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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2019

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 001-35151

AG MORTGAGE INVESTMENT TRUST, INC.

Maryland	**27-5254382**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
245 Park Avenue, 26th Floor New York, New York	**10167**
(Address of Principal Executive Offices)	(Zip Code)

(212) 692-2000
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 and Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated filer ☐ Accelerated filer ☒ Non-Accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

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

Title of each class:	Trading Symbols:	Name of each exchange on which registered:
Common Stock, $0.01 par value per share	MITT	New York Stock Exchange (NYSE)
8.25% Series A Cumulative Redeemable Preferred Stock	MITT PrA	New York Stock Exchange (NYSE)
8.00% Series B Cumulative Redeemable Preferred Stock	MITT PrB	New York Stock Exchange (NYSE)
8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	MITT PrC	New York Stock Exchange (NYSE)

As of October 23, 2019, there were 32,742,255 outstanding shares of common stock of AG Mortgage Investment Trust, Inc.

AG MORTGAGE INVESTMENT TRUST, INC.
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PART I

ITEM 1. FINANCIAL STATEMENTS

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(in thousands, except per share data)

	September 30, 2019	December 31, 2018
Assets		
Real estate securities, at fair value:		
Agency - $2,676,375 and $1,934,562 pledged as collateral, respectively	$ 2,793,950	$ 1,988,280
Non-Agency - $697,160 and $605,243 pledged as collateral, respectively (1)	717,879	625,350
ABS - $12,292 and $13,346 pledged as collateral, respectively	12,292	21,160
CMBS - $288,645 and $248,355 pledged as collateral, respectively	305,367	261,385
Residential mortgage loans, at fair value - $126,312 and $99,283 pledged as collateral, respectively (2)	379,377	186,096
Commercial loans, at fair value - $3,233 and $- pledged as collateral, respectively	146,518	98,574
Single-family rental properties, net	136,098	138,678
Investments in debt and equity of affiliates	141,249	84,892
Excess mortgage servicing rights, at fair value	18,155	26,650
Cash and cash equivalents	31,468	31,579
Restricted cash	36,373	52,779
Other assets	30,183	33,503
Total Assets	$ 4,748,909	$ 3,548,926
Liabilities		
Financing arrangements, net	$ 3,627,002	$ 2,822,505
Securitized debt, at fair value	229,567	10,858
Dividend payable	14,731	14,372
Other liabilities	43,436	45,180
Total Liabilities	3,914,736	2,892,915
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070 shares issued and outstanding ($51,750 aggregate liquidation preference)	49,921	49,921
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600 shares issued and outstanding ($115,000 aggregate liquidation preference)	111,293	111,293
8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, 4,600 shares issued and outstanding ($115,000 aggregate liquidation preference)	111,183	—
Common stock, par value $0.01 per share; 450,000 shares of common stock authorized and 32,736 and 28,744 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	327	287
Additional paid-in capital	662,009	595,412
Retained earnings/(deficit)	(100,560)	(100,902)
Total Stockholders' Equity	834,173	656,011
Total Liabilities & Stockholders' Equity	$ 4,748,909	$ 3,548,926

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

(1) See Note 3 for details related to variable interest entities.
(2) See Note 4 for details related to variable interest entities.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net Interest Income				
Interest income	$ 40,735	$ 39,703	$ 123,126	$ 115,072
Interest expense	23,134	18,692	70,752	50,289
Total Net Interest Income	17,601	21,011	52,374	64,783
Other Income/(Loss)				
Rental income	3,309	794	9,868	794
Net realized gain/(loss)	(16,132)	(14,204)	(64,321)	(37,103)
Net interest component of interest rate swaps	2,179	1,816	5,760	1,607
Unrealized gain/(loss) on real estate securities and loans, net	11,726	700	101,644	(36,032)
Unrealized gain/(loss) on derivative and other instruments, net	3,258	6,589	(17,667)	48,460
Foreign currency gain/(loss), net	667	—	667	—
Other income	243	1	1,185	21
Total Other Income/(Loss)	5,250	(4,304)	37,136	(22,253)
Expenses				
Management fee to affiliate	2,346	2,384	7,091	7,210
Other operating expenses	6,215	3,503	13,895	10,168
Equity based compensation to affiliate	76	66	275	211
Excise tax	186	375	464	1,125
Servicing fees	416	148	1,203	232
Property depreciation and amortization	1,013	494	3,640	494
Property operating expenses	1,986	320	5,775	320
Total Expenses	12,238	7,290	32,343	19,760
Income/(loss) before equity in earnings/(loss) from affiliates	10,613	9,417	57,167	22,770
Equity in earnings/(loss) from affiliates	(564)	13,960	715	17,023
Net Income/(Loss)	10,049	23,377	57,882	39,793
Dividends on preferred stock (1)	3,720	3,367	10,455	10,102
Net Income/(Loss) Available to Common Stockholders	$ 6,329	$ 20,010	$ 47,427	$ 29,691
Earnings/(Loss) Per Share of Common Stock				
Basic	$ 0.19	$ 0.70	$ 1.48	$ 1.05
Diluted	$ 0.19	$ 0.70	$ 1.48	$ 1.05
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	32,736	28,422	32,007	28,274
Diluted	32,748	28,438	32,016	28,282

(1) The three and nine months ended September 30, 2019 include cumulative and undeclared dividends of $0.4 million on the Company's 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as of September 30, 2019.

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

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Unaudited)
(in thousands)

For the Three Months Ended September 30, 2019 and September 30, 2018

	Common Stock		8.25% Series A Cumulative Redeemable Preferred Stock	8.00% Series B Cumulative Redeemable Preferred Stock	8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount						
Balance at July 1, 2019	32,709	$ 327	$ 49,921	$ 111,293	$ —	$ 661,833	$ (92,510)	$ 730,864
Net proceeds from issuance of common stock	—	—	—	—	—	—	—	—
Net proceeds from issuance of preferred stock	—	—	—	—	111,183	—	—	111,183
Grant of restricted stock and amortization of equity based compensation	27	—	—	—	—	176	—	176
Common dividends declared	—	—	—	—	—	—	(14,731)	(14,731)
Preferred Series A dividends declared	—	—	—	—	—	—	(1,068)	(1,068)
Preferred Series B dividends declared	—	—	—	—	—	—	(2,300)	(2,300)
Net Income/(Loss)	—	—	—	—	—	—	10,049	10,049
Balance at September 30, 2019	32,736	$ 327	$ 49,921	$ 111,293	$ 111,183	$ 662,009	$ (100,560)	$ 834,173

	Common Stock		8.25% Series A Cumulative Redeemable Preferred Stock	8.00% Series B Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount					
Balance at July 1, 2018	28,201	$ 282	$ 49,921	$ 111,293	$ 585,642	$ (50,579)	$ 696,559
Net proceeds from issuance of common stock	512	5	—	—	9,502	—	9,507
Grant of restricted stock and amortization of equity based compensation	25	—	—	—	166	—	166
Common dividends declared	—	—	—	—	—	(14,369)	(14,369)
Preferred Series A dividends declared	—	—	—	—	—	(1,068)	(1,068)
Preferred Series B dividends declared	—	—	—	—	—	(2,300)	(2,300)
Net Income/(Loss)	—	—	—	—	—	23,377	23,377
Balance at September 30, 2018	28,738	$ 287	$ 49,921	$ 111,293	$ 595,310	$ (44,939)	$ 711,872

For the Nine Months Ended September 30, 2019 and September 30, 2018

	Common Stock		8.25% Series A Cumulative Redeemable Preferred Stock	8.00% Series B Cumulative Redeemable Preferred Stock	8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount						
Balance at January 1, 2019	28,744	$ 287	$ 49,921	$ 111,293	$ —	$ 595,412	$ (100,902)	$ 656,011
Net proceeds from issuance of common stock	3,953	40	—	—	—	66,023	—	66,063
Net proceeds from issuance of preferred stock	—	—	—	—	111,183	—	—	111,183
Grant of restricted stock and amortization of equity based compensation	39	—	—	—	—	574	—	574
Common dividends declared	—	—	—	—	—	—	(47,438)	(47,438)
Preferred Series A dividends declared	—	—	—	—	—	—	(3,202)	(3,202)
Preferred Series B dividends declared	—	—	—	—	—	—	(6,900)	(6,900)
Net Income/(Loss)	—	—	—	—	—	—	57,882	57,882
Balance at September 30, 2019	32,736	$ 327	$ 49,921	$ 111,293	$ 111,183	$ 662,009	$ (100,560)	$ 834,173

For the Nine Months Ended September 30, 2019 and September 30, 2018

	Common Stock		8.25% Series A Cumulative Redeemable Preferred Stock	8.00% Series B Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount					
Balance at January 1, 2018	28,193	$ 282	$ 49,921	$ 111,293	$ 585,530	$ (32,767)	$ 714,259
Net proceeds from issuance of common stock	512	5	—	—	9,277	—	9,282
Grant of restricted stock and amortization of equity based compensation	33	—	—	—	503	—	503
Common dividends declared	—	—	—	—	—	(41,863)	(41,863)
Preferred Series A dividends declared	—	—	—	—	—	(3,202)	(3,202)
Preferred Series B dividends declared	—	—	—	—	—	(6,900)	(6,900)
Net Income/(Loss)	—	—	—	—	—	39,793	39,793
Balance at September 30, 2018	28,738	$ 287	$ 49,921	$ 111,293	$ 595,310	$ (44,939)	$ 711,872

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

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Cash Flows from Operating Activities		
Net income/(loss)	$ 57,882	$ 39,793
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium/(discount)	(1,605)	(1,644)
Net realized (gain)/loss	64,321	37,103
Unrealized (gain)/loss on real estate securities and loans, net	(101,644)	36,032
Unrealized (gain)/loss on derivative and other instruments, net	17,667	(48,460)
Property depreciation and amortization	3,640	494
Equity based compensation to affiliate	275	211
Equity based compensation expense	299	292
(Income)/loss from investments in debt and equity of affiliates in excess of distributions received	6,896	(10,542)
Foreign currency (gain)/loss, net	(667)	—
Change in operating assets/liabilities:		
Other assets	(4,683)	(4,707)
Other liabilities	(8,573)	8,560
Net cash provided by (used in) operating activities	33,808	57,132
Cash Flows from Investing Activities		
Purchase of real estate securities	(1,767,918)	(1,568,919)
Purchase of residential mortgage loans	(207,048)	(105,450)
Origination of commercial loans	(67,386)	—
Purchase of commercial loans	(23,065)	(51,401)
Purchase of U.S. Treasury securities	(81,917)	(249,659)
Purchase of single-family rental properties	—	(140,553)
Purchase of excess mortgage servicing rights	—	(25,162)
Investments in debt and equity of affiliates	(75,528)	(54,718)
Proceeds from sales of real estate securities	677,554	1,516,411
Proceeds from sales of residential mortgage loans	12,780	33,527
Proceeds from sales of U.S. treasury securities	82,048	249,227
Principal repayments/return of basis on real estate securities	251,684	360,070
Principal repayments/return of basis on excess mortgage servicing rights	3,053	1,697
Principal repayments on commercial loans	43,217	14,522
Principal repayments on residential mortgage loans	13,729	3,030
Distributions received in excess of income from investments in debt and equity of affiliates	12,276	22,577
Net proceeds from/(payments made) on reverse repurchase agreements	11,499	18,952
Net proceeds from/(payments made) on sales of securities borrowed under reverse repurchase agreements	(11,479)	(18,266)
Net settlement of interest rate swaps and other instruments	(73,330)	24,273
Net settlement of TBAs	2,753	40
Cash flows provided by/(used in) other investing activities	(1,001)	559
Net cash provided by/(used in) investing activities	(1,198,079)	30,757
Cash Flows from Financing Activities		
Net proceeds from issuance of common stock	66,063	9,282
Net proceeds from issuance of preferred stock	111,183	—
Deferred financing costs paid	—	(1,013)
Borrowings under financing arrangements	34,984,677	40,760,112
Repayments of financing arrangements	(34,180,260)	(40,816,403)
Proceeds from issuance of securitized debt	224,931	—
Principal repayments on securitized debt	(2,474)	—

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Net collateral received from/(paid to) derivative counterparty	(724)	34,252
Net collateral received from/(paid to) repurchase counterparty	1,456	315
Dividends paid on common stock	(47,078)	(40,885)
Dividends paid on preferred stock	(10,102)	(10,102)
Net cash provided by/(used in) financing activities	1,147,672	(64,442)
Net change in cash, cash equivalents and restricted cash	(16,599)	23,447
Cash, cash equivalents, and restricted cash, Beginning of Period	84,358	52,815
Effect of exchange rate changes on cash	82	—
Cash, cash equivalents, and restricted cash, End of Period	$ 67,841	$ 76,262
Supplemental disclosure of cash flow information:		
Cash paid for interest on financing arrangements	$ 74,483	$ 48,894
Cash paid for excise and income taxes	$ 1,413	$ 1,389
Supplemental disclosure of non-cash financing and investing activities:		
Payable on unsettled trades	$ 15,544	$ 212,839
Receivable on unsettled trades	$ 4,509	$ 285,041
Principal repayments on real estate securities not yet received	$ —	$ 447
Common stock dividends declared but not paid	$ 14,731	$ 14,369
Decrease in securitized debt	$ 2,846	$ 4,952
Transfer from residential mortgage loans to other assets	$ 2,265	$ 1,170
Transfer from non-agency to investments in debt and equity of affiliates	$ —	$ 44,970
Transfer from other assets to investments in debt and equity of affiliates	$ —	$ 242
Transfer from investments in debt and equity of affiliates to CMBS	$ —	$ 65,425
Transfer from financing arrangements to investments in debt and equity of affiliates	$ —	$ 33,720

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 31,468	$ 30,341
Restricted cash	36,373	45,921
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 67,841	$ 76,262

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

1. Organization

AG Mortgage Investment Trust, Inc. (the "Company") was incorporated in the state of Maryland on March 1, 2011. The Company is a hybrid mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of agency investments, credit investments, and single-family rental properties. Agency investments include Agency RMBS and Agency Excess MSRs, and credit investments include Non-Agency RMBS, ABS, CMBS, loans, and Credit Excess MSRs, as defined below.

Residential mortgage-backed securities ("RMBS") include securities issued or guaranteed by a U.S. government-sponsored entity such as Fannie Mae or Freddie Mac (collectively, "GSEs"), or any agency of the U.S. Government such as Ginnie Mae (collectively, "Agency RMBS").

Non-Agency RMBS represent fixed- and floating-rate RMBS issued by entities or organizations other than a GSE or agency of the U.S. government, or that are collateralized by non-U.S. mortgages, including investment grade (AAA through BBB) and non-investment grade classes (BB and below). The mortgage loan collateral for Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities or are non-U.S. mortgages.

Asset Backed Securities ("ABS") are securitized investments for which the underlying assets are diverse, not only representing real estate related assets.

Commercial Mortgage Backed Securities ("CMBS") represent investments of fixed- and floating-rate CMBS, including investment grade (AAA through BBB) and non-investment grade classes (BB and below), secured by, or evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

Collectively, the Company refers to Agency RMBS, Non-Agency RMBS, ABS and CMBS asset types as "real estate securities" or "securities."

Residential mortgage loans refer to performing, re-performing and non-performing loans secured by a first lien mortgage on residential mortgaged property located in any of the 50 states of the United States or in the District of Columbia. Commercial loans are secured by an interest in commercial real estate and represent a contractual right to receive money on demand or on fixed or determinable dates. The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

Single-family rental properties represent equity interests in residential properties held for the purpose of owning, leasing, and operating as single-family rental properties.

Excess MSRs refer to the excess servicing spread related to mortgage servicing rights, whose underlying collateral is securitized in a trust either held or not held by a U.S. government agency or GSE (“Agency Excess MSR”) or (“Credit Excess MSR”), respectively.

The Company conducts its business through the following segments: (i) Securities and Loans and (ii) Single-Family Rental Properties.

The Company is externally managed by AG REIT Management, LLC, a Delaware limited liability company (the "Manager"), a wholly-owned subsidiary of Angelo, Gordon & Co., L.P. ("Angelo Gordon"), a privately-held, SEC-registered investment adviser, pursuant to a management agreement. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement.

The Company conducts its operations to qualify and be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of significant accounting policies

The accompanying unaudited consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain prior period amounts have been reclassified to conform to the current period's presentation. In the opinion of management, all adjustments considered necessary for a fair statement of the Company's financial position, results of operations and cash flows have been included for the interim period and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year.

Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions. The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. Cash equivalents includes cash invested in money market funds. As of September 30, 2019 and December 31, 2018, the Company held $10.6 million and $0.6 million, respectively, of cash equivalents. The Company places its cash with high credit quality institutions to minimize credit risk exposure. Cash pledged to the Company as collateral is unrestricted in use and, accordingly, is included as a component of "Cash and cash equivalents" on the consolidated balance sheets. Any cash held by the Company as collateral is included in the "Other liabilities" line item on the consolidated balance sheets and in cash flows from financing activities on the consolidated statement of cash flows. Due to broker, which is included in the "Other liabilities" line item on the consolidated balance sheets, does not include variation margin received on centrally cleared derivatives. See Note 9 for more detail. Any cash due to the Company in the form of principal payments is included in the "Other assets" line item on the consolidated balance sheets and in cash flows from operating activities on the consolidated statement of cash flows.

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives, financing arrangements and security deposits. Restricted cash also includes cash deposited into accounts related to rent deposits and collections, security deposits, property taxes, insurance premiums, interest expenses, property management fees and capital expenditures. Restricted cash is not available to the Company for general corporate purposes. As of September 30, 2019 and December 31, 2018, the Company held $1.7 million and $1.3 million, respectively, of restricted cash related to security deposits. Restricted cash may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the derivative or financing arrangement. Restricted cash is carried at cost, which approximates fair value. Restricted cash does not include variation margin pledged on centrally cleared derivatives. See Note 9 for more detail.

Offering costs

The Company has incurred offering costs in connection with common stock offerings, registration statements and preferred stock offerings. Where applicable, the offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification ("ASC") 260, "Earnings per Share," the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted-average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. In periods in which the Company records a loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Valuation of financial instruments

The fair value of the financial instruments that the Company records at fair value will be determined by the Manager, subject to oversight of the Company's Board of Directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability, and would be based on the best information available.

