	$ 76,788
Mortgage loans held for sale	3,198	10,584	13,782
Mortgage loans held for investment	--	63,149	63,149
Interest income	29,809	123,910	153,719
Warehouse lines of credit	2,191	66,076	68,267
Commercial paper	12,625	12,364	24,989
Reverse repurchase agreements	48,434	20,347	68,781
Collateralized debt obligations	20,128	(23,314)	(3,186)
Trust preferred securities	--	4,245	4,245
Notes payable	633	2,215	2,848
Interest expense	84,011	81,933	165,944
Net interest income	$(54,202)	$ 41,977	$ (12,225)

Interest Income: Interest income on mortgage-backed securities for the three months ended March 31, 2006 was $135.1 million, compared to $58.3 million for the three months ended March 31, 2005, a $76.8 million, or 131.7%, increase. This increase reflects primarily the growth of our mortgage-backed securities portfolio and higher interest rates in the first quarter of 2006 versus the first quarter of 2005.

Interest income on our mortgage loans held for sale for the three months ended March 31, 2006 was $102.4 million, compared to $88.6 million for the three months ended March 31, 2005, an increase of $13.8 million, or 15.6%. The increase in interest income on mortgage loans held for sale was primarily the result of an increase in average volume in 2006 versus 2005 due to higher mortgage origination volume, and higher interest rates in the first quarter of 2006 versus the first quarter of 2005.

For the three months ended March 31, 2006, we recognized $63.1 million of interest income on loans held for investment, related to our strategy of holding certain loans in our investment portfolio beginning in June 2005.

Interest Expense: As of March 31, 2006, we have entered into reverse repurchase agreements, a form of collateralized short-term borrowing, with seventeen different financial institutions and had borrowed funds from thirteen of these counterparties. We borrow funds under these arrangements based on the fair value of our mortgage-backed securities and loans held for investment. Total interest expense on reverse repurchase agreements for the three months ended March 31, 2006 was $115.5 million, compared to interest expense for the three months ended March 31, 2005 of $46.7 million, a $68.8 million increase. The increase in reverse repurchase agreements interest expense in 2006 versus 2005 was primarily the result of an increase in average rate due to generally higher short-term interest rates in the first quarter of 2006 versus the first quarter of 2005, and an increase in borrowings used to fund the growth of our mortgage-backed securities and loans held for investment portfolio.

We fund our loan inventory primarily through borrowing facilities with several mortgage warehouse lenders and through a $3.3 billion commercial paper, or secured liquidity note ("SLN"), program. Interest expense on warehouse lines of credit for the three months ended March 31, 2006 was $85.2 million, compared to interest expense for the three months ended March 31, 2005 of $16.9 million, a $68.3 million increase. The increase in warehouse lines of credit interest expense was primarily the result of an increase in average volume due to higher mortgage origination volume and an increase in average rate due to generally higher short-term interest rates in the first quarter of 2006 versus the first quarter of 2005. In May 2004, we formed a wholly-owned special purpose entity for the purpose of issuing commercial

paper in the form of SLNs to finance certain portions of our mortgage loans. Interest expense on commercial paper for the three months ended March 31, 2006 was $31.1 million, versus $6.1 million for the three months ended March 31, 2005, a $25.0 million increase. By funding a portion of our loan inventory through the commercial paper program, we were able to reduce our average funding cost versus borrowing exclusively through warehouse lenders.

Total interest expense on collateralized debt obligations for the three months ended March 31, 2006 was $13.6 million, compared to interest expense for the three months ended March 31, 2005 of $16.8 million, a $3.2 million decrease. The decrease in collateralized debt obligation interest expense was primarily the result of a decrease in average volume, partly offset by an increase in average interest rates in the first quarter of 2006 versus the first quarter of 2005. The decrease in average volume in the 2006 quarter versus the 2005 quarter related to higher borrowings used to fund the Q4-04 Securitization, which was accounted for as a financing for most of the first quarter of 2005. The increase in average rate in 2006 versus 2005 was due to higher interest rates in 2006 versus 2005.