Transfers between levels are assumed to occur at the beginning of the reporting period.

Accounting for real estate securities

Investments in real estate securities are recorded in accordance with ASC 320-10, "Investments – Debt and Equity Securities," ASC 325-40, "Beneficial Interests in Securitized Financial Assets," or ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." The Company has chosen to make a fair value election pursuant to ASC 825, "Financial Instruments" for its real estate securities portfolio. Real estate securities are recorded at fair market value on the consolidated balance sheets and the periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Real estate securities acquired through securitizations are shown in the line item "Purchase of real estate securities" on the consolidated statement of cash flows. Purchases and sales of real estate securities are recorded on the trade date.

These investments meet the requirements to be classified as available for sale under ASC 320-10-25 which requires the securities to be carried at fair value on the consolidated balance sheets with changes in fair value recorded to other comprehensive income, a component of stockholders' equity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner.

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze the securities to determine if the guidance found in ASC 310-30 is applicable.

The Company accounts for its securities under ASC 310 and ASC 325 and evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

When a real estate security is impaired, an OTTI is considered to have occurred if (i) the Company intends to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally, for securities accounted for under ASC 325-40, an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a "market participant" would use and include observations of current information and events, and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the "Net realized gain/(loss)" line item on the consolidated statement of operations.

The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as the Company's estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Increases in interest income may be recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Any remaining unrealized losses on securities at September 30, 2019 do not represent other than temporary impairment as the Company has the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the amortized cost of the investment, and the Company is not required to sell the security for regulatory or other reasons. In addition, any unrealized losses on the Company's Agency RMBS accounted for under ASC 320 are not due to credit losses given their explicit guarantee of principal and interest by the GSEs, but rather are due to changes in interest rates and prepayment expectations. See Note 3 for a summary of OTTI charges recorded.

Sales of securities are driven by the Manager's portfolio management process. The Manager seeks to mitigate risks including those associated with prepayments, defaults, severities, amongst others and will opportunistically rotate the portfolio into securities with more favorable attributes. Strategies may also be employed to manage net capital gains, which need to be distributed for tax purposes.

Realized gains or losses on sales of securities, loans and derivatives are included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The cost of positions sold is calculated using a first in, first out ("FIFO") basis. Realized gains and losses are recorded in earnings at the time of disposition.

Accounting for residential and commercial mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10, "Receivables." At purchase, the Company may aggregate its mortgage loans into pools based on common risk characteristics. Once a pool of loans is assembled, its composition is maintained. The Company has chosen to make a fair value election pursuant to ASC 825 for its mortgage loan portfolio. Loans are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value will be recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Purchases and sales of mortgage loans are recorded on the settlement date, concurrent with the completion of due diligence and the removal of any contingencies. Prior to the settlement date, the Company will include commitments to purchase loans within the Commitments and Contingencies footnote to the financial statements.

The Company amortizes or accretes any premium or discount over the life of the loans utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal on its loans to determine whether they are impaired. A loan or pool of loans is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. Income recognition is suspended for loans at the earlier of the date at which payments become 90-days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan or pool of loans is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

When the Company purchases mortgage loans with evidence of credit deterioration since origination and it determines that it is probable it will not collect all contractual cash flows on those loans, it will apply the guidance found in ASC 310-30. Mortgage loans that are delinquent 60 or more days are considered non-performing.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for loans accounted for under ASC 310-30. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies including both the rate and timing of principal and interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the Company will recognize these changes prospectively through an adjustment of the loan's yield over its remaining life. The Company will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250, "Accounting Changes and Error Corrections" with the amount of periodic accretion adjusted over the remaining life of the loan. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, may be recognized as impairment. Increases in interest income may be recognized on a loan on which the Company previously recorded an OTTI charge if the performance of such loan subsequently improves.

Investments in debt and equity of affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. A majority of the Company's investments held through affiliated entities are comprised of real estate securities, Excess MSRs, loans, and certain derivatives. These types of investments may also be held directly by the Company. These entities have chosen to make a fair value election on their financial instruments pursuant to ASC 825; as such, the Company will treat these investments consistently with this election.

On December 9, 2015, the Company, alongside private funds under the management of Angelo Gordon, through AG Arc LLC, one of the Company's indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). The Company has chosen to make a fair value election with respect to its investment in AG Arc pursuant to ASC 825.

On August 29, 2017, the Company, alongside private funds under the management of Angelo Gordon, formed Mortgage Acquisition Holding I LLC ("MATH") to conduct a residential mortgage investment strategy. MATH in turn sponsored the formation of an entity called Mortgage Acquisition Trust I LLC ("MATT") to purchase predominantly "Non-QM" loans, which are residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the CFPB. Non-QM loans are not eligible for delivery to Fannie Mae, Freddie Mac, or Ginnie Mae. MATT has made an election to be treated as a real estate investment trust beginning with the 2018 tax year.

On May 15, 2019, the Company, alongside private funds under the management of Angelo Gordon and a third party, formed LOT SP I LLC ("LOTS") to originate first mortgage loans to third party land developers and home builders for purposes of the acquisition and horizontal development of land ("Lot Loans").

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a consolidated entity. The Company executed this transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on its consolidated statements of cash flows.

The below table reconciles the fair market value of investments to the "Investments in debt and equity of affiliates" line item on the Company's consolidated balance sheet (in thousands).

	September 30, 2019			December 31, 2018		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Real Estate Securities, Excess MSRs and Loans, at fair value (1)(2)	$ 278,776	$ (195,543)	$ 83,233	$ 213,419	$ (138,893)	$ 74,526
AG Arc, at fair value	27,271	—	27,271	20,360	—	20,360
Cash and Other assets/(liabilities)	32,439	(1,694)	30,745	7,423	(17,417)	(9,994)
Investments in debt and equity of affiliates	$ 338,486	$ (197,237)	$ 141,249	$ 241,202	$ (156,310)	$ 84,892

(1) Certain loans held in securitized form are recorded net of non-recourse securitized debt.
(2) Within Real Estate Securities, Excess MSRs and Loans is $178.0 million and $113.3 million of fair market value of Non-QM loans held in MATT at September 30, 2019 and December 31, 2018, respectively. Additionally, there is $10.7 million of fair market value of Lot Loans held in LOTS at September 30, 2019. There were no Lot Loans at December 31, 2018.

The Company’s investments in debt and equity of affiliates are recorded at fair market value on the consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on the consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

Accounting for excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to Excess MSRs. The Company has chosen to make a fair value election pursuant to ASC 825 for Excess MSRs. Excess MSRs are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on derivative and other instruments, net."

The Company amortizes or accretes any premium or discount over the life of the related Excess MSRs utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of interest of its Excess MSRs to determine whether they are impaired. An Excess MSR is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for Excess MSRs. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies including both the rate and timing of interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If there is a significant increase in expected cash flows over what was previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the Company will recognize these changes prospectively through an adjustment of the Excess MSR’s yield over its remaining life. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, may be recognized as impairment. Increases in interest income may be recognized on an Excess MSR on which the Company previously recorded an OTTI charge if the performance of such Excess MSR subsequently improves.

Accounting for single-family rental properties

Purchases of single-family rental properties are treated as asset acquisitions under ASU 2017-01, "Clarifying the Definition of a Business" and are recorded at their purchase price, which is allocated between land, building and improvements, and in-place lease intangibles (when a tenant is in place at the acquisition date) based upon their relative fair values at the date of acquisition. Fair value is determined in accordance with ASC 820 and is primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price, the Company utilizes its own market knowledge and published market data and generally engages a third-party valuation specialist to assist management in the determination of fair value for purposes of allocating price of properties acquired as part of portfolio level transactions. For purposes of this allocation, the purchase price is inclusive of acquisition costs, which include legal costs, as well as other closing costs.

The Company incurs costs to acquire, stabilize and prepare our single-family rental properties to be rented. These costs include renovation and other costs associated with these activities. The Company capitalizes these costs as a component of the Company's investment in each single-family rental property, using specific identification and relative allocation methodologies. The capitalization period associated with the Company's stabilization activities begins at such time that activities commence and concludes at the time that a single-family rental property is available to be leased. Once a property is ready for its intended use, expenditures for ordinary maintenance and repairs are expensed to operations as incurred. The Company capitalizes expenditures that improve or extend the life of a home and for certain furniture and fixtures additions.

The Company records single-family rental properties at purchase price plus any capitalized expenses less accumulated depreciation and amortization and any impairment to the "Single-family rental properties, net" line item on the consolidated balance sheets. Costs capitalized in connection with property acquisitions and improvements are depreciated over their estimated useful lives on a straight line basis. Buildings are depreciated over 30 years and improvements are depreciated over a range of 5 years to 30 years. In-place lease intangibles are recorded based on the costs to execute similar leases as well as an estimate of lost rent revenue at in-place rental rates during the estimated time required to lease the property. The in-place lease intangibles are amortized over the remaining life of the leases in place at purchase and are recorded in "Single-family rental properties, net" on the Company's consolidated balance sheets. The weighted average remaining life of the leases in place at purchase is 0.1 months.

The Company assesses impairment in its single-family rental properties at least on a quarterly basis, or whenever events or changes in business circumstances indicate that carrying amounts of the assets may not be fully recoverable. When such trigger events occur, the Company determines whether there has been impairment by comparing the asset's carrying value with its estimated fair value. Should impairment exist, the asset is written down to its estimated fair value. This analysis is performed at the property level using estimated cash flows, which are estimated based on a number of assumptions that are subject to economic and market uncertainties, including, among others, demand for rental properties, competition for customers, changes in market rental rates, costs to operate each property, expected ownership periods and value of the property. If the carrying amount of a property exceeds the sum of its undiscounted future operating and disposition cash flows, an impairment loss is recorded for excess of the carrying amount over the estimated fair value.

Minimum contractual rents from leases are recognized on a straight-line basis over the terms of the leases in rental income. Therefore, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental income recognized during the period. Straight-line rental income commences when the customer takes control of the leased premises.

The Company maintains an allowance for doubtful accounts for estimated losses that may result from the inability of residents to make required rent or other payments. The allowance is estimated based on, among other considerations, the aging of accounts receivable, payment histories, and overall delinquencies. The provision for doubtful accounts is recorded as a reduction of rental income on the Company's consolidated statements of operations and a reduction of rent receivable, which is included within "Other assets" on the Company's consolidated balance sheets.

Investment consolidation and transfers of financial assets

For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. A similar analysis will be performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in ASC 810-10, "Consolidation." In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10 "Transfers and Servicing."

In variable interest entities ("VIEs"), an entity is subject to consolidation under ASC 810-10 if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. If the Company determines that consolidation is not required, it will then assess whether the transfer of the underlying assets would qualify as a sale, should be accounted for as secured financings under GAAP, or should be accounted for as an equity method investment, depending on the circumstances. See Note 3 and Note 4 for more detail.

The Company entered into a resecuritization transaction in 2014 which resulted in the Company consolidating the VIE that was created to facilitate the transaction and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to this resecuritization transaction, the Company evaluated whether the entity used to facilitate this transaction was a VIE and, if so, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated and, as a result, transferred assets of the VIE were determined to be secured borrowings. The Company has chosen to make a fair value election pursuant to ASC 825 for its secured borrowings. See Note 3 below for more detail.

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed wholly owned entity so the Company could obtain financing on these real estate securities. The Company evaluated whether this newly formed entity was a VIE and, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated. See Note 3 below as well as the "Investments in debt and equity of affiliates" section above for more detail.

The Company entered into a securitization transaction of certain of its re-performing residential mortgage loans in Q3 2019, which resulted in the Company consolidating the VIE that was created to facilitate the transaction and to which the underlying assets in connection with the securitization were transferred. In determining the accounting treatment to be applied to this securitization transaction, the Company evaluated whether the entity used to facilitate this transaction was a VIE and, if so, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated and, as a result, transferred assets of the VIE were determined to be secured borrowings. The Company has chosen to make a fair value election pursuant to ASC 825 for its secured borrowings. See Note 4 below for more detail.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire senior or subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a "sale" and the loans will be removed from the consolidated balance sheets or as a "financing" and will be classified as "residential mortgage loans" on the consolidated balance sheets, depending upon the structure of the securitization transaction. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

Interest income recognition

Interest income on the Company's real estate securities portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such securities. The Company has elected to record interest in accordance with ASC 835-30-35-2, "Imputation of Interest," using the effective interest method for all securities accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs," ASC 320-10 or ASC 325-40, as applicable. Total interest income is recorded in the "Interest income" line item on the consolidated statement of operations.

On at least a quarterly basis for securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS, exclusive of interest-only securities), prepayments of the underlying collateral must be estimated, which directly affect the speed at which the Company amortizes premiums on its securities. If actual and anticipated cash flows differ from previous estimates, the Company records an adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40 (generally Non-Agency RMBS, ABS, CMBS, interest-only securities and Excess MSRs). In estimating these cash flows, there are a number of assumptions made that are uncertain and subject to judgments and assumptions based on subjective and objective factors and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Interest income on the Company’s loan portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such loans. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all loans accounted for under the fair value option (ASC 825). Any amortization will be reflected as an adjustment to interest income in the consolidated statement of operations.

For security and loan investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30. For purposes of income recognition, the Company may aggregate loans that have common risk characteristics into pools and uses a composite interest rate and expectation of cash flows expected to be collected for the pool. ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor’s initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretable yield) to the excess of the investor’s estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor’s initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through an adjustment of the loan’s yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment.

The Company’s accrual of interest, discount accretion and premium amortization for U.S. federal and other tax purposes differs from the financial accounting treatment of these items as described above.

Financing arrangements

The Company finances the acquisition of certain assets within its portfolio through the use of financing arrangements. Financing arrangements include repurchase agreements and financing facilities. The Company's financing facilities include both term loans and revolving facilities. Repurchase agreements and financing facilities are treated as collateralized financing transactions and carried at their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company’s repurchase agreements and revolving facilities approximates fair value.

The Company pledges certain securities, loans or properties as collateral under financing arrangements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed under repurchase agreements and revolving facilities are dependent upon the fair value of the securities, or loans pledged as collateral, which can fluctuate with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries. In response to declines in fair value of assets pledged under repurchase agreements and revolving facilities, lenders may require the Company to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as margin calls. As of September 30, 2019 and December 31, 2018, the Company has met all margin call requirements.

Accounting for derivative financial instruments

The Company enters into derivative contracts as a means of mitigating interest rate risk rather than to enhance returns. The Company accounts for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging." ASC 815-10 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and to measure those instruments at fair value. Additionally, if or when hedge accounting is elected, the fair value adjustments will affect either other comprehensive income in stockholders’ equity until the hedged item is recognized in earnings or net income depending on whether the derivative instrument is designated and qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. As of September 30, 2019 and December 31, 2018, the Company did not have any interest rate derivatives designated as hedges. All derivatives have been recorded at fair value in accordance with ASC 820-10, with corresponding changes in value recognized in the consolidated statement of operations. The Company records derivative asset and liability positions on a gross basis with respect to its counterparties. The Company records the daily receipt or payment of variation margin associated with the Company’s centrally cleared derivative instruments on a net basis. See Note 9 for a discussion of this accounting treatment. During the period in which the Company unwinds a derivative, it records a realized gain/(loss) in the "Net realized gain/(loss)" line item in the consolidated statement of operations.

To-be-announced securities

A to-be-announced security ("TBA") is a forward contract for the purchase or sale of Agency RMBS at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency RMBS delivered into or received from the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a pair off), net settling the paired off positions for cash, simultaneously purchasing or selling a similar TBA contract for a later settlement date. This transaction is commonly referred to as a dollar roll. The Agency RMBS purchased or sold for a forward settlement date are typically priced at a discount to Agency RMBS for settlement in the current month. This difference, or discount, is referred to as the price drop. The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). Consequently, forward purchases of Agency RMBS and dollar roll transactions represent a form of off-balance sheet financing. Dollar roll income is recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable, respectively, until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if they do not qualify for the "regular way" security trade scope exception found in ASC 815-10. To be eligible for this scope exception, the contract must meet the following conditions: (1) there is no other way to purchase or sell that security, (2) delivery of that security and settlement will occur within the shortest period possible for that type of security, and (3) it is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued. Unrealized gains and losses associated with TBA contracts not meeting the regular-way exception and not designated as hedging instruments are recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

U.S. Treasury securities

The Company may purchase long or sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may finance its purchase of U.S. Treasury securities with overnight repurchase agreements. The Company may borrow securities to cover short sales of U.S. Treasury securities through overnight reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date.The Company establishes haircuts to ensure the fair market value of the underlying assets remain sufficient to protect the Company in the event of a default by a counterparty. Interest income and expense associated with purchases and short sales of U.S. Treasury securities are recognized in "Interest income" and "Interest expense," respectively, on the consolidated statement of operations. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)" and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations.

Manager compensation

The management agreement provides for payment to the Manager of a management fee. The management fee is accrued and expensed during the period for which it is earned. For a more detailed discussion on the fees payable under the management agreement, see Note 12.

Income taxes

The Company conducts its operations to qualify and be taxed as a REIT. Accordingly, the Company will generally not be subject to federal or state corporate income tax to the extent that the Company makes qualifying distributions to its stockholders, and provided that it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

The dividends paid deduction of a REIT for qualifying dividends to its stockholders is computed using the Company’s taxable income/(loss) as opposed to net income/(loss) reported on the Company’s GAAP financial statements. Taxable income/(loss), generally, will differ from net income/(loss) reported on the financial statements because the determination of taxable income/(loss) is based on tax principles and not financial accounting principles.

The Company elected to treat certain domestic subsidiaries as taxable REIT subsidiaries ("TRSs") and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business.

A domestic TRS may declare dividends to the Company which will be included in the Company's taxable income/(loss) and necessitate a distribution to stockholders. Conversely, if the Company retains earnings at the domestic TRS level, no distribution is required and the Company can increase book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state and local corporate income taxes.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this foreign TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. The Company believes that it will operate in a manner that will allow it to qualify for taxation as a REIT. As a result of the Company's expected REIT qualification, it does not generally expect to pay federal or state corporate income tax. Many of the REIT requirements, however, are highly technical and complex. If the Company were to fail to meet the REIT requirements, it would be subject to federal income taxes and applicable state and local taxes.