Gain on Mortgage Loans, Mortgage-Backed Securities and Derivatives

Gain on Sales and Securitizations of Mortgage Loans: During the three months ended March 31, 2006, gain on sales and securitizations of mortgage loans in our Loan Origination segment totaled $172.2 million, or 1.27%, of mortgage loans sold or securitized compared to $155.3 million, or 1.49%, of mortgage loans sold or securitized during the three months ended March 31, 2005. The increase primarily reflects a $3.1 billion increase in mortgage loans sold or securitized to $13.5 billion in the first quarter of 2006 from $10.4 billion in the first quarter of 2005. The 2005 period includes $43.4 million recognized in connection with the Q4-04 Securitization.

The following table presents the components of gain on sales and securitizations of mortgage loans in our Loan Origination segment during the three months ended March 31, 2006 and 2005:

Gains on Sales and Securitizations of Mortgage Loans

(Dollars in thousands)	Three Months Ended March 31, 2006	2005
Gain on sales of mortgage loans	$ 171,907	$ 35,253
Gain on sales of current period securitized mortgage loans	--	69,919
Gain on sales of free standing derivatives	--	9,469
Unrealized gain on self-originated mortgage-backed securities retained in period	--	41,709
Unrealized gain (loss) on free standing derivatives	275	(1,050)
Total gain on sales and securitizations of mortgage loans	$ 172,182	$ 155,300
Total mortgage loans sold or securitized	$13,533,589	$ 10,430,630
Total gain on sales and securitizations of mortgage loans as a % of total mortgage loans sold or securitized	1.27%	1.49%

Portfolio Gains and Losses: During the three months ended March 31, 2006, portfolio gains and losses in our Mortgage Holdings segment were a portfolio gain of $8.2 million compared to a portfolio gain of $13.5 million during the three months ended March 31, 2005. The decrease in portfolio gains in the first quarter of 2006 compared to the first quarter of 2005 was the result of a $7.8 million net decrease in unrealized gain on mortgage-backed securities and free standing derivatives partly offset by a $2.5 million decrease in loss on sales of mortgage-backed securities.

-39-

The following table presents the components of portfolio gains and losses in our Mortgage Holdings segment during the three months ended March 31, 2006 and 2005:

Portfolio Gains and Losses

(In thousands)	Three Months Ended March 31, 2006	2005
Loss on sales of mortgage-backed securities	$ (850)	$ (3,337)
Unrealized gain (loss) on mortgage-backed securities	974	(18,460)
Unrealized gain on free standing derivatives	8,066	35,300
Net unrealized gain on mortgage-backed securities and free standing derivatives	9,040	16,840
Total portfolio gain	$ 8,190	$ 13,503

The following table presents the components of gains and losses on sales of mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of (Loss) Gain on Sales of Mortgage-backed Securities and Derivatives

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
(In thousands)		
Loss on sales of mortgage-backed securities	$ (850)	$ (3,337)
Gain on sales of free standing derivatives	--	9,469
(Loss) gain on sales of mortgage-backed securities and derivatives	$ (850)	$ 6,132

The following table presents the components of unrealized gain on mortgage-backed securities and derivatives shown in our consolidated statements of income:

Components of Unrealized Gain on Mortgage-backed Securities and Derivatives

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
(In thousands)		
Unrealized gain on self-originated mortgage-backed securities retained in period	$ --	$ 41,709
Unrealized gain (loss) on mortgage-backed securities	974	(18,460)
Unrealized gain on free standing derivatives	8,341	34,250
Unrealized gain on mortgage-backed securities and derivatives	$ 9,315	$ 57,499

Net Loan Servicing Fees

Net loan servicing fees were $5.7 million for the three months ended March 31, 2006 compared to $6.2 million for the three months ended March 31, 2005.

Loan Servicing Fees: Loan servicing fees increased to $24.3 million for the three months ended March 31, 2006 from $11.3 million for the three months ended March 31, 2005, an increase of $13.0 million, or 115.1%. The increase in loan servicing fees in the first quarter of 2006 versus the first quarter of 2005 was primarily the result of an increase in loans serviced for others. At March 31, 2006, the principal amount of loans serviced for others, including loans held for sale and loans held for investment, was $34.8 billion, compared to $19.9 billion at March 31, 2005.