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for certain dividends paid in January) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company evaluates uncertain income tax positions, if any, in accordance with ASC 740, "Income Taxes." The Company classifies interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes. See Note 11 for further details.

Foreign currency remeasurement

The Company's assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Income and expenses are remeasured using the average exchange rates for each reporting period. The effects of remeasuring the monetary assets and liabilities of the Company's foreign investments held by entities with a U.S. dollar functional currency are included in the "Foreign currency gain/(loss), net" line item in the Consolidated Statements of Operations. The effects of remeasuring the assets, income and expenses of the Company's foreign investments held by entities with a U.S. dollar functional currency in which the fair value option is elected are either included in the applicable unrealized line item per the Company's other significant accounting policies, or within the "Interest income" or "Interest expense" line items, respectively, in the Consolidated Statements of Operations.

Deal related performance fees

The Company may incur deal related performance fees, payable to Arc Home and third party operators, on certain of its CMBS, Excess MSRs, Lot Loans and its single-family rental properties. The deal related performance fees are based on these investments meeting certain performance hurdles. The fees are accrued and expensed during the period for which they are incurred and are included in the "Other operating expenses" and "Equity in earnings/(loss) from affiliates" line items on the Consolidated Statement of Operations.

Stock-based compensation

The Company applies the provisions of ASC 718, "Compensation—Stock Compensation" with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans. ASC 718 requires that compensation cost relating to stock-based payment transactions be recognized in financial statements.

Compensation cost related to restricted common shares and restricted stock units issued to the Company's directors and the Manager are measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. Restricted stock units granted to the Manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. Restricted stock units are measured at fair value reduced by the present value of the dividends expected to be paid on the underlying shares during the requisite service period, discounted at an assumed risk free rate. The Company has elected to use the straight-line method to amortize compensation expense for restricted stock units.

Recent accounting pronouncements

In June 2016, FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" ("ASU 2016-13"). This new guidance significantly changes how entities will measure credit losses for most financial assets, including loans, that are not measured at fair value through net income. The guidance replaces the existing "incurred loss" model with an "expected loss" model for instruments measured at amortized cost. It requires entities to record credit allowances for available-for-sale debt securities rather than reduce the carrying amount, as it currently is under the other-than temporary impairment model. The new guidance also simplifies the accounting model for purchased credit-impaired debt securities and loans. The Company is required to adopt the new guidance as of January 1, 2020. The Company is currently evaluating the potential impacts of the new guidance and proposed amendments to the new guidance on its consolidated financial statements. The new guidance specifically excludes available-for-sale securities and loans measured at fair value through net income. Accordingly, the impact of the new guidance on accounting for the Company's debt securities and loans is expected to be limited to recognition of effective yield which is currently impacted by other than temporary impairment recorded under current standards.

In June 2018, the FASB issued ASU 2018-7, "Improvements to Nonemployee Share–Based Payment Accounting" ("ASU 2018-7"). The standard largely aligns the accounting for share–based payment awards issued to employees and nonemployees. Equity-classified share-based payment awards issued to nonemployees will be measured on the grant date, instead of being remeasured through the performance completion date (generally the vesting date), as required under the current guidance. The standard is to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year when adopted. The standard is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those years. The Company adopted ASU 2018-7 in the first quarter of 2019 and applied the guidance on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. The adjustment was immaterial.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820) Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820 "Fair Value Measurement" by adding, eliminating, and modifying certain disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and requires application of the prospective method of transition. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

3. Real Estate Securities

The following tables detail the Company's real estate securities portfolio as of September 30, 2019 and December 31, 2018. The Company's Agency RMBS are mortgage pass-through certificates or collateralized mortgage obligations ("CMOs") representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The principal and interest payments on Agency RMBS securities have an explicit guarantee by either an agency of the U.S. government or a U.S. government-sponsored entity. The Company's Non-Agency RMBS, ABS and CMBS portfolios are primarily not issued or guaranteed by Fannie Mae, Freddie Mac or any agency of the U.S. Government, or are collateralized by non-U.S. mortgages and are therefore subject to credit risk. The Company has chosen to make a fair value election pursuant to ASC 825 for its real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item on the consolidated statement of operations. The gross unrealized gains/(losses) stated in the tables below represent inception to date unrealized gains/(losses).

The following table details the Company's real estate securities portfolio as of September 30, 2019 ($ in thousands):

				Gross Unrealized			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	$ 2,578,886	$ 73,014	$ 2,651,900	$ 70,741	$ (953)	$ 2,721,688	3.82%	3.19%
Interest Only	492,187	(417,519)	74,668	1,054	(3,460)	72,262	3.81%	4.78%
Total Agency RMBS:	3,071,073	(344,505)	2,726,568	71,795	(4,413)	2,793,950	3.82%	3.23%
Credit Investments:								
Non-Agency RMBS	819,363	(158,818)	660,545	56,627	(715)	716,457	4.94%	6.49%
Non-Agency RMBS Interest Only	260,632	(258,914)	1,718	144	(440)	1,422	0.67%	2.90%
Total Non-Agency:	1,079,995	(417,732)	662,263	56,771	(1,155)	717,879	4.30%	6.49%
ABS	13,000	(67)	12,933	—	(641)	12,292	8.77%	10.04%
CMBS	362,038	(124,465)	237,573	22,859	(8)	260,424	5.50%	8.19%
CMBS Interest Only	3,161,806	(3,120,961)	40,845	4,130	(32)	44,943	0.25%	7.15%
Total CMBS:	3,523,844	(3,245,426)	278,418	26,989	(40)	305,367	0.54%	8.03%
Total Credit Investments:	4,616,839	(3,663,225)	953,614	83,760	(1,836)	1,035,538	1.37%	6.99%
Total	$ 7,687,912	$ (4,007,730)	$ 3,680,182	$ 155,555	$ (6,249)	$ 3,829,488	2.39%	4.25%

(1) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details the Company's real estate securities portfolio as of December 31, 2018 ($ in thousands):

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield
Agency RMBS:								
30 Year Fixed Rate	$ 1,781,995	$ 50,750	$ 1,832,745	$ 6,544	$ (9,174)	$ 1,830,115	4.08%	3.66%
Fixed Rate CMO	44,418	327	44,745	—	(388)	44,357	3.00%	2.79%
Interest Only	680,743	(565,659)	115,084	1,788	(3,064)	113,808	3.61%	8.13%
Total Agency RMBS:	2,507,156	(514,582)	1,992,574	8,332	(12,626)	1,988,280	3.94%	3.89%
Credit Investments:								
Non-Agency RMBS	763,753	(189,569)	574,184	50,131	(2,064)	622,251	5.09%	7.18%
Non-Agency RMBS Interest Only	296,677	(293,520)	3,157	879	(937)	3,099	0.63%	21.88%
Total Non-Agency:	1,060,430	(483,089)	577,341	51,010	(3,001)	625,350	4.29%	7.25%
ABS	22,125	(179)	21,946	—	(786)	21,160	9.49%	10.22%
CMBS	361,514	(163,366)	198,148	14,936	(2,030)	211,054	6.12%	8.87%
CMBS Interest Only	3,401,670	(3,354,311)	47,359	3,243	(271)	50,331	0.24%	6.87%
Total CMBS:	3,763,184	(3,517,677)	245,507	18,179	(2,301)	261,385	0.48%	8.48%
Total Credit Investments:	4,845,739	(4,000,945)	844,794	69,189	(6,088)	907,895	1.26%	7.67%
Total	$ 7,352,895	$ (4,515,527)	$ 2,837,368	$ 77,521	$ (18,714)	$ 2,896,175	2.23%	5.08%

(1) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table presents the gross unrealized losses and fair value of the Company's real estate securities by length of time that such securities have been in a continuous unrealized loss position as of September 30, 2019 and December 31, 2018 (in thousands):

As of	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	Greater than 12 months Fair Value	Greater than 12 months Unrealized Losses
September 30, 2019	$ 412,635	$ (5,580)	$ 14,927	$ (669)
December 31, 2018	966,620	(14,937)	81,170	(3,777)

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the three months ended September 30, 2019, the Company recognized an OTTI charge of $3.1 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $3.1 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $3.1 million of OTTI recorded, $2.2 million related to securities where OTTI was not recognized in a prior year.

For the nine months ended September 30, 2019, the Company recognized an OTTI charge of $14.2 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $14.2 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $14.2 million of OTTI recorded, $3.4 million related to securities where OTTI was not recognized in a prior year.

For the three months ended September 30, 2018, the Company recognized an OTTI charge of $5.0 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $2.9 million was recognized on eight securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down of cost to fair value as of the reporting date. The Company recorded $2.1 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $5.0 million of OTTI recorded, $3.4 million related to securities where OTTI was not recognized in a prior year.

For the nine months ended September 30, 2018, the Company recognized an OTTI charge of $6.7 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of this amount, $2.9 million was recognized on eight securities in an unrealized loss position which the Company demonstrated intent to sell, and the charge represents a write-down of cost to fair value as of the reporting date. The Company recorded $3.8 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $6.7 million of OTTI recorded, $4.5 million related to securities where OTTI was not recognized in a prior year.

The unrealized losses on the remaining real estate securities are solely due to market conditions and not the credit quality of the assets. The investments in any remaining unrealized loss positions are not considered other than temporarily impaired because the Company currently has the ability and intent to hold the investments to maturity or for a period of time sufficient for a forecasted market price recovery up to or beyond the cost of the investments and the Company is not required to sell the investments for regulatory or other reasons.

The following table details the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of September 30, 2019 ($ in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (2)**
Less than or equal to 1 year	$ —	$ —	—%	$ 86,290	$ 85,908	0.60%
Greater than one year and less than or equal to five years	1,061,362	1,023,951	4.14%	413,027	397,693	1.30%
Greater than five years and less than or equal to ten years	1,732,588	1,702,617	3.60%	331,090	293,276	1.25%
Greater than ten years	—	—	—%	205,131	176,737	5.75%
Total	$ 2,793,950	$ 2,726,568	3.82%	$ 1,035,538	$ 953,614	1.37%

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

The following table details the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of December 31, 2018 ($ in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon (2)**
Less than or equal to 1 year	$ —	$ —	—%	$ 73,194	$ 73,738	0.59%
Greater than one year and less than or equal to five years	61,644	61,305	3.01%	240,232	226,342	0.89%
Greater than five years and less than or equal to ten years	1,908,417	1,912,545	4.02%	420,050	388,500	1.47%
Greater than ten years	18,219	18,724	3.50%	174,419	156,214	5.77%
Total	$ 1,988,280	$ 1,992,574	3.94%	$ 907,895	$ 844,794	1.26%

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

For the three months ended September 30, 2019, the Company sold 25 securities for total proceeds of $231.5 million and entered into 3 unsettled security sales for additional proceeds of $4.5 million, recording realized gains of $7.1 million and realized losses of $2.5 million. For the nine months ended September 30, 2019, the Company sold 71 securities for total proceeds of $677.6 million and entered into 3 unsettled security sales for additional proceeds of $4.5 million, recording realized gains of $15.2 million and realized losses of $4.8 million.

For the three months ended September 30, 2018, the Company sold 14 securities for total proceeds of $201.7 million and entered into 24 unsettled security sales for additional proceeds of $283.9 million, recording realized gains of $0.3 million and realized losses of $18.4 million. For the nine months ended September 30, 2018, the Company sold 119 securities for total proceeds of $1.5 billion and entered into 24 unsettled security sales for additional proceeds of $283.9 million, recording realized gains of $6.5 million and realized losses of $53.9 million.

See Notes 4 and 9 for amounts realized on sales of loans and the settlement of certain derivatives, respectively.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement. See Note 2 for more detail.

The Company previously entered into a resecuritization transaction in 2014 (the "December 2014 VIE"). The Company concluded that the SPE created to facilitate this transaction was a VIE and also determined that the December 2014 VIE should be consolidated by the Company. The transferred assets were recorded as a secured borrowing, based on the Company's involvement in the December 2014 VIE, including the design and purpose of the SPE, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the December 2014 VIE.

The following table details certain information related to the December 2014 VIE as of September 30, 2019 ($ in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 7,976	$ 7,999	3.85%	4.27%	2.06
Retained tranche	8,182	6,867	5.24%	18.54%	7.76
Total resecuritized asset (3)	$ 16,158	$ 14,866	4.55%	10.86%	4.95

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of September 30, 2019, the Company has recorded secured financing of $8.0 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.
(3) As of September 30, 2019, the fair market value of the total resecuritized asset is included in the Company's consolidated balance sheets as "Non-Agency RMBS."

The following table details certain information related to the December 2014 VIE as of December 31, 2018 ($ in thousands):

	Current Face	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (1)
Consolidated tranche (2)	$ 10,821	$ 10,858	4.10%	4.47%	2.39
Retained tranche	8,401	6,550	4.61%	18.50%	8.37
Total resecuritized asset (3)	$ 19,222	$ 17,408	4.32%	9.75%	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2018, the Company has recorded secured financing of $10.9 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.
(3) As of December 31, 2018, the fair market value of the total resecuritized asset is included in the Company’s consolidated balance sheets as "Non-Agency RMBS."

The holders of the consolidated tranche have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to the December 2014 VIE.

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed entity so it could obtain financing on these real estate securities (the "August 2018 VIE"). The Company concluded that the entity created to facilitate this transfer was a VIE. The Company also determined that the August 2018 VIE should be consolidated by the Company based on the Company’s 100% equity ownership in the August 2018 VIE (despite a profit participation interest held by an unaffiliated third party in the August 2018 VIE), the Company's involvement in the August 2018 VIE, including the design and purpose of the entity, and whether the Company’s involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the August 2018 VIE.

The following table details certain information related to the August 2018 VIE as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Assets		
CMBS	$ 95,944	$ 84,515
Cash and cash equivalents	600	595
Restricted cash	—	258
Other assets	158	151
Total assets	$ 96,702	$ 85,519
Liabilities		
Financing arrangements, net	$ 65,574	$ 54,278
Other liabilities	4,055	2,954
Total liabilities	$ 69,629	$ 57,232

Except for restricted cash, assets held by the August 2018 VIE are not restricted and can be used to settle any obligations of the Company. The liabilities of the August 2018 VIE are recourse to the Company and can be satisfied with assets of the Company.

4. Loans

Residential mortgage loans

In February 2019, the Company purchased a residential mortgage loan portfolio with a gross aggregate unpaid principal balance and a gross acquisition fair value of $25.9 million and $19.7 million, respectively. In July 2019, the Company purchased a residential mortgage loan portfolio with a gross aggregate unpaid principal balance and a gross acquisition fair value of $45.7 million and $37.6 million, respectively. In August 2019, the Company purchased a residential mortgage loan portfolio with a gross aggregate unpaid principal balance and a gross acquisition fair value of $152.9 million and $143.6 million, respectively.

No loans were sold for the three months ended September 30, 2019. For the nine months ended September 30, 2019, the Company sold 79 loans for total proceeds of $12.8 million, recording realized gains of $1.0 million and realized losses of $0.2 million.

For the three months ended September 30, 2018, the Company sold 13 loans for total proceeds of $2.5 million and entered into 7 unsettled loan sales for additional proceeds of $1.1 million at quarter end, recording realized gains of $0.8 million and realized losses of $34.2 thousand. For the nine months ended September 30, 2018, the Company sold 163 loans for total proceeds of $33.5 million and entered into 7 unsettled loan sales for additional proceeds of $1.1 million as of quarter end, recording realized gains of $1.5 million and realized losses of $0.1 million.

The Company has chosen to make a fair value election pursuant to ASC 825 for its residential mortgage loan portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item. The gross unrealized gains/(losses) stated in the tables below represents inception to date unrealized gains/(losses).

The table below details information regarding the Company's residential mortgage loan portfolio as of September 30, 2019 ($ in thousands):

				Gross Unrealized			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$ 417,460	$ (49,534)	$ 367,926	$ 12,088	$ (637)	$ 379,377	4.44%	5.78%	7.35

(1) This is based on projected life. Typically, actual maturities of residential mortgage loans are shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below details information regarding the Company's residential mortgage loan portfolio as of December 31, 2018 ($ in thousands):

				Gross Unrealized			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$ 216,853	$ (31,773)	$ 185,080	$ 1,190	$ (174)	$ 186,096	4.75%	6.53%	7.14

(1) This is based on projected life. Typically, actual maturities of residential mortgage loans are shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The table below details information regarding the Company's re-performing and non-performing residential mortgage loans as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019		December 31, 2018	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$ 326,147	$ 353,716	$ 148,508	$ 172,470
Non-Performing	53,230	63,744	37,588	44,383
	$ 379,377	$ 417,460	$ 186,096	$ 216,853

As described in Note 2, the Company evaluates loans for OTTI on at least a quarterly basis. The determination of whether a loan is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a loan is less than its amortized cost at the balance sheet date, the loan is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the three and nine months ended September 30, 2019, the Company recognized $0.1 million of OTTI on certain loan pools, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The company recorded $0.1 million of OTTI where the fair values of the loan pools were less than their carrying amounts. The $0.1 million related to loan pools with an unpaid principal balance of $4.9 million, a fair value of $4.3 million and an average fair market value of $4.6 million for the three and nine months ended September 30, 2019. The Company recognized $0.1 million of interest income on the loan pools where OTTI was taken during the three and nine months ended September 30, 2019. No OTTI was recorded for the three and nine months ended September 30, 2018 on the Company's residential mortgage loans.

As of September 30, 2019 and December 31, 2018, the Company had residential mortgage loans with a fair value of $22.8 million and $17.3 million, respectively, that were in the process of foreclosure.