Change in Fair Value of MSRs: Effective at the beginning of the first quarter of 2006, we adopted Statement of Financial Accounting Standards No. 156 "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140" ("SFAS 156"), and elected the fair value option to subsequently measure our MSRs. Under the fair value option, all changes in the fair value of MSRs are reported in the consolidated statements of income. For the three months ended March 31, 2006, the change in fair value of MSRs was $18.6 million. The change in fair value of MSRs in the first quarter of 2006 includes $18.7 million of reduction in fair value due to servicing runoff and $0.1 million of gain due to higher interest rates reducing projected future runoff.

Amortization and Impairment of MSRs: Amortization and impairment of MSRs includes amortization of MSRs of $8.5 million and a temporary impairment recovery of $3.4 million for the three months ended March 31, 2005. Effective at the beginning of the first quarter of 2006, we adopted the SFAS 156 fair value option and did not recognize amortization and impairment of MSRs during the first quarter of 2006.

The following table presents the components of net loan servicing fees for the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31,	
	2006	2005
(In thousands)		
Loan servicing fees	$ 24,333	$ 11,312
Amortization and impairment of mortgage servicing rights	--	(5,082)
Change in fair value of mortgage servicing rights	(18,621)	--
Net loan servicing fees	$ 5,712	$ 6,230

Other Non-Interest Income

Other non-interest income totaled $1.8 million for the three months ended March 31, 2006 compared to $1.5 million for the three months ended March 31, 2005. For the three months ended March 31, 2006, other non-interest income primarily includes reinsurance premiums earned totaling approximately $0.7 million, $0.4 million of other fee income, rental income of $0.3 million and revenue from title services of $0.2 million. For the three months ended March 31, 2005, other non-interest income primarily includes reinsurance premiums earned totaling approximately $0.8 million, rental income of $0.4 million and revenue from title services of $0.2 million.

Non-Interest Expenses

Our non-interest expenses for the three months ended March 31, 2006 were $162.4 million compared to $109.9 million for the three months ended March 31, 2005, an increase of $52.5 million, or 47.8%. The increase primarily reflects a $42.8 million rise in our Loan Origination segment non-interest expenses to $140.6 million, or 1.07% of total loan originations in the first quarter of 2006, from $100.7 million, or 1.39% of total loan originations in the first quarter of 2005.

Our operating expenses represent costs that are not eligible to be added to the book value of the loans because they are not considered to be certain direct origination costs under the rules of Statement of Financial Accounting Standards ("SFAS") No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Costs of Leases." Direct origination costs are added to the book value of loans and either reduce the gain on sale of loans if the loans are sold or are amortized over the life of the loan.

Salaries, Commissions and Benefits, net: Salaries, commissions and benefits, net, for the three months ended March 31, 2006 were $99.3 million, compared to $68.5 million for the three months ended March 31, 2005, an increase of $30.8 million, or 45.0%. The increase in expenses reflects higher origination volume and a resulting higher commission expense and higher salaries due to an increase in employees to 7,286 at March 31, 2006 from 5,489 at March 31, 2005.

Other Operating Expenses: Operating expenses, excluding salaries, commissions and benefits, were $63.2 million for the three months ended March 31, 2006, compared to $41.4 million for the three months ended March 31, 2005, an increase of $21.8 million, or 52.5%. The increase in operating expenses in the first quarter of 2006 versus the first quarter of 2005 includes a $9.0 million increase in other non-interest expense and a $5.3 million increase in occupancy and equipment expense. The increase in other non-interest expenses in the first quarter of 2006 versus the first quarter of 2005 was due to a $5.0 million increase in reserves associated with our servicing assets, and the remainder was primarily associated with our acquisition of Waterfield Financial Corporation in January 2006. The increase in occupancy and equipment expense was due to higher lease obligations and certain fixed asset expenses relating to the increased number of branches in the 2006 period.

We recognized $16.2 million of income tax expense for the three months ended March 31, 2006, compared to no income tax expense or benefit for the three months ended March 31, 2005. The increase in income tax expense in the first quarter of 2006 versus the first quarter of 2005 reflects an increase in income before income taxes relating to our taxable REIT subsidiary ("TRS").