The Company's mortgage loan portfolio consisted of mortgage loans on residential real estate located throughout the U.S. The following is a summary of the geographic concentration of credit risk within the Company's mortgage loan portfolio:

Geographic Concentration of Credit Risk	September 30, 2019	December 31, 2018
Percentage of fair value of mortgage loans secured by properties in the following states representing 5% or more of fair value:		
California	18%	19%
Florida	11%	9%
New York	8%	5%
New Jersey	5%	3%
Georgia	5%	5%

The Company records interest income on an effective interest basis. The accretable discount is determined by the excess of the Company's estimate of undiscounted principal, interest, and other cash flows expected to be collected over its initial investment in the mortgage loan. The following is a summary of the changes in the accretable portion of discounts for the three and nine months ended September 30, 2019 and September 30, 2018, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Beginning Balance	$ 89,515	$ 45,050	$ 79,610	$ 9,318
Additions	70,279	—	90,515	36,443
Accretion	(4,286)	(1,492)	(10,987)	(2,525)
Reclassifications from/(to) non-accretable difference	(1,089)	(606)	515	1,215
Disposals	(53)	(2,231)	(5,287)	(3,730)
Ending Balance	$ 154,366	$ 40,721	$ 154,366	$ 40,721

As of September 30, 2019, the Company's residential mortgage loan portfolio was comprised of 3,221 conventional loans with original loan balances between $3,500 and $2.0 million.

As of December 31, 2018, the Company's residential mortgage loan portfolio was comprised of 2,025 conventional loans with original loan balances between $10,000 and $1.9 million.

The Company entered into a securitization transaction of certain of its residential mortgage loans in August 2019 (the "August 2019 VIE"). The Company concluded that the SPE created to facilitate this transaction was a VIE and also determined that the August 2019 VIE should be consolidated by the Company. The transferred assets were recorded as a secured borrowing, based on the Company's involvement in the August 2019 VIE, including the design and purpose of the SPE, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the August 2019 VIE.

The following table details certain information related to the August 2019 VIE as of September 30, 2019 ($ in thousands):

			Weighted Average		
	Current Unpaid Principal Balance	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans (2)	$ 268,455	$ 259,914	4.51%	5.29%	7.43
Securitized debt (3)	221,882	221,568	2.82%	2.87%	6.21

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) This represents all loans contributed to the consolidated VIE.
(3) As of September 30, 2019, the Company has recorded secured financing of $221.6 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.

The Company did not have an interest in the August 2019 VIE as of December 31, 2018.

The holders of the securitized debt have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to the August 2019 VIE.

Commercial loans

The Company has chosen to make a fair value election pursuant to ASC 825 for its commercial loan portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item. The gross unrealized gains/(losses) columns in the tables below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company's commercial loan portfolio on September 30, 2019 ($ in thousands).

				Gross Unrealized			Weighted Average					
Loan (1)(2)	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (3)	Yield (4)	Life (Years) (5)	Initial Stated Maturity Date	Extended Maturity Date (6)	Location
Loan G (7)	$ 39,189	$ —	$ 39,189	$ —	$ —	$ 39,189	6.79%	6.79%	0.79	July 9, 2020	July 9, 2022	CA
Loan H (8)	36,000	—	36,000	—	—	36,000	6.03%	6.03%	0.45	March 9, 2019	March 9, 2020	AZ
Loan I (9)	9,435	(205)	9,230	205	—	9,435	12.54%	14.71%	1.30	February 9, 2021	February 9, 2023	MN
Loan J (10)	3,233	—	3,233	—	—	3,233	6.75%	6.75%	2.38	January 1, 2023	January 1, 2024	NY
Loan K (11)	7,661	—	7,661	—	—	7,661	11.10%	12.29%	1.89	May 22, 2021	February 22, 2024	NY
Loan L (12)	51,000	(508)	50,492	508	—	51,000	6.44%	6.75%	4.88	July 22, 2022	July 22, 2024	IL
	$ 146,518	$ (713)	$ 145,805	$ 713	$ —	$ 146,518	7.08%	7.39%	2.25			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Loan B paid off at par in Q3 2019 and the Company received $32.8 million of principal proceeds.
(3) Each commercial loan investment has a variable coupon rate.
(4) Yield includes any exit fees.
(5) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(6) Represents the maturity date of the last possible extension option.
(7) Loan G is a first mortgage of up to $84.5 million, of which $39.2 million has been funded.
(8) Loan H is a first mortgage of up to $36.0 million, all of which has been funded. As of Q1 2019, Loan H has been extended to the extended maturity date.
(9) Loan I is a mezzanine loan of up to $20.0 million, of which $9.4 million has been funded.
(10) Loan J is a first mortgage of up to $30.0 million, of which $3.2 million had been funded.
(11) Loan K is comprised of a first mortgage and mezzanine loan of up to $15.0 million and $5.0 million, respectively. As of September 30, 2019, $5.8 million and $1.9 million of the first mortgage and mezzanine loan, respectively, have been funded.
(12) Loan L is comprised of a first mortgage and mezzanine loan of up to $45.9 million and $5.1 million, respectively, all of which has been funded.

The following table presents detail on the Company's commercial loan portfolio on December 31, 2018 ($ in thousands).

Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (2)	Weighted Average Yield (3)	Weighted Average Life (Years) (4)	Initial Stated Maturity Date	Extended Maturity Date (5)	Location
Loan B (6)	$ 32,800	$ —	$ 32,800	$ —	$ —	$ 32,800	7.13%	7.51%	0.52	July 1, 2016	July 1, 2019	TX
Loan F (7)	10,417	(1)	10,416	1	—	10,417	13.39%	14.02%	0.03	September 9, 2018	September 9, 2019	MN
Loan G (8)	19,357	—	19,357	—	—	19,357	7.14%	7.14%	1.54	July 9, 2020	July 9, 2022	CA
Loan H (9)	36,000	—	36,000	—	—	36,000	6.21%	6.21%	1.21	March 9, 2019	March 9, 2020	AZ
	$ 98,574	$ (1)	$ 98,573	$ 1	$ —	$ 98,574	7.45%	7.65%	0.92			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Each commercial loan investment has a variable coupon rate.
(3) Yield includes any exit fees.
(4) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(5) Represents the maturity date of the last possible extension option.
(6) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively. As of December 31, 2018, Loan B has been extended to the extended maturity date shown above.
(7) Loan F is a mezzanine loan of up to $10.4 million, all of which has been funded. As of December 31, 2018, Loan F has been extended to January 2019. Loan F paid off at par in Q1 2019, with the Company receiving proceeds of $10.4 million.
(8) Loan G is a first mortgage loan of up to $75.0 million, of which $19.4 million has been funded.
(9) Loan H is a first mortgage loan of up to $36.0 million, all of which has been funded. As of Q1 2019, Loan H has been extended to the extended maturity date.

During the three and nine months ended September 30, 2019, the Company recorded a de minimis discount accretion on its commercial loans. During the three and nine months ended September 30, 2018, the Company recorded $10,665 and $1.1 million of discount accretion, respectively, on its commercial loans. The decrease is due to the early payoff at par of a loan held at a discount in April 2018.

5. Excess MSRs

The Company has chosen to make a fair value election pursuant to ASC 825 for its Excess MSR portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on derivative and other instruments, net" line item. The gross unrealized gains/(losses) columns below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company's Excess MSR portfolio on September 30, 2019 ($ in thousands).

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years) (1)
Agency Excess MSRs	$ 3,136,457	$ 20,531	$ —	$ (2,528)	$ 18,003	6.83%	5.18
Credit Excess MSRs	36,402	185	3	(36)	152	23.12%	5.26
Total Excess MSRs	$ 3,172,859	$ 20,716	$ 3	$ (2,564)	$ 18,155	6.96%	5.18

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

The following table presents detail on the Company's Excess MSR portfolio on December 31, 2018 ($ in thousands).

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years) (1)
Agency Excess MSRs	$ 3,564,527	$ 26,182	$ 1,081	$ (821)	$ 26,442	10.43%	6.77
Credit Excess MSRs	41,231	215	—	(7)	208	24.09%	5.02
Total Excess MSRs	$ 3,605,758	$ 26,397	$ 1,081	$ (828)	$ 26,650	10.62%	6.75

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether an Excess MSR is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of an Excess MSR is less than its amortized cost at the balance sheet date, the Excess MSR is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary." For the three months ended September 30, 2019, the Company recognized an OTTI charge of $0.4 million on its Excess MSRs, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. None of the $0.4 million of OTTI recorded for the three months ended September 30, 2019 was related to Excess MSRs where OTTI was not recognized in a prior year. For the nine months ended September 30, 2019, the Company recognized an OTTI charge of $2.6 million on its Excess MSRs, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of the $2.6 million of OTTI recorded for the nine months ended September 30, 2019, $0.8 million was related to Excess MSRs where OTTI was not recognized in a prior year. No OTTI was recorded for the three and nine months ended September 30, 2018.

6. Single-family rental properties

In September 2018, the Company purchased 1,225 single-family rental properties for $140.9 million. The Company also financed the portfolio with $103.0 million of 5-year, fixed rate debt. The carrying amount of the properties included $1.3 million of capitalized acquisition costs.

The following table presents the net carrying amount associated with the Company's properties by component (in thousands).

	September 30, 2019	December 31, 2018
Land	$ 29,104	$ 29,104
Building and improvements	110,874	109,812
In-place lease intangibles	2,097	2,098
Single-family rental properties	142,075	141,014
Less: Accumulated depreciation and amortization	(5,977)	(2,336)
Single-family rental properties, net	$ 136,098	$ 138,678

During the three and nine months ended September 30, 2019, the Company recognized $0.9 million and $2.7 million, respectively, of depreciation expense related to buildings and improvements. During the three and nine months ended September 30, 2018, the Company recognized $0.2 million of depreciation expense related to components of the properties. During the three and nine months ended September 30, 2019, the Company also recognized $0.1 million and $0.9 million, respectively, of amortization related to in-place lease intangible assets. During the three and nine months ended September 30, 2018, the Company recognized $0.3 million of amortization related to in-place lease intangible assets. As of September 30, 2019, the weighted average life of the in-place lease intangibles at purchase is 0.1 months and the Company expects to fully amortize these assets over that time period. These amounts are included in the "Property depreciation and amortization" line item in the consolidated statement of operations.

During the three and nine months ended September 30, 2019, the Company incurred $1.7 million and $5.0 million, respectively, of expenses relating to operating and maintenance. During the three and nine months ended September 30, 2018, the Company incurred $0.2 million of expenses relating to operating and maintenance. During the three and nine months ended September 30, 2019, the Company incurred $0.3 million and $0.8 million, respectively, of property management fees. During the three and nine months ended September 30, 2018, the Company incurred $0.1 million of property management fees. Expenses relating to operating and maintenance and property management fees are included in the "Property operating expenses" line item in the consolidated statement of operations.

The following table presents a schedule of non-cancellable, contractual, future minimum rent under leases at September 30, 2019 (in thousands). These rental payments are based on contractual amounts.

Period Ending December 31,		**Amount**
2019 (last 3 months)	$	3,174
2020		4,531
2021		98
2022		11
Total	$	7,814

7. Fair value measurements

As described in Note 2, the fair value of financial instruments that are recorded at fair value will be determined by the Manager, subject to oversight of the Company's Board of Directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using independent data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

Values for the Company's securities, Excess MSRs, securitized debt, derivatives and U.S. Treasury securities are based upon prices obtained from third party pricing services, which are indicative of market activity. The fair value of the Company's obligation to return securities borrowed under reverse repurchase agreements is based upon the value of the underlying borrowed U.S. Treasury securities as of the reporting date. The evaluation methodology of the Company's third-party pricing services incorporates commonly used market pricing methods, including a spread measurement to various indices such as the one-year constant maturity treasury and LIBOR, which are observable inputs. The evaluation also considers the underlying characteristics of each investment, which are also observable inputs, including: coupon; maturity date; loan age; reset date; collateral type; periodic and life cap; geography; and prepayment speeds. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available. As part of the Company's risk management process, the Company reviews and analyzes all prices obtained by comparing prices to recently completed transactions involving the same or similar investments on or near the reporting date. If, in the opinion of the Manager, one or more prices reported to the Company are not reliable or unavailable, the Manager reviews the fair value based on characteristics of the investment it receives from the issuer and available market information.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House ("CCCH") now stands between the Company and the over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Futures Commissions Merchants ("FCMs").

Beginning in the first quarter of 2017, as a result of a CCCH amendment to its rule book governing central clearing activities, the daily exchange of variation margin associated with a CCCH centrally cleared derivative instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, beginning in 2017, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared interest rate swaps and futures as a direct reduction to the carrying value of the interest rate swap and future derivative asset or liability, respectively. Beginning in 2017, the carrying amount of centrally cleared interest rate swaps and futures reflected in the Company's consolidated balance sheets is equal to the unsettled fair value of such instruments. See Note 9 for more information.

The fair value of the Company's mortgage loans considers data such as loan origination information, additional updated borrower information, loan servicing data, as available, forward interest rates, general economic conditions, home price index forecasts and valuations of the underlying properties. The variables considered most significant to the determination of the fair value of the Company's mortgage loans include market-implied discount rates, projections of default rates, delinquency rates, prepayment rates and loss severity (considering mortgage insurance). Projections of default and prepayment rates are impacted by other variables such as reperformance rates and timeline to liquidation. The Company uses loan level data and macro-economic inputs to generate loss adjusted cash flows and other information in determining the fair value of its mortgage loans. Because of the inherent uncertainty of such valuation, the fair values established for mortgage loans held by the Company may differ from the fair values that would have been established if a ready market existed for these mortgage loans. Accordingly, mortgage loans are classified as Level 3 in the fair value hierarchy.

The Manager may also engage specialized third party valuation service providers to assess and corroborate the valuation of a selection of investments in the Company's loan portfolio on a periodic basis. These specialized third party valuation service providers conduct independent valuation analyses based on a review of source documents, available market data, and comparable investments. The analyses provided by valuation service providers are reviewed and considered by the Manager.

TBA instruments are similar in form to the Company's Agency RMBS portfolio, and the Company therefore estimates fair value based on similar methods.

Cash equivalents include investments in money market funds that invest primarily in short-term U.S. Treasury and Agency securities. These cash equivalent instruments are valued at their market quoted prices, which generally approximate cost plus accrued interest and are generally categorized as Level 1.

The Company entered into a resecuritization transaction that resulted in the Company consolidating a VIE created with the SPE which was used to facilitate the transaction. The Company categorizes the fair value measurement of the consolidated tranche as Level 3.

In December 2015, the Company, alongside private funds under the management of Angelo Gordon, through AG Arc, formed Arc Home. The Company invests in Arc Home through AG Arc. In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, FHA, VA and Ginnie Mae seller/servicer of residential mortgages. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. As a result of this acquisition, the Company transferred its investment in AG Arc from Level 1 into Level 3.

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2019 (in thousands):

	Fair Value at September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ —	$ 2,721,688	$ —	$ 2,721,688
Interest Only	—	72,262	—	72,262
Credit Investments:				
Non-Agency RMBS	—	62,400	654,057	716,457
Non-Agency RMBS Interest Only	—	—	1,422	1,422
ABS	—	—	12,292	12,292
CMBS	—	2,462	257,962	260,424
CMBS Interest Only	—	—	44,943	44,943
Residential mortgage loans	—	—	379,377	379,377
Commercial loans	—	—	146,518	146,518
Excess mortgage servicing rights	—	—	18,155	18,155
Cash equivalents	10,637	—	—	10,637
Derivative assets	—	2,606	—	2,606
AG Arc	—	—	27,271	27,271
Total Assets Measured at Fair Value	$ 10,637	$ 2,861,418	$ 1,541,997	$ 4,414,052
Liabilities:				
Securitized debt	$ —	$ (156,381)	$ (73,186)	$ (229,567)
Derivative liabilities	—	(1,463)	—	(1,463)
Total Liabilities Measured at Fair Value	$ —	$ (157,844)	$ (73,186)	$ (231,030)

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Fair value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$ —	$ 1,830,115	$ —	$ 1,830,115
Fixed Rate CMO	—	44,357	—	44,357
Interest Only	—	113,808	—	113,808
Credit Investments:				
Non-Agency RMBS	—	130,697	491,554	622,251
Non-Agency RMBS Interest Only	—	—	3,099	3,099
ABS	—	—	21,160	21,160
CMBS	—	—	211,054	211,054
CMBS Interest Only	—	—	50,331	50,331
Residential mortgage loans	—	—	186,096	186,096
Commercial loans	—	—	98,574	98,574
Excess mortgage servicing rights	—	—	26,650	26,650
Cash equivalents	595	—	—	595
Derivative assets	—	1,729	—	1,729
AG Arc	—	—	20,360	20,360
Total Assets Measured at Fair Value	$ 595	$ 2,120,706	$ 1,108,878	$ 3,230,179
Liabilities:				
Securitized debt	$ —	$ —	$ (10,858)	$ (10,858)
Securities borrowed under reverse repurchase agreements	—	(11,378)	—	(11,378)
Derivative liabilities	—	(317)	—	(317)
Total Liabilities Measured at Fair Value	$ —	$ (11,695)	$ (10,858)	$ (22,553)

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three and nine months ended September 30, 2019 and September 30, 2018.

Refer to the tables below for details on transfers between the Level 3 and Level 2 categories under ASC 820. Transfers into the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of reduced levels of market transparency. Transfers out of the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of increased levels of market transparency. Indications of increases or decreases in levels of market transparency include a change in observable transactions or executable quotes involving these instruments or similar instruments. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods.

The following tables present additional information about the Company's assets and liabilities which are measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value:

Three Months Ended
September 30, 2019
(in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 561,145	$ 1,834	$ 20,571	$ 220,225	$ 46,836	$ 199,970	$ 118,005	$ 20,893	$ 18,717	$ (8,630)
Transfers (1):										
Transfers into level 3	55,311	—	—	—	—	—	—	—	—	—
Purchases/Transfers	72,933	—	473	39,095	—	181,053	60,803	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	—	—	(65,171)
Capital contributions	—	—	—	—	—	—	—	—	11,148	—
Proceeds from sales/redemptions	(23,630)	—	—	—	(917)	—	—	—	—	—
Proceeds from settlement	(13,578)	—	(8,263)	(5,777)	—	(6,364)	(32,800)	—	—	630
Total net gains/(losses) (2)										
Included in net income	1,876	(412)	(489)	4,419	(976)	4,718	510	(2,738)	(2,594)	(15)
Ending Balance	$ 654,057	$ 1,422	$ 12,292	$ 257,962	$ 44,943	$ 379,377	$ 146,518	$ 18,155	$ 27,271	$ (73,186)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2019 (3)	$ 106	$ 371	$ (489)	$ 4,356	$ (925)	$ 4,651	$ 510	$ (2,328)	$ (2,594)	$ (15)

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended September 30, 2019, the Company transferred 9 Non-Agency RMBS securities into the Level 3 category from the Level 2 category under the fair value hierarchy of ASC 820.
(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 8,758
Unrealized gain/(loss) on derivative and other instruments, net	(2,753)
Net realized gain/(loss)	888
Equity in earnings/(loss) from affiliates	(2,594)
Total	$ 4,299

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 8,580
Unrealized gain/(loss) on derivative and other instruments, net	(2,343)
Equity in earnings/(loss) from affiliates	(2,594)
Total	$ 3,643

Three Months Ended
September 30, 2018
(in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 786,108	$ 2,871	$ 37,755	$ 159,832	$ 43,182	$ 93,129	$ 43,217	$ 29,282	$ 18,353	$ (13,984)
Transfers (1):										
Transfers into level 3	—	—	—	8,217	—	—	—	—	—	—
Transfers out of level 3	(97,349)	—	—	—	—	—	—	—	—	—
Purchases/Transfers	3,807	—	303	57,427	10,437	149	51,401	—	—	—
Capital Contributions	—	—	—	—	—	—	—	—	4,459	—
Proceeds from sales/redemptions	(53,018)	—	—	—	(742)	(3,821)	—	—	—	—
Proceeds from settlement	(45,361)	—	(386)	(4,500)	—	(1,774)	—	(12)	—	2,470
Total net gains/(losses) (2)										
Included in net income	(542)	989	(128)	14,376	(2,180)	(83)	—	(645)	256	33
Ending Balance	$ 593,645	$ 3,860	$ 37,544	$ 235,352	$ 50,697	$ 87,600	$ 94,618	$ 28,625	$ 23,068	$ (11,481)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2018 (3)	$ 2,876	$ 1,011	$ (128)	$ 14,376	$ (2,083)	$ (195)	$ —	$ (646)	$ 256	$ 34

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended September 30, 2018, the Company transferred 2 CMBS securities into the Level 3 category from the Level 2 category and 14 Non-Agency RMBS securities into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 14,368
Unrealized gain/(loss) on derivative and other instruments, net	(612)
Net realized gain/(loss)	(1,936)
Equity in earnings/(loss) from affiliates	256
Total	$ 12,076

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 15,857
Unrealized gain/(loss) on derivative and other instruments, net	(612)
Equity in earnings/(loss) from affiliates	256
Total	$ 15,501

Nine Months Ended September 30, 2019 (in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 491,554	$ 3,099	$ 21,160	$ 211,054	$ 50,331	$ 186,096	$ 98,574	$ 26,650	$ 20,360	$ (10,858)
Transfers (1):										
Transfers into level 3	88,511	—	—	—	—	—	—	—	—	—
Transfers out of level 3	(39,557)	—	—	(5,279)	—	—	—	—	—	—
Purchases/Transfers	213,495	—	1,632	82,540	—	207,048	90,451	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	—	—	(65,171)
Capital contributions	—	—	—	—	—	—	—	—	17,837	—
Proceeds from sales/redemptions	(72,872)	—	(1,284)	(20,165)	(2,631)	(12,780)	—	—	—	—
Proceeds from settlement	(41,451)	—	(9,446)	(28,711)	—	(14,553)	(43,217)	—	—	2,845
Total net gains/(losses) (2)										
Included in net income	14,377	(1,677)	230	18,523	(2,757)	13,566	710	(8,495)	(10,926)	(2)
Ending Balance	$ 654,057	$ 1,422	$ 12,292	$ 257,962	$ 44,943	$ 379,377	$ 146,518	$ 18,155	$ 27,271	$ (73,186)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2019 (3)	$ 10,193	$ (613)	$ 165	$ 15,089	$ (2,631)	$ 12,643	$ 710	$ (5,867)	$ (10,926)	$ (2)

(1) Transfers are assumed to occur at the beginning of the period. During the nine months ended September 30, 2019, the Company transferred 14 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and 4 Non-Agency RMBS and 2 CMBS securities into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.
(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 38,503
Unrealized gain/(loss) on derivative and other instruments, net	(8,497)
Net realized gain/(loss)	4,469
Equity in earnings/(loss) from affiliates	(10,926)
Total	$ 23,549

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 35,556
Unrealized gain/(loss) on derivative and other instruments, net	(5,869)
Equity in earnings/(loss) from affiliates	(10,926)
Total	$ 18,761

**Nine Months Ended
September 30, 2018
(in thousands)**

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	$ 845,424	$ 2,662	$ 40,958	$ 161,250	$ 50,702	$ 18,890	$ 57,521	$ 5,084	$ 17,911	$ (16,478)
Transfers (1):										
Transfers into level 3	69,260	—	—	8,217	—	—	—	—	—	—
Transfers out of level 3	(64,623)	—	—	(6,951)	—	—	—	—	—	—
Purchases/Transfers	97,683	—	5,899	113,683	10,436	105,190	51,401	25,162	—	—
Capital Contributions	—	—	—	—	—	—	—	—	4,459	—
Proceeds from sales/redemptions	(237,822)	—	—	—	(5,400)	(34,653)	—	—	—	—
Proceeds from settlement	(114,924)	—	(9,097)	(53,645)	—	(3,030)	(14,522)	(524)	—	4,952
Total net gains/(losses) (2)										
Included in net income	(1,353)	1,198	(216)	12,798	(5,041)	1,203	218	(1,097)	698	45
Ending Balance	$ 593,645	$ 3,860	$ 37,544	$ 235,352	$ 50,697	$ 87,600	$ 94,618	$ 28,625	$ 23,068	$ (11,481)
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2018 (3)	$ 1,179	$ 1,241	$ (197)	$ 12,725	$ (4,711)	$ 389	$ —	$ (1,097)	$ 698	$ 45

(1) Transfers are assumed to occur at the beginning of the period. During the nine months ended September 30, 2018, the Company transferred 5 Non-Agency RMBS securities and 2 CMBS securities into the Level 3 category from the Level 2 category and 14 Non-Agency RMBS and 1 CMBS security into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.
(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 5,273
Unrealized gain/(loss) on derivative and other instruments, net	(1,052)
Net realized gain/(loss)	3,534
Equity in earnings/(loss) from affiliates	698
Total	$ 8,453

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss) on real estate securities and loans, net	$ 10,626
Unrealized gain/(loss) on derivative and other instruments, net	(1,052)
Equity in earnings/(loss) from affiliates	698
Total	$ 10,272

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of investments for which the Company has utilized Level 3 inputs to determine fair value.

Asset Class	Fair Value at September 30, 2019 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 649,479	Discounted Cash Flow	Yield	2.07% - 100.00% (6.30%)
			Projected Collateral Prepayments	0.00% - 100.00% (14.66%)
			Projected Collateral Losses	0.00% - 100.00% (2.90%)
			Projected Collateral Severities	-0.82% - 100.00% (23.59%)
	$ 4,578	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
Non-Agency RMBS Interest Only	$ 1,422	Discounted Cash Flow	Yield	7.00% - 27.50% (22.69%)
			Projected Collateral Prepayments	7.75% - 18.00% (15.59%)
			Projected Collateral Severities	35.00% - 49.00% (38.29%)
ABS	$ 12,292	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 20.00% (20.00%)
			Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
CMBS	$ 254,487	Discounted Cash Flow	Yield	0.00% - 13.21% (6.36%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
	$ 3,475	Consensus Pricing	Offered Quotes	92.54 - 97.15 (95.27)
CMBS Interest Only	$ 44,943	Discounted Cash Flow	Yield	2.81% - 9.77% (4.02%)
			Projected Collateral Prepayments	99.00% - 100.00% (99.92%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 337,107	Discounted Cash Flow	Yield	5.00% - 8.25% (6.43%)
			Projected Collateral Prepayments	5.26% - 9.51% (8.05%)
			Projected Collateral Losses	1.70% - 4.59% (2.14%)
			Projected Collateral Severities	2.57% - 37.50% (25.62%)
	$ 5,525	Consensus Pricing	Offered Quotes	98.00 - 98.00 (98.00)
	$ 36,745	Recent Transaction	Cost	N/A
Commercial Loans	$ 58,661	Discounted Cash Flow	Yield	6.42% - 11.02% (7.02%)
			Credit Spread	440 bps - 900 bps (500 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 87,857	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
Excess Mortgage Servicing Rights	$ 18,003	Discounted Cash Flow	Yield	8.50% - 11.60% (9.20%)
			Projected Collateral Prepayments	11.10% - 20.32% (14.01%)
	$ 152	Consensus Pricing	Offered Quotes	0.01 - 0.41 (0.40)
AG Arc	$ 27,271	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at September 30, 2019 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (73,186)	Discounted Cash Flow	Yield	2.81% - 4.72% (3.49%)
			Projected Collateral Prepayments	7.90% - 10.00% (8.13%)
			Projected Collateral Losses	2.41% - 3.50% (2.53%)
			Projected Collateral Severities	20.00% - 45.00% (22.73%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of September 30, 2019.

Asset Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 475,927	Discounted Cash Flow	Yield	3.32% - 20.00% (5.34%)
			Projected Collateral Prepayments	0.00% - 100.00% (13.66%)
			Projected Collateral Losses	0.00% - 30.00% (2.24%)
			Projected Collateral Severities	-0.43% - 100.00% (26.30%)
	$ 15,627	Consensus Pricing	Offered Quotes	86.57 - 97.39 (92.43)
Non-Agency RMBS Interest Only	$ 3,099	Discounted Cash Flow	Yield	7.00% - 35.00% (27.37%)
			Projected Collateral Prepayments	9.50% - 18.00% (15.70%)
			Projected Collateral Losses	0.75% - 2.00% (1.53%)
			Projected Collateral Severities	20.00% - 65.00% (34.04%)
ABS	$ 13,346	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 20.00% (20.00%)
			Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
	$ 7,814	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
CMBS	$ 208,228	Discounted Cash Flow	Yield	4.99% - 14.51% (7.91%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.50% (0.02%)
			Projected Collateral Severities	0.00% - 25.00% (1.05%)
	$ 2,826	Consensus Pricing	Offered Quotes	4.83 - 8.88 (7.87)
CMBS Interest Only	$ 50,331	Discounted Cash Flow	Yield	3.67% - 10.79% (4.93%)
			Projected Collateral Prepayments	99.00% - 100.00% (99.92%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 86,813	Discounted Cash Flow	Yield	5.92% - 9.00% (6.33%)
			Projected Collateral Prepayments	4.99% - 8.37% (7.95%)
			Projected Collateral Losses	1.43% - 5.83% (1.94%)
			Projected Collateral Severities	6.28% - 32.19% (8.13%)
	$ 99,283	Recent Transaction	Cost	N/A
Commercial Loans	$ 32,800	Discounted Cash Flow	Yield	7.51% - 7.51% (7.51%)
			Credit Spread	475 bps - 475 bps (475 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 65,774	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
Excess Mortgage Servicing Rights	$ 26,442	Discounted Cash Flow	Yield	8.50% - 11.62% (9.18%)
			Projected Collateral Prepayments	6.31% - 10.12% (8.47%)
	$ 208	Consensus Pricing	Offered Quotes	0.02 - 0.49 (0.47)
AG Arc	$ 20,360	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (10,858)	Discounted Cash Flow	Yield	4.09% - 4.09% (4.09%)
			Projected Collateral Prepayments	10.00% - 10.00% (10.00%)
			Projected Collateral Losses	3.50% - 3.50% (3.50%)
			Projected Collateral Severities	45.00% - 45.00% (45.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2018.

As further described above, values for the Company’s securities portfolio are based upon prices obtained from third-party pricing services. Broker quotations may also be used. The significant unobservable inputs used in the fair value measurement of the Company’s securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Also, as described above, valuation of the Company’s loan portfolio is determined by the Manager using third-party pricing services where available, specialized third party valuation service providers, or model-based pricing. The evaluation considers the underlying characteristics of each loan, which are observable inputs, including: coupon, maturity date, loan age, reset date, collateral type, periodic and life cap, geography, and prepayment speeds. These valuations also require significant judgments, which include assumptions regarding capitalization rates, re-performance rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. If applicable, analyses provided by valuation service providers are reviewed and considered by the Manager.

8. Financing arrangements

The following table presents a summary of the Company's financing arrangements as of September 30, 2019 and December 31, 2018 (in thousands).

	September 30, 2019	December 31, 2018
Repurchase agreements	$ 3,416,151	$ 2,595,873
Term loan, net	102,014	102,017
Revolving facilities	108,837	124,615
Financing arrangements, net	$ 3,627,002	$ 2,822,505

Repurchase agreements

A vast majority of the Company's financing arrangements are effectuated through repurchase agreements. The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." The Company calculates haircuts disclosed in the tables below by dividing allocated capital on each borrowing by the current fair market value of each investment. Repurchase agreements entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement’s term, typically 30 to 90 days. The carrying amount of the Company’s repurchase agreements approximates fair value due to their short-term maturities or floating rate coupons. If the Company maintains the beneficial interest in the specific assets pledged during the term of the borrowing, it receives the related principal and interest payments. If the Company does not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, it will have the related principal and interest payments remitted to it by the lender. Interest rates on these borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time the Company may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. If the fair value of pledged assets declines due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically would require the Company to post additional securities as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. The fair value of financial instruments pledged as collateral on the Company’s repurchase agreements disclosed in the tables below represent the Company’s fair value of such instruments which may differ from the fair value assigned to the collateral by its counterparties. The Company maintains a level of liquidity in the form of cash and unpledged Agency RMBS and Agency Interest-Only securities in order to meet these obligations. Under the terms of the Company’s master repurchase agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral. If the fair market value of pledged assets increases due to changes in market conditions, counterparties may be required to return collateral to us in the form of securities or cash or post additional collateral to us.

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding real estate securities pledged as collateral as of September 30, 2019 ($ in thousands):

	Repurchase Agreements			Real Estate Securities Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 111,793	2.55%	3.2%	$ 115,480	$ 110,999	$ 396
30 days or less	2,733,992	2.46%	8.0%	2,999,141	2,890,072	10,239
31-60 days	421,488	2.75%	9.6%	484,302	457,474	1,434
61-90 days	47,364	3.24%	21.8%	60,678	59,818	258
Greater than 180 days	3,539	4.02%	22.7%	4,816	4,369	4
Total / Weighted Average	$ 3,318,176	2.52%	8.2%	$ 3,664,417	$ 3,522,732	$ 12,331

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding real estate securities pledged as collateral as of December 31, 2018 ($ in thousands):

	Repurchase Agreements			Real Estate Securities Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Overnight	$ 52,385	3.92%	3.0%	$ 54,032	$ 53,848	$ 177
30 days or less	1,555,709	2.80%	9.7%	1,733,753	1,698,750	7,294
31-60 days	852,017	2.85%	8.1%	939,222	925,418	3,123
61-90 days	46,594	3.89%	21.4%	59,319	58,422	306
Greater than 180 days	5,406	4.53%	23.1%	7,977	7,387	6
Total / Weighted Average	$ 2,512,111	2.86%	9.3%	$ 2,794,303	$ 2,743,825	$ 10,906

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding residential mortgage loans pledged as collateral as of September 30, 2019 ($ in thousands):

	Repurchase Agreements				Residential Mortgage Loans Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$ 4,253	3.27%	3.27%	23.0%	$ 5,525	$ 5,518	$ 42
31-60 days	24,589	3.34%	3.34%	32.8%	38,346	24,795	495
Greater than 180 days	67,050	3.85%	4.16%	18.4%	82,441	82,857	231
Total / Weighted Average	$ 95,892	3.69%	3.91%	22.3%	$ 126,312	$ 113,170	$ 768

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding residential mortgage loans pledged as collateral as of December 31, 2018 ($ in thousands):

	Repurchase Agreements				Residential Mortgage Loans Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 83,762	4.27%	4.37%	15.6%	$ 99,283	$ 99,457	$ 91

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding commercial loans pledged as collateral as of September 30, 2019 ($ in thousands):

	Repurchase Agreements				Commercial Loans Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
Greater than 180 days	$ 2,083	4.81%	6.71%	35.6%	$ 3,233	$ 3,233	$ 18

There were no repurchase agreements and corresponding commercial loans pledged as collateral as of December 31, 2018.

Although repurchase agreements are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral or cash to fund margin calls. See Note 9 for details on collateral posted/received against certain derivatives. The following table presents information with respect to the Company's posting of collateral under repurchase agreements on September 30, 2019 and December 31, 2018, broken out by investment type (in thousands):

	September 30, 2019	**December 31, 2018**
Fair Value of investments pledged as collateral under repurchase agreements		
Agency RMBS	$ 2,661,861	$ 1,927,359
Non-Agency RMBS	697,160	605,243
ABS	12,292	13,346
CMBS	288,645	248,355
Residential Mortgage Loans	126,312	99,283
Commercial Loans	3,233	—
Cash pledged (i.e., restricted cash) under repurchase agreements	4,211	20,267
Fair Value of unsettled trades pledged as collateral under repurchase agreements	4,459	—
Total collateral pledged under repurchase agreements	$ 3,798,173	$ 2,913,853

The following table presents the fair value of collateral posted to us under repurchase agreements by lenders (in thousands):

	September 30, 2019	December 31, 2018
Fair Value of investments posted to us under repurchase agreements:		
Agency RMBS	$ —	$ 1,534
U.S. Treasury Securities	—	1,123
Total collateral posted to us under repurchase agreements	$ —	$ 2,657

The following table presents information with respect to the Company's total borrowings under repurchase agreements on September 30, 2019 and December 31, 2018, broken out by investment type (in thousands):

	September 30, 2019	December 31, 2018
Repurchase agreements secured by investments:		
Agency RMBS	$ 2,523,855	$ 1,805,054
Non-Agency RMBS	568,660	499,851
ABS	9,374	10,548
CMBS	216,287	196,658
Residential Mortgage Loans	95,892	83,762
Commercial Loans	2,083	—
Gross Liability for repurchase agreements	$ 3,416,151	$ 2,595,873

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of September 30, 2019 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments Posted	Cash Collateral Posted	Net Amount
Repurchase agreements	$ 3,416,151	$ —	$ 3,416,151	$ 3,416,151	$ —	$ —

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of December 31, 2018 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments Posted	Cash Collateral Posted	Net Amount
Repurchase agreements	$ 2,595,873	$ —	$ 2,595,873	$ 2,595,873	$ —	$ —

Term loan and revolving facilities

The following table presents information regarding the Company's term loan and revolving facilities, excluding facilities within investments in debt and equity of affiliates, as of September 30, 2019 and December 31, 2018 ($ in thousands).