Loan Originations

We originate and sell or securitize one-to-four family residential mortgage loans. Total loan originations for the three months ended March 31, 2006 were $13.2 billion compared to $7.2 billion for the three months ended March 31, 2005, an 81.6% increase. Mortgage brokers, through our wholesale loan production offices, accounted for 55% of our loan originations in the three months ended March 31, 2006 compared to 51% of our originations in the three months ended March 31, 2005. Originations conducted through our retail loan production offices and internet call center were 40% of our loan originations in the three months ended March 31, 2006 compared to 49% of our originations in the three months ended March 31, 2005. During the three months ended March 31, 2006, 5% of our loan originations were purchased from correspondents.

Liquidity and Capital Resources

As of March 31, 2006, we had arrangements to enter into reverse repurchase agreements, a form of collateralized short-term borrowing, with seventeen different financial institutions and had borrowed funds from thirteen of these counterparties. Because we borrow money under these agreements based on the fair value of our mortgage-backed securities, and because changes in interest rates can negatively impact the valuation of mortgage-backed securities, our borrowing ability under these agreements could be limited and lenders could initiate margin calls in the event interest rates change or the value of our mortgage-backed securities declines for other reasons.

As of March 31, 2006, we had $8.9 billion of reverse repurchase agreements outstanding with a weighted-average borrowing rate of 4.81% before the impact of interest rate swaps and a weighted-average remaining maturity of three months.

To originate a mortgage loan, we draw against either a $3.3 billion SLN commercial paper program, a $2.5 billion pre-purchase facility with UBS Real Estate Securities Inc. ("UBS"), a facility of $2.0 billion with Bear Stearns, a facility of $1.0 billion with Barclays Bank PLC, a $1.0 billion bank syndicated facility led by Bank of America, N.A. (which includes a $350 million term loan facility which we use to finance our MSRs), a facility of $750 million with Morgan Stanley Bank ("Morgan Stanley"), a facility of $150 million with J.P. Morgan Chase, a $450 million facility with IXIS Real Estate Capital, Inc. (formerly CDC Mortgage Capital Inc.) ("IXIS"), an early purchase program facility with Countrywide Home Loans, Inc. ("Countrywide") and a $1.4 billion syndicated facility led by Calyon New York Branch ("Calyon"). The Bank of America, IXIS, Morgan Stanley and Calyon facilities are committed facilities. In addition, we have a gestation facility with Greenwich Capital Financial Products, Inc. ("Greenwich"). These facilities are secured by the mortgages owned by us and by certain of our other assets. Advances drawn under these facilities bear interest at rates that vary depending on the type of mortgages securing the advances. These loans are subject to sublimits, advance rates and terms that vary depending on the type of securing mortgages and the ratio of our liabilities to our tangible net worth. At May 4, 2006, the aggregate outstanding balance under the commercial paper program was $2.7 billion, the aggregate outstanding balance under the warehouse facilities was $3.7 billion, the aggregate outstanding balance in drafts payable was $13.1 million and the aggregate maximum amount available for additional borrowings was $4.4 billion.

The documents governing our warehouse facilities contain a number of compensating balance requirements and restrictive financial and other covenants that, among other things, require us to adhere to a maximum ratio of total liabilities to tangible net worth and maintain a minimum level of tangible net worth and liquidity, as well as to comply with applicable regulatory and investor requirements. The facility agreements also contain covenants limiting the ability of our subsidiaries to transfer or sell assets other than in the ordinary course of business and to create liens on the collateral without obtaining the prior consent of the lenders, which consent may not be unreasonably withheld.

In addition, under our warehouse facilities, we cannot continue to finance a mortgage loan that we hold if:

- the loan is rejected as "unsatisfactory for purchase" by the ultimate investor and has exceeded its permissible 120-day warehouse period;

- we fail to deliver the applicable mortgage note or other documents evidencing the loan within the requisite time period;

- the underlying property that secures the loan has sustained a casualty loss in excess of 5% of its appraised value; or

- the loan ceases to be an eligible loan (as determined pursuant to the applicable facility agreement).

As of March 31, 2006, our aggregate warehouse facility borrowings were $1.8 billion (including $29.7 million of borrowings under a working capital sub-limit) and our outstanding drafts payable were $16.4 million, compared to $3.5 billion in aggregate warehouse facility borrowings (including $21.6 million of borrowings under a working capital sub-limit) and outstanding drafts payable of $20.8 million as of December 31, 2005. As of March 31, 2006, our loans held for investment were $4.3 billion and our loans held for sale were $1.6 billion compared to loans held for investment of $3.5 billion and loans held for sale of $2.2 billion as of December 31, 2005.

In addition to the warehouse facilities, we have purchase and sale agreements with UBS, Greenwich Capital and Countrywide. These agreements allow us to accelerate the sale of our mortgage loan inventory, resulting in a more effective use of the warehouse facility. Aggregate amounts sold and being held under these agreements as of March 31, 2006 and December 31, 2005 were $4.5 billion and $3.2 billion, respectively. Aggregate amounts so held under these agreements at May 4, 2006 were $2.3 billion. These agreements are not committed facilities and may be terminated at the discretion of the counterparties.

We make certain representations and warranties under the purchase and sale agreements regarding, among other things, the loans' compliance with laws and regulations, their conformity with the ultimate investors' underwriting standards and the accuracy of information. In the event of a breach of these representations or warranties or in the event of an early payment default, we may be required to repurchase the loans and/or indemnify the investor for damages caused by that breach. We have implemented strict procedures to ensure quality control and conformity to underwriting standards and minimize the risk of being required to repurchase loans. From time to time we have been required to repurchase loans that we sold; however, the liability for the fair value of those obligations has been immaterial.

We also have a $350.0 million term loan facility with a bank syndicate led by Bank of America which we use to finance our MSRs. The term loan facility expires on August 11, 2006. Interest is based on a spread to the LIBOR and may be adjusted for earnings on escrow balances. At March 31, 2006 and December 31, 2005, borrowings under our term loan facility were $217.8 million and $206.2 million, respectively.

Cash and cash equivalents decreased to $572.6 million as of March 31, 2006 from $575.7 million as of December 31, 2005.

Our primary sources of cash and cash equivalents during the three months ended March 31, 2006 were as follows:

- $13.4 billion of proceeds from principal received from sales of mortgage loans held for sale;
- $1.8 billion of principal proceeds from sales of mortgage-backed securities;
- $1.8 billion increase in collateralized debt obligations; and
- $532.1 million of principal repayments of mortgage-backed securities.

Our primary uses of cash and cash equivalents during the three months ended March 31, 2006 were as follows:

- $13.2 billion of origination of mortgage loans;
- $1.7 billion increase in warehouse lines of credit, net;

- $1.4 billion of purchases of mortgage-backed securities; and
- $907.1 million increase in reverse repurchase agreements, net.

Commitments

The Company had the following commitments (excluding derivative financial instruments) at March 31, 2006:

(In thousands)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	Aft
Warehouse liabilities	$1,754,581	$ 1,754,581	$ --	$ --	$
Commercial paper	1,073,630	1,073,630	--	--	
Reverse repurchase agreements	8,899,050	8,899,050	--	--	
Collateralized debt obligations	2,905,199	--	2,049,733	764,060	
Trust preferred securities	204,018	--	--	--	
Notes payable	330,714	218,553	23,621	64,794	
Operating leases	161,760	59,574	86,857	14,817	

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Movements in interest rates can pose a major risk to the Company in either a rising or declining interest rate environment. The Company depends on substantial borrowings to conduct its business. These borrowings are all done at variable interest rate terms, which will increase as short-term interest rates rise. Additionally, when interest rates rise, loans held for sale, loans held for investment and any applications in process with locked-in rates decrease in value. To preserve the value of such fixed-rate loans or applications in process with locked-in rates, agreements are executed for mandatory loan sales to be settled at future dates with fixed prices. These sales take the form of forward sales of mortgage-backed securities.