			September 30, 2019					December 31, 2018			
Facility (1)	**Investment**	**Maturity Date**	**Rate**	**Funding Cost**	**Balance**	**Net Carrying Value of Assets Pledged as Collateral**	**Maximum Aggregate Borrowing Capacity**	**Rate**	**Funding Cost**	**Balance**	**Net Carrying Value of Assets Pledged as Collateral**
Term loan, net (2)	Single-family rental properties	October 10, 2023	4.63%	4.81%	$ 102,014	$ 136,098	$ 102,866	4.63%	4.80%	$ 102,017	$ 138,678
Revolving facility A (4)(5)	Commercial loans	July 1, 2019	—	—	$ —	$ —	$ —	4.66%	4.66%	$ 21,796	$ 32,800
Revolving facility B (3)(4)	Residential mortgage loans	June 28, 2021	4.05%	4.05%	23,221	31,083	110,000	4.53%	4.54%	63,328	85,343
Revolving facility C (3)(4)	Commercial loans	August 10, 2023	4.27%	4.42%	85,616	126,189	100,000	4.53%	4.80%	39,491	55,357
Total revolving facilities					$ 108,837	$ 157,272	$ 210,000			$ 124,615	$ 173,500
Total term loan and revolving facilities					$ 210,851	$ 293,370	$ 312,866			$ 226,632	$ 312,178

(1) The term loan and all revolving facilities listed above are interest only until maturity.
(2) As of September 30, 2019 and December 31, 2018, the total borrowings under the term loan was $102.9 million and $103.0 million, respectively, which is shown net of deferred financing costs of $0.9 million and $1.0 million, respectively.
(3) Increasing the Company's borrowing capacity under this facility requires consent of the lender.
(4) Under the terms of the Company’s financing agreements, the Company's financial counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
(5) This facility was paid off in July 2019.

In September 2018, SFR MT LLC, a subsidiary of the Company, entered into an agreement with an insurance company to finance the ownership and acquisition of Single-family rental properties (the "term loan"). The financing has a fixed rate of 4.625%. This financing arrangement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

On September 17, 2014, AG MIT CREL, LLC ("AG MIT CREL"), a subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract (the "CREL Repurchase Agreement" or "Revolving facility A") with Wells Fargo to finance certain commercial loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. This facility was paid off in July 2019.

In June 2018, AG MIT WFB1 2014 LLC ("AG MIT WFB1"), a subsidiary of the Company, entered into Amendments Seven and Eight of the Master Repurchase Agreement and Securities Contract (as amended, the "WFB1 Repurchase Agreement" or "Revolving facility B") with Wells Fargo to finance the ownership and acquisition of certain pools of residential mortgage loans. In July 2019, AG MIT WFB1 entered into the Third Amended and Restated Fee and Pricing Letter, which provides for a funding period ending June 26, 2020 and a facility termination date of June 28, 2021. The WFB1 Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. In the event the debt outstanding under the WFB1 Repurchase Agreement falls below $7.0 million, a cash trap trigger event will occur in which all income payments received by Wells Fargo will be applied against the outstanding balance until the WFB1 Repurchase Agreement is paid off.

In August 2018, AG MIT CREL II, LLC, a subsidiary of the Company, entered into a Master Repurchase Agreement with JP Morgan (the "JPM Repurchase Agreement" or "Revolving facility C") to finance certain commercial loans. The JPM Repurchase

Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

Financing arrangements

The Company seeks to obtain financing from several different counterparties in order to reduce the financing risk related to any single counterparty. The Company has entered into master repurchase agreements ("MRAs") or loan agreements with such financing counterparties. As of September 30, 2019 and December 31, 2018 the Company had 45 and 44 financing counterparties, respectively, under which it had outstanding debt with 32 and 31 counterparties, respectively.

The following table presents information at September 30, 2019 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities ($ in thousands).

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 68,691	129	8.2%
Citigroup Global Markets Inc.	48,091	25	5.8%

The following table presents information at December 31, 2018 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities ($ in thousands).

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 40,882	356	6.2%

The Company's financing arrangements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each financing arrangement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

9. Other assets and liabilities

The following table details certain information related to the Company's "Other assets" and "Other liabilities" line items on its consolidated balance sheet as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019		December 31, 2018	
Other assets				
Interest receivable	$	14,844	$	12,762
Receivable on unsettled trades - $4,459 and $- pledged as collateral, respectively		4,509		—
Receivable under reverse repurchase agreements		—		11,461
Derivative assets, at fair value		2,606		1,729
Other assets		5,507		6,948
Due from broker		2,717		603
Total Other assets	$	30,183	$	33,503
Other liabilities				
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	$	—	$	11,378
Payable on unsettled trades		15,544		—
Interest payable		7,794		12,196
Derivative liabilities, at fair value		1,463		317
Due to affiliates		4,300		4,023
Accrued expenses		8,261		7,859
Taxes payable		747		1,673
Due to broker		5,327		7,734
Total Other liabilities	$	43,436	$	45,180

Derivative assets and liabilities

The Company’s derivatives may include interest rate swaps ("swaps"), TBAs, swaption contracts, Eurodollar Futures, U.S. Treasury Futures and British Pound Futures, (the latter three, collectively, "Futures"). Derivatives have not been designated as hedging instruments. The Company uses these derivatives and may also utilize other instruments to manage interest rate risk, including long and short positions in U.S. Treasury securities. The Company uses foreign currency forward contracts to manage foreign currency risk and to protect the value or to fix the amount of certain investments or cash flows in terms of U.S. dollars.

The Company may exchange cash "variation margin" with the counterparties to its derivative instruments on a daily basis based upon changes in the fair value of such derivative instruments as measured by the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"), the central clearinghouses ("CCPs") through which those derivatives are cleared. In addition, the CCPs require market participants to deposit and maintain an "initial margin" amount which is determined by the CCPs and is generally intended to be set at a level sufficient to protect the CCPs from the maximum estimated single-day price movement in that market participant’s contracts.

Receivables recognized for the right to reclaim cash initial margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. Prior to the first quarter of 2017, the daily exchange of variation margin associated with centrally cleared derivative instruments was considered a pledge of collateral. For these prior periods, receivables recognized for the right to reclaim cash variation margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets.

Beginning in the first quarter of 2017, as a result of an amendment to the CCPs' rule book, which governs their central clearing activities, the daily exchange of variation margin associated with a CCP instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, beginning in 2017, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared derivative instruments as a direct reduction to the carrying value of the derivative asset or liability, respectively. Beginning in 2017, the carrying amount of centrally cleared derivative instruments reflected in the Company's consolidated balance sheets approximates the unsettled fair value of such instruments. As variation margin is exchanged on a one-day lag, the unsettled fair value of such instruments represents the change in fair value that occurred on the last day of the reporting period. Non-exchange traded derivatives were not affected by these legal interpretations and continue to be reported at fair value including accrued interest.

The following table presents the fair value of the Company's derivatives and other instruments and their balance sheet location at September 30, 2019 and December 31, 2018 (in thousands).

Derivatives and Other Instruments (1)	Designation	Balance Sheet Location	September 30, 2019	December 31, 2018
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other assets	$ 276	$ 1,406
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other liabilities	(210)	(317)
Payer Swaptions	Non-Hedge	Other assets	1,944	323
TBAs	Non-Hedge	Other assets	386	—
TBAs	Non-Hedge	Other liabilities	(1,253)	—
Short positions on U.S. Treasuries	Non-Hedge	Other liabilities (3)	—	(11,378)

(1) As of September 30, 2019, the Company applied a reduction in fair value of $31.3 thousand and $35.2 thousand to its British Pounds Futures assets and U.S. Treasury Futures liabilities, respectively, related to variation margin. As of December 31, 2018, the Company applied a fair value reduction of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Future liabilities, respectively, related to variation margin.
(2) As of September 30, 2019, the Company applied a reduction in fair value of $2.3 million and $5.3 million to its interest rate swap assets and liabilities, respectively, related to variation margin. As of December 31, 2018, the Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin.
(3) Short positions on U.S. Treasuries relate to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item in the Company's consolidated statement of operations.

The following table summarizes information related to derivatives and other instruments (in thousands):

Notional amount of non-hedge derivatives and other instruments:	Notional Currency	September 30, 2019	December 31, 2018
Pay Fix/Receive Float Interest Rate Swap Agreements	USD	1,348,750	1,963,500
Payer Swaptions	USD	895,000	260,000
Long TBAs	USD	150,000	—
Long positions on U.S. Treasury Futures (1)	USD	25,000	30,000
Short positions on Eurodollar Futures (2)	USD	—	500,000
Short positions on British Pound Futures (3)	GBP	6,438	—
Short positions on U.S. Treasuries	USD	—	11,250

(1) Each U.S. Treasury Future contract embodies $100,000 of notional value.
(2) Each Eurodollar Future contract embodies $1,000,000 of notional value.
(3) Each British Pound Future contract embodies £62,500 of notional value.

The following table summarizes gains/(losses) related to derivatives and other instruments (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Included within Unrealized gain/(loss) on derivative and other instruments, net				
Interest Rate Swaps	$ 4,656	$ 5,921	$ (15,108)	$ 47,783
Eurodollar Futures	233	—	1,001	—
Swaptions	531	(449)	(243)	(481)
U.S. Treasury Futures	(37)	573	(181)	464
British Pound Futures	31	—	31	—
TBAs (1)	(1,307)	18	(866)	36
U.S. Treasuries	—	28	82	(66)
	4,107	6,091	(15,284)	47,736
Included within Net realized gain/(loss)				
Interest Rate Swaps	(18,060)	7,925	(59,140)	13,787
Eurodollar Futures	107	—	(1,122)	—
Swaptions	—	—	(861)	51
U.S. Treasury Futures	(510)	(5)	(139)	735
British Pound Futures	(138)	—	(138)	—
TBAs (1)	1,152	(124)	2,753	40
U.S. Treasuries	231	—	(18)	131
	(17,218)	7,796	(58,665)	14,744
Total income/(loss)	$ (13,111)	$ 13,887	$ (73,949)	$ 62,480

(1) For the three months ended September 30, 2019, gains and losses from purchases and sales of TBAs consisted of $0.1 million of net TBA dollar roll net interest income and net losses of $(0.3) million due to price changes. For the nine months ended September 30, 2019, gains and losses from purchases and sales of TBAs consisted of $0.9 million of net TBA dollar roll net interest income and net gains of $1.0 million due to price changes. For the three months ended September 30, 2018, gains and losses from purchases and sales of TBAs consisted of $0.5 million of net TBA dollar roll net interest income and net losses of $(0.5) million due to price changes. For the nine months ended September 30, 2018, gains and losses from purchases and sales of TBAs consisted of $1.6 million of net TBA dollar roll net interest income and net losses of $(1.5) million due to price changes.

The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheets as of September 30, 2019 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description (1)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	Net Amount
Derivative Assets (2)						
Interest Rate Swaps	$ (173)	$ —	$ (173)	$ —	$ (173)	$ —
Interest Rate Swaptions	1,943	—	1,943	—	(302)	2,245
TBAs	387	—	387	387	—	—
Total Derivative Assets	$ 2,157	$ —	$ 2,157	$ 387	$ (475)	$ 2,245
Derivative Liabilities (3)						
Interest Rate Swaps	$ 224	$ —	$ 224	$ —	$ 224	$ —
TBAs	(1,253)	—	(1,253)	—	(1,253)	—
Total Derivative Liabilities	$ (1,029)	$ —	$ (1,029)	$ —	$ (1,029)	$ —

(1) The Company applied a reduction in fair value of $2.3 million and $5.3 million to its interest rate swap assets and liabilities, respectively, related to variation margin. The Company applied a reduction in fair value of $31.3 thousand and $35.2 thousand to its British Pounds Futures assets and U.S. Treasury Futures liabilities, respectively, related to variation margin.
(2) Included in Other assets on the consolidated balance sheet is $2.2 million plus accrued interest of $0.4 million for a total of $2.6 million.
(3) Included in Other liabilities on the consolidated balance sheet is $(1.0) million less accrued interest of $(0.5) million for a total of $(1.5) million.

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheets as of December 31, 2018 (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description (1)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	Net Amount
Receivable Under Reverse Repurchase Agreements	$ 11,461	$ —	$ 11,461	$ 11,378	$ —	$ 83
Derivative Assets (2)						
Interest Rate Swaps	$ 2,608	$ —	$ 2,608	$ —	$ 1,465	$ 1,143
Interest Rate Swaptions	322	—	322	—	(600)	922
Total Derivative Assets	$ 2,930	$ —	$ 2,930	$ —	$ 865	$ 2,065
Derivative Liabilities (3)						
Interest Rate Swaps	$ 1,635	$ —	$ 1,635	$ —	$ 1,465	$ 170
Total Derivative Liabilities	$ 1,635	$ —	$ 1,635	$ —	$ 1,465	$ 170

(1) The Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin. The Company applied a reduction in fair value of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Futures liabilities, respectively, related to variation margin.
(2) Included in Other assets on the consolidated balance sheet is $2.9 million less accrued interest of $(1.2) million for a total of $1.7 million.
(3) Included in Other liabilities on the consolidated balance sheet is $1.6 million less accrued interest of $(1.9) million for a total of $(0.3) million.

The Company must post cash or securities as collateral on its derivative instruments when their fair value declines. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the term of the derivatives involved. The posting of collateral is generally bilateral, meaning that if the fair value of the Company's derivatives increases, its counterparty will post collateral to it. As of September 30, 2019, the Company pledged real estate securities with a fair value of $14.5 million and cash of $26.6 million as collateral against certain derivatives. The $26.6 million of cash pledged as collateral against certain derivatives has been reduced by $2.9 million related to variation margin. The Company's counterparties posted no cash to it as collateral for certain derivatives. As of December 31, 2018, the Company pledged real estate securities with a fair value of $7.2 million and cash of $29.3 million as collateral against certain derivatives. Of the $29.3 million of cash pledged as collateral against certain derivatives, $7.1 million represents amounts related to variation margin.The Company's counterparties posted cash of $1.5 million as collateral for certain derivatives.

Interest rate swaps

To help mitigate exposure to increases in interest rates, the Company uses currently-paying and may use forward-starting, one- or three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement hedges our exposure to higher interest rates because the variable-rate payments received on the swap agreements largely offset additional interest accruing on the related borrowings due to the higher interest rate, leaving the fixed-rate payments to be paid on the swap agreements as the Company's effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the swap agreements and actual borrowing rates.

As of September 30, 2019, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of September 30, 2019 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.25%	0.45
2022	593,000	1.65%	2.17%	2.89
2023	5,750	3.19%	2.24%	4.10
2024	375,000	1.51%	2.14%	4.94
2026	180,000	1.50%	2.12%	6.95
2029	90,000	1.74%	2.16%	9.97
Total/Wtd Avg	$ 1,348,750	1.60%	2.16%	4.29

As of December 31, 2018, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2018 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.56%	1.20
2021	58,500	3.00%	2.63%	2.76
2022	478,000	1.87%	2.72%	3.58
2023	403,000	3.05%	2.64%	4.65
2024	230,000	2.06%	2.63%	5.50
2025	125,000	2.87%	2.70%	6.38
2026	75,000	2.12%	2.66%	7.89
2027	264,000	2.35%	2.66%	8.68
2028	225,000	2.96%	2.69%	9.37
Total/Wtd Avg	$ 1,963,500	2.41%	2.67%	5.57

TBAs

As discussed in Note 2, the Company has entered into TBAs. The following table presents information about the Company's TBAs for the three and nine months ended September 30, 2019 and September 30, 2018 (in thousands):

For the Three Months Ended September 30, 2019	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 125,000	$ 475,000	$ (450,000)	$ 150,000	$ 153,175	$ (154,042)	$ 386	$ (1,253)
TBAs - Short	$ (100,000)	$ 300,000	$ (200,000)	$ —	$ —	$ —	$ —	$ —

For the Three Months Ended September 30, 2018	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 160,000	$ 487,000	$ (572,000)	$ 75,000	$ 75,727	$ (75,224)	$ 633	$ (130)
TBAs - Short	$ —	$ 177,000	$ (177,000)	$ —	$ —	$ (241)	$ 148	$ (389)

For the Nine Months Ended September 30, 2019	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ —	$ 1,869,500	$ (1,719,500)	$ 150,000	$ 153,175	$ (154,042)	$ 386	$ (1,253)
TBAs - Short	$ —	$ 485,000	$ (485,000)	$ —	$ —	$ —	$ —	$ —

For the Nine Months Ended September 30, 2018	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$ 100,000	$ 1,438,000	$ (1,463,000)	$ 75,000	$ 75,727	$ (75,224)	$ 633	$ (130)
TBAs - Short	$ —	$ 1,031,000	$ (1,031,000)	$ —	$ —	$ (241)	$ 148	$ (389)

10. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income/(loss) available to common stockholders for the period by the weighted- average shares of the Company's common stock outstanding for that period that participate in the Company's common dividends. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

As of September 30, 2019 and September 30, 2018, the Company's unvested restricted stock units were as follows:

	September 30, 2019	September 30, 2018
Unvested restricted stock units previously granted to the Manager	20,009	40,007

Restricted stock units granted to the manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. The dilutive effects of the restricted stock units are only included in diluted weighted average common shares outstanding.