When interest rates decline, fallout may occur as a result of customers withdrawing their applications. In those instances, the Company may be required to purchase loans at current market prices to fulfill existing mandatory loan sale agreements, thereby incurring losses upon sale. Additionally, when interest rates decline, the interest income we receive from our mortgage loans held for investment as well as mortgage loans held for sale will decrease. The Company uses an interest rate hedging program to manage these risks. Through this program, mortgage-backed securities are purchased and sold forward and options are acquired on treasury futures contracts.

In the event that the Company does not deliver into the forward delivery commitments or exercise its option contracts, the instruments can be settled on a net basis. Net settlement entails paying or receiving cash based upon the change in market value of the existing instrument. All forward delivery commitments and option contracts to buy securities are to be contractually settled within nine months of the balance sheet date.

The Company's hedging program contains an element of risk because the counterparties to its mortgage and treasury securities transactions may be unable to meet their obligations. While the Company does not anticipate nonperformance by any counterparty, it is exposed to potential credit losses in the event the counterparty fails to perform. The Company's exposure to credit risk in the event of default by a counterparty is the difference between the contract and the current market price. The Company minimizes its credit risk exposure by limiting the counterparties to well-capitalized banks and securities dealers who meet established credit and capital guidelines.

Movements in interest rates also impact the value of MSRs. When interest rates decline, the loans underlying the MSRs are generally expected to prepay faster, which reduces the market value of the MSRs. The Company considers the expected increase in loan origination volumes and the resulting additional origination related income as a natural hedge against the expected change in the value of MSRs. Lower mortgage rates generally reduce the fair value of the MSRs, as increased prepayment speeds are highly correlated with lower levels of mortgage interest rates.

The Company enters into interest rate swap agreements ("Swap Agreements") to manage its interest rate exposure when financing its ARM loans and its mortgage-backed securities. The Company generally borrows money based on short-term interest rates by entering into borrowings with maturity terms of less than one year, and frequently nine to twelve months. The Company's ARM loans and mortgage-backed securities financing vehicles generally have an interest rate that reprices based on frequency terms of one to twelve months. The Company's mortgage-backed securities have an initial fixed interest rate period of three to five years. When the Company enters into a swap agreement, it generally agrees to pay a fixed rate of interest and to receive a variable interest rate, generally based on LIBOR. These swap agreements have the effect of converting the Company's variable-rate debt into fixed-rate debt over the life of the swap agreements. These instruments are used as a cost-effective way to lengthen the average repricing period of the Company's variable-rate and short-term borrowings such that the average repricing of the borrowings more closely matches the average repricing of the Company's mortgage-backed securities. The Company's duration gap was approximately two months on March 31, 2006.

-45-

The following table summarizes the Company's interest rate sensitive instruments as of March 31, 2006 and December 31, 2005:

	March 31, 2006	
	Carrying Amount	Estimated Fair Value
Assets:		
Mortgage-backed securities	$9,580,963	$9,580,963
Derivative assets (1)	102,267	165,072

Mortgage loans held for sale, net	1,589,613	1,607,056
Mortgage loans held for investment, net	4,315,384	4,386,173
Mortgage servicing rights, net	371,974	371,974
Liabilities:		
Reverse repurchase agreements	$8,899,050	$8,898,132
Collateralized debt obligations	2,905,199	2,905,199
Derivative liabilities	7,512	7,512

	December 31, 2005	
	Carrying Amount	Estimated Fair Value
Assets:		
Mortgage-backed securities	$10,602,104	$10,602,104
Derivative assets (1)	44,594	96,176
Mortgage loans held for sale, net	2,208,749	2,224,234
Mortgage loans held for investment, net	3,479,721	3,529,844
Mortgage servicing rights, net	319,671	320,827
Liabilities:		
Reverse repurchase agreements	$9,806,144	$9,805,640
Collateralized debt obligations	1,057,906	1,057,906
Derivative liabilities	16,773	16,773

(1) Derivative assets includes interest rate lock commitments ("IRLCs") to fund mortgage loans.
The carrying value excludes the value of the mortgage servicing rights ("MSRs") attached to the IRLCs in accordance with SEC SAB No. 105. The fair value includes the value of MSRs.