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three and nine months ended September 30, 2019 and September 30, 2018 (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Numerator:				
Net income/(loss) available to common stockholders for basic and diluted earnings per share	$ 6,329	$ 20,010	$ 47,427	$ 29,691
Denominator:				
Basic weighted average common shares outstanding	32,736	28,422	32,007	28,274
Dilutive effect of restricted stock units	12	16	9	8
Diluted weighted average common shares outstanding	32,748	28,438	32,016	28,282
Basic Earnings/(Loss) Per Share of Common Stock:	$ 0.19	$ 0.70	$ 1.48	$ 1.05
Diluted Earnings/(Loss) Per Share of Common Stock:	$ 0.19	$ 0.70	$ 1.48	$ 1.05

The following tables detail the Company's common stock dividends during the nine months ended September 30, 2019 and September 30, 2018:

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50
6/14/2019	6/28/2019	7/31/2019	0.50
9/6/2019	9/30/2019	10/31/2019	0.45
Total			**$ 1.45**

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475
6/18/2018	6/29/2018	7/31/2018	0.500
9/14/2018	9/28/2018	10/31/2018	0.500
Total			**$ 1.475**

The following tables detail the Company's preferred stock dividends on the Company's 8.25% Series A and 8.00% Series B Preferred Stock during the nine months ended September 30, 2019 and September 30, 2018.

2019

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/15/2019	2/28/2019	3/18/2019	$ 0.51563
8.25% Series A	5/17/2019	5/31/2019	6/17/2019	0.51563
8.25% Series A	8/16/2019	8/30/2019	9/17/2019	0.51563
Total				**$ 1.54689**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/15/2019	2/28/2019	3/18/2019	$ 0.50
8.00% Series B	5/17/2019	5/31/2019	6/17/2019	0.50
8.00% Series B	8/16/2019	8/30/2019	9/17/2019	0.50
Total				**$ 1.50**

2018

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2018	2/28/2018	3/19/2018	$ 0.51563
8.25% Series A	5/15/2018	5/31/2018	6/18/2018	0.51563
8.25% Series A	8/16/2018	8/31/2018	9/17/2018	0.51563
Total				**$ 1.54689**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2018	2/28/2018	3/19/2018	$ 0.50
8.00% Series B	5/15/2018	5/31/2018	6/18/2018	0.50
8.00% Series B	8/16/2018	8/31/2018	9/17/2018	0.50
Total				**$ 1.50**

11. Income taxes

As a REIT, the Company is not subject to federal income tax to the extent that it makes qualifying distributions to its stockholders, and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. Most states follow U.S. federal income tax treatment of REITs.

For the three months ended September 30, 2019 and September 30, 2018, the Company recorded excise tax expense of $0.2 million and $0.4 million, respectively. For the nine months ended September 30, 2019 and September 30, 2018, the Company recorded excise tax expense of $0.5 million and $1.1 million, respectively. Excise tax represents a four percent tax on the required amount of the Company’s ordinary income and net capital gains not distributed during the year. The expense is calculated in accordance with applicable tax regulations.

The Company files tax returns in several U.S jurisdictions. There are no ongoing U.S. federal, state or local tax examinations related to the Company.

The Company elected to treat certain domestic subsidiaries as TRSs and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly, and generally may engage in any real estate or non-real estate-related business.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

Cash distributions declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a distribution is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains.

Based on its analysis of any potential uncertain income tax positions, the Company concluded it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of September 30, 2019 or September 30, 2018. The Company's federal income tax returns for the last three tax years are open to examination by the Internal Revenue Service. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

12. Related party transactions

The Company has entered into a management agreement with the Manager, which provided for an initial term and will be deemed renewed automatically each year for an additional one-year period, subject to certain termination rights. As of September 30, 2019 and December 31, 2018, no event of termination had occurred. The Company is externally managed and advised by the Manager. Pursuant to the terms of the management agreement, which became effective July 6, 2011 (upon the consummation of the Company's initial public offering (the "IPO")), the Manager provides the Company with its management team, including its officers, along with appropriate support personnel. Each of the Company's officers is an employee of Angelo Gordon. The Company does not have any employees. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the Company's management agreement.

Management fee

The Manager is entitled to a management fee equal to 1.50% per annum, calculated and paid quarterly, of the Company's Stockholders' Equity. For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus the Company's retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that the Company pays for repurchases of its common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on the Company's financial statements.

For the three and nine months ended September 30, 2019, the Company incurred management fees of approximately $2.3 million and $7.1 million, respectively. For the three and nine months ended September 30, 2018, the Company incurred management fees of approximately $2.4 million and $7.2 million, respectively.

Termination fee

The termination fee, payable upon the occurrence of (i) the Company's termination of the management agreement without cause or (ii) the Manager's termination of the management agreement upon a breach of any material term of the management agreement, will be equal to three times the average annual management fee during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. As of September 30, 2019 and December 31, 2018, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager or its affiliates for operating expenses which are incurred by the Manager or its affiliates on behalf of the Company, including expenses relating to legal, accounting, due diligence and other services. The

Company's reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by the Company's Board of Directors.

The Company reimburses the Manager or its affiliates for the Company's allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (i) the Company's chief financial officer based on the percentage of time spent on Company affairs, (ii) the Company's general counsel based on the percentage of time spent on the Company's affairs, and (iii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of the Manager and its affiliates who spend all or a portion of their time managing the Company's affairs based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, they devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

Of the $6.2 million and $13.9 million of Other operating expenses for the three and nine months ended September 30, 2019 respectively, the Company has accrued $1.6 million and $5.5 million, respectively, representing a reimbursement of expenses. Of the $3.5 million and $10.2 million of Other operating expenses for the three and nine months ended September 30, 2018, respectively, the Company accrued $2.0 million and $5.5 million, respectively, representing a reimbursement of expenses. The Manager did not waive its right to receive any expense reimbursements for the three and nine months ended September 30, 2019. The Manager waived its right to receive expense reimbursements of $0.5 million for the year ended December 31, 2018.

Restricted stock grants

Pursuant to the Company's Manager Equity Incentive Plan and the Equity Incentive Plan adopted on July 6, 2011, the Company can award up to 277,500 shares of its common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to the directors, officers, advisors, consultants and other personnel of the Company and to the Manager. As of September 30, 2019, 24,506 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of September 30, 2019, the Company has granted an aggregate of 92,744 and 40,250 shares of restricted common stock to its independent directors and Manager, respectively, and 120,000 restricted stock units to its Manager under its equity incentive plans. As of September 30, 2019, all the shares of restricted common stock granted to the Company's Manager and independent directors have vested and 99,991 restricted stock units granted to the Company's Manager have vested. The 20,009 restricted stock units that have not vested as of September 30, 2019 were granted to the Manager on July 1, 2017 and represent the right to receive an equivalent number of shares of the Company's common stock to be issued when the units vest on July 1, 2020. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration.

Director compensation

Beginning in 2018, the Company began paying a $160,000 annual base director's fee to each independent director. Base director's fees are paid 50% in cash and 50% in restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred by such director during the time of his service as an independent member of the Company's board. Beginning in 2019, the Company increased the annual fee paid to the lead independent director from $15,000 to $25,000.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential and commercial real estate assets through affiliated entities which hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by affiliates of Angelo Gordon, in such entities and has applied the equity method of accounting for such investments. See Note 2 for the gross fair value of the Company's share of these investments as of September 30, 2019 and December 31, 2018.

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a fully consolidated entity. The Company executed the transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer on its consolidated statement of cash flows.

The Company's investment in AG Arc is reflected on the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets. See Note 2 for the fair value of AG Arc as of September 30, 2019 and December 31, 2018.

In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran's Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 47 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. Arc Home is led by an external management team.

Arc Home may sell loans to the Company, to third parties, or to affiliates of the Manager. Arc Home may also enter into agreements with third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to MSRs that it either purchases from third parties or originates. The Company, directly or through its subsidiaries, has entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of Arc Home's MSRs. As of September 30, 2019 and December 31, 2018, these Excess MSRs had fair value of approximately $18.5 million and $27.3 million, respectively.

On August 29, 2017, the Company, alongside private funds under the management of Angelo Gordon, entered into the MATH LLC Agreement, which requires that MATH fund a capital commitment of $75.0 million to MATT. This commitment was increased by $25.0 million to $100.0 million on March 28, 2019 and by $5.0 million to $105.0 million on August 23, 2019 with amendments to the MATH LLC Agreement. As of September 30, 2019, the Company's share of MATH's total capital commitment to MATT was $46.8 million, of which the Company had funded $44.6 million, and the Company's remaining commitment was $2.2 million (net of any return of capital to the Company).

On May 15, 2019, the Company, alongside private funds under the management of Angelo Gordon and a third party, entered into the LOTS Agreement, which requires the Company to fund various commitments to LOTS in connection with the origination of Lot Loans. As of September 30, 2019, the Company's total capital commitment to LOTS was $17.9 million, of which the Company has funded $10.7 million, and the Company's remaining commitment was $7.2 million.

Transactions with affiliates

In connection with the Company's investments in residential mortgage loans, residential mortgage loans in securitized form which are issued by an entity in which the Company holds an equity interest in and which are held alongside other private funds under the management of Angelo Gordon (the "Re/Non-Performing Loans") and non-QM loans, the Company may engage asset managers to provide advisory, consultation, asset management and other services to our third-party. Beginning in November 2015, the Company also engaged Red Creek Asset Management LLC ("Asset Manager"), a related party of the Manager and direct subsidiary of Angelo Gordon, as the asset manager for certain of its Re/Non-Performing Loans. Beginning in September 2019, the Company engaged the Asset Manager as the asset manager for its non-QM loans. The Company pays the Asset Manager separate arm's-length asset management fees as assessed and confirmed periodically by a third party valuation firm for its Re/Non-Performing Loans and non-QM loans. In the third quarter of 2019, the third party assessment of asset management fees resulted in the Company updating the fee amount for its Re/Non-Performing Loans. The Company also utilized the third party valuation firm to establish the fee level for non-QM loans in the third quarter of 2019. For the three and nine months ended September 30, 2019, the fees paid by the Company to the Asset Manager totaled $126,604 and $393,484, respectively. For the three and nine months ended September 30, 2018, the fees paid by the Company to the Asset Manager totaled $123,050 and $244,481, respectively.

In connection with the Company's investments in Excess MSRs purchased through Arc Home, the Company pays an administrative fee to Arc Home. For the three and nine months ended September 30, 2019 the administrative fees paid by the Company to Arc Home totaled $76,802 and $240,173, respectively. For the three and nine months ended September 30, 2018 the administrative fees paid by the Company to Arc Home totaled $87,264 and $164,946, respectively.

In February 2017, in accordance with the Company's Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "February Selling Affiliate"). As of the date of the trade, the security acquired from the February Selling Affiliate had a total fair value of $2.0 million. The February Selling Affiliate sold the real estate security through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the February Selling Affiliate, the Company submitted its bid for the real estate security to the February Selling Affiliate. The Company's pre-submission of its bid allowed the Company to confirm third-party market pricing and best execution.

In July 2017, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "July Selling Affiliate"). As of the date of the trade, the securities acquired from the July Selling Affiliate had a total fair value of $0.2 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by an independent third-party pricing vendor. The third-party pricing vendor allowed the Company to confirm third-party market pricing and best execution.

In October 2017, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from two affiliates of the Manager (the "October Selling Affiliates"). As of the date of the trade, the real estate securities and loans acquired from the October Selling Affiliates had a total fair value of $8.4 million. As procuring market bids for the real estate securities and loans were determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In October 2018, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from an affiliate of the Manager (the "October 2018 Selling Affiliate"). As of the date of the trade, the real estate securities and loans acquired from the October 2018 Selling Affiliate had a total fair value of $0.5 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In March 2019, in accordance with the Company's Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "March 2019 Selling Affiliate"). As of the date of the trade, the security acquired from the March 2019 Selling Affiliate had a total fair value of $0.9 million. The March 2019 Selling Affiliate sold the real estate security through a BWIC. Prior to the submission of the BWIC by the March 2019 Selling Affiliate, the Company submitted its bid for the real estate security to the March 2019 Selling Affiliate. The pre-submission of the Company's bid allowed the Company to confirm third-party market pricing and best execution.

In June 2019, the Company, alongside private funds under the management of Angelo Gordon, participated, through its unconsolidated ownership interest in MATT, in a rated non-QM loan securitization, in which non-QM loans with a fair market value of $408.0 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair market value of $42.9 million as of June 30, 2019. The Company has a 44.6% interest in the retained subordinate tranches.

In July 2019, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "July 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the July 2019 Selling Affiliate had a total fair value of $2.0 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In September 2019, the Company, alongside private funds under the management of Angelo Gordon, participated, through its unconsolidated ownership interest in MATT, in a rated non-QM loan securitization, in which non-QM loans with a fair market value of $415.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair market value of $28.7 million as of September 30, 2019. The Company has a 44.6% interest in the retained subordinate tranches.

13. Equity

On May 2, 2018, the Company filed a shelf registration statement registering up to $750.0 million of its securities, including capital stock (the "2018 Registration Statement"). As of September 30, 2019, $591.2 million of the Company's securities, including capital stock, was available for issuance under the 2018 Registration Statement. The 2018 Registration Statement became effective on May 18, 2018 and will expire on May 18, 2021.

Concurrently with the IPO in 2011, the Company offered a private placement of 3,205,000 units at $20.00 per share to a limited number of investors qualifying as "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each unit consisted of one share of common stock ("private placement share") and a warrant ("private placement warrant") to purchase 0.50 of a share of common stock. Each private placement warrant had an exercise price of $20.50 per share (as adjusted for reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions) and expired on July 6, 2018. No warrants were exercised in 2018 through the expiration date on July 6, 2018.

The Company's Series A and Series B Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series A and Series B Preferred Stock are convertible to shares of the Company's common stock. Holders of the Company's Series A and Series B Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.25% and 8.00% per annum on the Series A and Series B Preferred Stock, respectively, of the $25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company's Series A and Series B Preferred Stock are currently redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of September 30, 2019, the Company had declared all required quarterly dividends on the Company's Series A and Series B Preferred Stock.

On November 3, 2015, the Company's Board of Directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to $25.0 million of its outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock as required by Maryland law. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice and the authorization does not obligate the Company to acquire any particular amount of common stock. The cost of the acquisition by the Company of shares of its own stock in excess of the aggregate par value of the shares first reduces additional paid-in capital, to the extent available, with any residual cost applied against retained earnings. No shares were repurchased under the Repurchase Program during the three and nine months ended September 30, 2019 and September 30, 2018, and approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program.

On May 5, 2017, the Company entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which the Company refers to as the "Equity Distribution Agreements," pursuant to which the Company may sell up to $100.0 million aggregate offering price of shares of its common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. The Equity Distribution Agreements were amended on May 22, 2018 in conjunction with the filing of the Company's 2018 Registration Statement. For the nine months ended September 30, 2019, the Company sold 503,700 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.6 million. For the three and nine months ended September 30, 2018, the Company sold 511,806 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $9.3 million.

On February 14, 2019, the Company completed a public offering of 3,000,000 shares of its common stock and subsequently issued an additional 450,000 shares pursuant to the underwriters' over-allotment option at a price of $16.70 per share. Net proceeds to the Company from the offering were approximately $57.4 million, after deducting estimated offering expenses.

On September 17, 2019, the Company completed a public offering of 4,000,000 shares of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") and subsequently issued 600,000 shares of Series C Preferred Stock pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. The Company received total gross proceeds of $115.0 million and net proceeds of approximately $111.2 million, net of underwriting discounts, commissions and expenses. The Series C Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Series C Preferred Stock is convertible to shares of our common stock. Holders of Series C Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends before holders of our common stock are entitled to receive any dividends. The initial dividend rate for the Series C Preferred Stock, from and including the date of original issue to, but not including, September 17, 2024, will be equal to 8.000% per annum of the $25.00 per share liquidation preference. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.476% per annum. Shares of the Company's Series C Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company’s option commencing on September 17, 2024, or earlier under certain circumstances intended to preserve our qualification as a REIT for Federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December.

14. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2019, the Company was not involved in any material legal proceedings.

The below table details the Company's outstanding commitments as of September 30, 2019 (in thousands):

Commitment type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
MATH (a)	March 29, 2018	$ 46,820	$ 44,590	$ 2,230
Commercial loan G (b)	July 26, 2018	84,515	39,189	45,326
Commercial loan I (b)	January 23, 2019	20,000	9,435	10,565
Commercial loan J (b)	February 11, 2019	30,000	3,233	26,767
Commercial loan K (b)	February 22, 2019	20,000	7,661	12,339
LOTS (a)	Various	17,922	10,714	7,208
Total		$ 219,257	$ 114,822	$ 104,435

(a) Refer to Note 12 "Investments in debt and equity of affiliates" for more information regarding MATH and LOTS.
(b) The Company entered into commitments on commercial loans relating to construction projects. See Note 4 for further details.

Subsequent to quarter end, the Company entered into a credit agreement, pursuant to which the Company has committed to fund revolving loans in an aggregate principal amount not to exceed $12.4 million. This amount remains unfunded through the date of issuance of these Consolidated Financial Statements.

15. Segment reporting

The Company reassessed its determination of segments after its purchase of a portfolio of Single-family rental properties in September 2018 and has determined that it has two reportable segments based on how management reviews and manages the business. These reportable segments include its (i) Securities and Loans, which includes the Company's investments in Excess MSRs and Arc Home, and (ii) Single-Family Rental Properties. Corporate includes the operating expenses of the Company and those items that are not directly allocable to either of the two reportable segments.

The table below presents our results of operations for the three months ended September 30, 2019 by business segment (in thousands):

	Securities and Loans	Single-Family Rental Properties	Corporate	Total
Net Interest Income				
Interest income (1)	$ 40,652	$ —	$ 83	$ 40,735
Interest expense	21,887	1,247	—	23,134
Total Net Interest Income	18,765	(1,247)	83	17,601
Other Income/(Loss)				
Rental income	—	3,309	—	3,309
Net realized gain/(loss)	(16,132)	—	—	(16,132)
Net interest component of interest rate swaps	2,179	—	—	2,179
Unrealized gain/(loss) on real estate securities and loans, net	11,726	—	—	11,726
Unrealized gain/(loss) on derivative and other instruments, net	3,258	—	—	3,258
Foreign currency gain/(loss), net	667	—	—	667
Other income	210	33	—	243
Total Other Income/(Loss)	1,908	3,342	—	5,250
Expenses				
Management fee to affiliate	—	—	2,346	2,346
Other operating expenses	3,406	154	2,655	6,215
Equity based compensation to affiliate	—	—	76	76
Excise tax	—	—	186	186
Servicing fees	416	—	—	416
Property depreciation and amortization	—	1,013	—	1,013
Property operating expenses	—	1,986	—	1,986
Total Expenses	3,822	3,153	5,263	12,238
Income/(loss) before equity in earnings/(loss) from affiliates	16,851	(1,058)	(5,180)	10,613
Equity in earnings/(loss) from affiliates	(564)	—	—	(564)
Net Income/(Loss)	16,287	(1,058)	(5,180)	10,049
Dividends on preferred stock	—	—	3,720	3,720
Net Income/(Loss) Available to Common Stockholders	$ 16,287	$ (1,058)	$ (8,900)	$ 6,329

(1) Interest earned on cash and cash equivalents, including money markets, is shown within Corporate.