Changes in fair value that are stated in the table below are derived based upon assuming immediate and equal changes to market interest rates of various maturities. The base or current interest rate curve is adjusted by the levels shown below:

	March 31, 2006			
(In thousands)	-100 Basis Points	-50 Basis Points	+50 Basis Points	+ Ba Po
Changes in fair value of mortgage-backed securities, net of the related financing and hedges	$(27,402)	$ (2,644)	$(16,654)	$(4
Changes in fair value of mortgage loans held for sale and interest rate lock commitments, net of				

the related financing and hedges	(20,128)	(9,502)	(189)	(
Changes in fair value of mortgage loans held for investment, net of the related financing and hedges	9,614	5,532	(6,314)	(1
Changes in fair value of mortgage servicing rights, net of the related financing	(48,646)	(21,406)	9,493	1
Net change	$(86,562)	$(28,020)	$(13,664)	$(5

ITEM 4.

CONTROLS AND PROCEDURES

Controls and Procedures

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the fiscal quarter covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the fiscal quarter covered by this quarterly report. The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to determine whether any changes occurred during the first quarter of 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the first quarter of 2006.

-47-

PART II-OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

In the ordinary course of its business, the Company is from time to time subject to various legal proceedings. The Company does not believe that any of its current legal proceedings, individually or in the aggregate, will have a material adverse effect on its operations or financial condition.

Columbia National, Incorporated

As previously reported in our periodic reports filed with the SEC, in June 2002, the Company acquired Columbia National, Incorporated, a Maryland corporation ("Columbia"), which is currently a subsidiary of the Company, and which changed its name in July 2004 to "American Home Mortgage Servicing, Inc." Prior to the Company's acquisition of Columbia, Columbia discovered fraudulent loan activity at its Bensalem, Pennsylvania, office and notified the U.S. Department of Housing and Urban Development ("HUD"). HUD then instituted an investigation into the loan originations of the Bensalem office. Shortly thereafter, several years before Columbia was acquired by the Company, Columbia closed the Bensalem office and terminated the employees involved in the alleged fraudulent activity. In 2000, Columbia settled with HUD, paying a fine to HUD in the amount of $24,000 and agreeing to indemnify HUD for certain losses. Columbia, as loan servicer for institutional investors, subsequently made FHA insurance claims with respect to approximately 60 loans that were originated by the Bensalem office between 1997 and 1999. The federal government is now seeking to recover insurance proceeds paid in connection with certain of those claims, along with potentially applicable fines and penalties. The Company is cooperating fully with respect to the federal government's review of these loans. The Company does not expect that the amount of any potential settlement will materially affect its financial condition or results of operations.

ITEM 1A.

RISK FACTORS

There have been no material changes during the quarter ended March 31, 2006 to the risk factors previously disclosed in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following is a description of the Company's securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), which were issued or sold during the quarter ended March 31, 2006.

The Company acquired Marina Mortgage Company, Inc. ("Marina") on December 29, 1999. In addition to the shares of Common Stock paid to former Marina shareholders as initial consideration, the former Marina shareholders were entitled to receive additional consideration, consisting of unregistered shares of Common Stock, under the earnout provisions of the merger agreement. On March 14, 2006, pursuant to these earnout provisions, the Company issued an aggregate of 311,752 unregistered shares of Common Stock to such shareholders as additional consideration. These securities were exempt from registration under Section 4(2) of the Securities Act because they were issued pursuant to the terms of a private transaction rather than through a public offering.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Exhibit No.	Description
10.1	-- Employment Agreement, dated as of April 1, 2004, by and between American Home Mortgage Holdings, Inc. and Donald Henig.
10.2	-- Employment Agreement, dated as of June 30, 2005, by and between American Home Mortgage Investment Corp. and Thomas McDonagh.
31.1	-- Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	-- Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15(d)-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	-- 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.
32.2	-- 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.

-49-

SIGNATURES

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

AMERICAN HOME MORTGAGE INVESTMENT CORP.
(Registrant)

Date: May 10, 2006

By: /s/ Michael Strauss

Michael Strauss
Chairman, Chief Executive Officer

and President

Date: May 10, 2006

By: /s/ Stephen A. Hozie

Stephen A. Hozie
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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