The table below presents our results of operations for the three months ended September 30, 2018 by business segment (in thousands):

	Securities and Loans	Single-Family Rental Properties	Corporate	Total
Net Interest Income				
Interest income (1)	$ 39,638	$ —	$ 65	$ 39,703
Interest expense	18,415	277	—	18,692
Total Net Interest Income	21,223	(277)	65	21,011
Other Income/(Loss)				
Rental income	—	794	—	794
Net realized gain/(loss)	(14,204)	—	—	(14,204)
Net interest component of interest rate swaps	1,816	—	—	1,816
Unrealized gain/(loss) on real estate securities and loans, net	700	—	—	700
Unrealized gain/(loss) on derivative and other instruments, net	6,589	—	—	6,589
Other income	1	—	—	1
Total Other Income/(Loss)	(5,098)	794	—	(4,304)
Expenses				
Management fee to affiliate	—	—	2,384	2,384
Other operating expenses	701	—	2,802	3,503
Equity based compensation to affiliate	—	—	66	66
Excise tax	—	—	375	375
Servicing fees	148	—	—	148
Property depreciation and amortization	—	494	—	494
Property operating expenses	—	320	—	320
Total Expenses	849	814	5,627	7,290
Income/(loss) before equity in earnings/(loss) from affiliates	15,276	(297)	(5,562)	9,417
Equity in earnings/(loss) from affiliates	13,960	—	—	13,960
Net Income/(Loss)	29,236	(297)	(5,562)	23,377
Dividends on preferred stock	—	—	3,367	3,367
Net Income/(Loss) Available to Common Stockholders	$ 29,236	$ (297)	$ (8,929)	$ 20,010

(1) Interest earned on cash and cash equivalents, including money markets, is shown within Corporate.

The table below presents our results of operations for the nine months ended September 30, 2019 by business segment (in thousands):

	Securities and Loans	Single-Family Rental Properties	Corporate	Total
Net Interest Income				
Interest income (1)	$ 122,889	$ —	$ 237	$ 123,126
Interest expense	67,010	3,742	—	70,752
Total Net Interest Income	55,879	(3,742)	237	52,374
Other Income/(Loss)				
Rental income	—	9,868	—	9,868
Net realized gain/(loss)	(64,226)	(95)	—	(64,321)
Net interest component of interest rate swaps	5,760	—	—	5,760
Unrealized gain/(loss) on real estate securities and loans, net	101,644	—	—	101,644
Unrealized gain/(loss) on derivative and other instruments, net	(17,667)	—	—	(17,667)
Foreign currency gain/(loss), net	667	—	—	667
Other income	745	346	94	1,185
Total Other Income/(Loss)	26,923	10,119	94	37,136
Expenses				
Management fee to affiliate	—	—	7,091	7,091
Other operating expenses	5,354	246	8,295	13,895
Equity based compensation to affiliate	—	—	275	275
Excise tax	—	—	464	464
Servicing fees	1,203	—	—	1,203
Property depreciation and amortization	—	3,640	—	3,640
Property operating expenses	—	5,775	—	5,775
Total Expenses	6,557	9,661	16,125	32,343
Income/(loss) before equity in earnings/(loss) from affiliates	76,245	(3,284)	(15,794)	57,167
Equity in earnings/(loss) from affiliates	715	—	—	715
Net Income/(Loss)	76,960	(3,284)	(15,794)	57,882
Dividends on preferred stock	—	—	10,455	10,455
Net Income/(Loss) Available to Common Stockholders	$ 76,960	$ (3,284)	$ (26,249)	$ 47,427

(1) Interest earned on cash and cash equivalents, including money markets, is shown within Corporate.

The table below presents our results of operations for the nine months ended September 30, 2018 by business segment (in thousands):

	Securities and Loans	Single-Family Rental Properties	Corporate	Total
Net Interest Income				
Interest income (1)	$ 115,007	$ —	$ 65	$ 115,072
Interest expense	50,012	277	—	50,289
Total Net Interest Income	64,995	(277)	65	64,783
Other Income/(Loss)				
Rental income	—	794	—	794
Net realized gain/(loss)	(37,103)	—	—	(37,103)
Net interest component of interest rate swaps	1,607	—	—	1,607
Unrealized gain/(loss) on real estate securities and loans, net	(36,032)	—	—	(36,032)
Unrealized gain/(loss) on derivative and other instruments, net	48,460	—	—	48,460
Other income	21	—	—	21
Total Other Income/(Loss)	(23,047)	794	—	(22,253)
Expenses				
Management fee to affiliate	—	—	7,210	7,210
Other operating expenses	1,698	—	8,470	10,168
Equity based compensation to affiliate	—	—	211	211
Excise tax	—	—	1,125	1,125
Servicing fees	232	—	—	232
Property depreciation and amortization	—	494	—	494
Property operating expenses	—	320	—	320
Total Expenses	1,930	814	17,016	19,760
Income/(loss) before equity in earnings/(loss) from affiliates	40,018	(297)	(16,951)	22,770
Equity in earnings/(loss) from affiliates	17,023	—	—	17,023
Net Income/(Loss)	57,041	(297)	(16,951)	39,793
Dividends on preferred stock	—	—	10,102	10,102
Net Income/(Loss) Available to Common Stockholders	$ 57,041	$ (297)	$ (27,053)	$ 29,691

(1) Interest earned on cash and cash equivalents, including money markets, is shown within Corporate.

The table below presents our consolidated balance sheet as of September 30, 2019 by business segment (in thousands):

	Securities and Loans (a)	Single-Family Rental Properties	Corporate	Total
Total Assets	$ 4,570,945	$ 143,087	$ 34,877	$ 4,748,909
Total Liabilities	$ 3,783,355	$ 105,163	$ 26,218	$ 3,914,736
Total Stockholders' Equity	$ 787,590	$ 37,924	$ 8,659	$ 834,173
Total Liabilities & Stockholders' Equity	$ 4,570,945	$ 143,087	$ 34,877	$ 4,748,909

(a) Includes Investments in debt and equity of affiliates of $141.2 million.

The table below presents our consolidated balance sheet as of December 31, 2018 by business segment (in thousands):

	Securities and Loans (a)	Single-Family Rental Properties	Corporate	Total
Total Assets	$ 3,373,713	$ 142,535	$ 32,678	$ 3,548,926
Total Liabilities	$ 2,759,082	$ 105,102	$ 28,731	$ 2,892,915
Total Stockholders' Equity	$ 614,631	$ 37,433	$ 3,947	$ 656,011
Total Liabilities & Stockholders' Equity	$ 3,373,713	$ 142,535	$ 32,678	$ 3,548,926

(a) Includes Investments in debt and equity of affiliates of $84.9 million.

16. Subsequent Events

Subsequent to September 30, 2019, the Company signed a purchase and sale agreement whereby it agreed to sell its portfolio of single-family rental properties to a third party at a price of approximately $137 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this quarterly report on Form 10-Q, or this "report," we refer to AG Mortgage Investment Trust, Inc. as "we," "us," the "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our external manager, AG REIT Management, LLC, as our "Manager," and we refer to the direct parent company of our Manager, Angelo, Gordon & Co., L.P., as "Angelo Gordon."

The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in Item 1 of this report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements

We make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in this report that are subject to substantial known and unknown risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, returns, results of operations, plans, yield, objectives, the composition of our portfolio, actions by governmental entities, including the Federal Reserve, and the potential effects of actual and proposed legislation on us, and our views on certain macroeconomic trends. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements.

These forward-looking statements are based upon information presently available to our management and are inherently subjective, uncertain and subject to change. There can be no assurance that actual results will not differ materially from our expectations. Some, but not all, of the factors that might cause such a difference include, but are not limited to, changes in interest rates, changes in the yield curve, changes in prepayment rates, changes in default rates, the availability and terms of financing, changes in the fair market value of our assets, general economic conditions, conditions in the market for Agency RMBS, Non-Agency RMBS, ABS and CMBS securities, Excess MSRs and loans, our ability to integrate newly acquired rental assets into our investment portfolio, our ability to predict and control costs, conditions in the real estate market and legislative and regulatory changes that could adversely affect us. We caution investors not to rely unduly on any forward-looking statements, which speak only as of the date made, and urge you to carefully consider the risks noted above and identified under the captions "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018 and any subsequent filings, including this one. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice.

Our company

We are a hybrid mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of Agency RMBS, Credit Investments and Single-Family Rental Properties. Our Credit Investments include our Residential Investments, Commercial Investments and ABS Investments. We are a Maryland corporation and are externally managed by our Manager, a wholly-owned subsidiary of Angelo Gordon, pursuant to a management agreement. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement. We conduct our operations to qualify and be taxed as a real estate investment trust ("REIT"), for U.S. federal income tax purposes. Accordingly, we generally will not be subject to U.S. federal income taxes on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT. We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act. Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock, our 8.00% Series B Cumulative Redeemable Preferred Stock, and our 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock trade on the NYSE under the symbols MITT PrA, MITT PrB, and MITT PrC, respectively.

Our investment portfolio

Our investment portfolio is comprised of (i) our Securities and Loans Segment, comprised of Agency RMBS, Residential Investments, Commercial Investments, and ABS, and (ii) our Single-Family Rental Properties Segment, each of which is described in more detail below. See Note 15 to the Notes to Consolidated Financial Statements for additional financial information regarding our segments.

Securities and Loans Segment

Agency RMBS

Our investment portfolio is comprised primarily of residential mortgage-backed securities ("RMBS"). Certain of the assets in our RMBS portfolio have a guarantee of principal and interest by a U.S. government agency such as the Government National Mortgage Association, or Ginnie Mae, or by a government-sponsored entity such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac (each, a "GSE"). We refer to these securities as Agency RMBS. Our Agency RMBS portfolio includes:

- Fixed rate securities (held as mortgage pass-through securities);
- Sequential pay fixed rate collateralized mortgage obligations ("CMOs");
    - CMOs are structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles.
- Inverse Interest Only securities (CMOs where the holder is entitled only to the interest payments made on the mortgages underlying certain mortgage backed securities ("MBS") whose coupon has an inverse relationship to its benchmark rate, such as LIBOR);
- Interest Only securities (CMOs where the holder is entitled only to the interest payments made on the mortgages underlying certain MBS "interest-only strips");
- Certain Agency RMBS for which the underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs"); and
- Excess mortgage servicing rights ("Excess MSRs") whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE.
    - Excess MSRs are interests in an MSR, representing a portion of the interest payment collected from a pool of mortgage loans, net of a basic servicing fee paid to the mortgage servicer. An MSR provides a mortgage servicer with the right to service a mortgage loan or a pool of mortgages in exchange for a portion of the interest payments made on the mortgage or the underlying mortgages. An MSR is made up of two components: a basic servicing fee and an Excess MSR. The basic servicing fee is the compensation received by the mortgage servicer for the performance of its servicing duties.

Residential Investments

Our investment portfolio also includes a significant portion of Residential Investments. The Residential Investments that we own include RMBS that are not issued or guaranteed by Ginnie Mae or a GSE, or are collateralized by non-U.S. mortgages, which we refer to as our Non-Agency RMBS. The mortgage loan collateral for residential Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities, or are non-U.S. mortgages. Our Non-Agency RMBS include investment grade and non-investment grade fixed- and floating-rate securities. We categorize certain of our Residential Investments by weighted average credit score at origination:

- Prime (weighted average credit score above 700)
- Alt-A/Subprime
    - Alt-A (weighted average credit score between 700 and 620); and
    - Subprime (weighted average credit score below 620).

The Residential Investments that we do not categorize by weighted average credit score at origination include our:

- CRTs (described below)
- Non-U.S. RMBS
    - Non-Agency RMBS which are collateralized by non-U.S. mortgages.
- Interest Only securities (Non-Agency RMBS backed by interest-only strips)

- Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE;
    - Excess MSRs are grouped within "Interest Only and Excess MSR" throughout Part I, Item 2 of this Quarterly Report on Form 10-Q and are grouped within Excess mortgage servicing rights or Excess MSRs in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q;
- Re/Non-Performing Loans (described below); and
- New Origination Loans (described below).

Credit Risk Transfer securities ("CRTs") include:

- Unguaranteed and unsecured mezzanine, junior mezzanine and first loss securities issued either by GSEs or issued by other third-party institutions to transfer their exposure to mortgage default risk to private investors. These securities reference a specific pool of newly originated single-family mortgages from a specified time period (typically around the time of origination). The risk of loss on the reference pool of mortgages is transferred to investors who may experience losses when adverse credit events such as defaults, liquidations or delinquencies occur in the underlying mortgages. Owners of these securities generally receive an uncapped floating interest rate equal to a predetermined spread over one-month LIBOR.

Re/Non-Performing Loans include:

- RPLs or NPLs in securitized form that are issued by an entity in which we own an equity interest and that we hold alongside other private funds under the management of Angelo Gordon. The securitizations typically take the form of equity and various classes of notes. These investments are included in the "RMBS" and "Investments in debt and equity of affiliates" line items on our consolidated balance sheets.
- RPLs or NPLs that we hold through interests in certain consolidated trusts. These investments are secured by residential real property including prime, Alt-A, and subprime mortgage loans, and are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

New Origination Loans include:

- "Non-QM" loans, which are residential mortgage loans that do not qualify for the Consumer Finance Protection Bureau's (the "CFPB") safe harbor provision for "qualifying mortgages," or "QM," that we hold alongside other private funds under the management of Angelo Gordon. These investments are held in one of our unconsolidated subsidiaries, Mortgage Acquisition Trust I LLC ("MATT") (see the "Contractual obligations" section of this Item 2 for more detail), and are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.
- Non-QM loans in securitized form that are issued by an entity in which we own an equity interest and that we hold alongside other private funds under the management of Angelo Gordon. The securitizations typically take the form of various classes of notes. These investments are included in the "Investments in debt and equity of affiliates" line items on our consolidated balance sheets.
- "Lot Loans," which are first mortgage loans we originate to third party land developers and home builders for purposes of the acquisition and horizontal development of land. These investments are held in one of our unconsolidated subsidiaries, LOT SP I LLC ("LOTS") (see the "Contractual obligations" section of this Item 2 for more detail), and are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.

Commercial Investments

We also invest in Commercial Investments. Our Commercial Investments include:

- Commercial mortgage-backed securities ("CMBS");
- Interest Only securities (CMBS backed by interest-only strips);
- Commercial real estate loans secured by commercial real property, including first mortgages, mezzanine loans, preferred equity, first or second lien loans, subordinate interests in first mortgages, bridge loans to be used in the acquisition, construction or redevelopment of a property and mezzanine financing secured by interests in commercial real estate; and
- Freddie Mac K-Series (described below).

CMBS include:

- Fixed and floating-rate CMBS, including investment grade and non-investment grade classes. CMBS are secured by, or evidence ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

Freddie Mac K-Series ("K-Series") include:

- CMBS, Interest-Only securities and CMBS principal-only securities which are regularly-issued by Freddie Mac as structured pass-through securities backed by multifamily mortgage loans. These K-Series feature a wide range of investor options which include guaranteed senior and interest-only bonds as well as unguaranteed senior, mezzanine, subordinate and interest-only bonds. Our K-Series portfolio includes unguaranteed senior, mezzanine, subordinate and interest-only bonds. Throughout Item 2, we categorize our Freddie Mac K-Series interest-only bonds as part of our Interest-Only securities.

ABS

We also invest in asset backed securities ("ABS"). Our ABS portfolio may include investment grade and non-investment grade debt and equity tranches of securitizations collateralized by various asset classes, including, but not limited to, small balance commercial mortgages, aircraft, automobiles, credit cards, equipment, manufactured housing, franchises, recreational vehicles and student loans.

Single-Family Rental Properties Segment

Our investment portfolio also includes a stabilized portfolio of single-family rental properties (our "SFR portfolio" or "SFR"). We acquired our SFR portfolio in September 2018 from funds affiliated with Connorex-Lucinda, LLC ("Conrex"). The portfolio includes 1,225 properties located predominately in the Southeast United States. At closing, we entered into a property management services agreement with Conrex whereby Conrex will continue to provide property management services with respect to the properties.

Investment classification

Throughout this Item 2, (1) we use the terms "credit portfolio" and "credit investments" to refer to our Residential Investments, Commercial Investments and ABS, inclusive of investments held within affiliated entities but exclusive of AG Arc (discussed below); (2) we refer to our Re/Non-Performing Loans (exclusive of our RPLs or NPLs in securitized form that we purchase from an affiliate (or affiliates) of the Manager), New Origination Loans, and commercial real estate loans, collectively, as our "loans"; (3) we use the term "credit securities" to refer to our credit portfolio, excluding Excess MSRs and loans; and (4) we use the term "real estate securities" or "securities" to refer to our Agency RMBS portfolio, exclusive of Excess MSRs, and our credit securities. Our "investment portfolio" refers to our combined Agency RMBS portfolio, credit portfolio, and SFR portfolio and encompasses all of the investments described above.

We also use the term "GAAP investment portfolio" which consists of (i) our Agency RMBS, exclusive of (x) TBAs, and (y) any investments classified as "Other assets" on our consolidated balance sheets (our "GAAP Agency RMBS portfolio"), (ii) our credit portfolio, exclusive of (x) all investments held within affiliated entities, and (y) any investments classified as "Other assets" on our consolidated balance sheets (our "GAAP credit portfolio") and (iii) our SFR portfolio. See Note 2 to the Notes to Consolidated Financial Statements for a discussion of our investments held within affiliated entities.

Our "GAAP Securities and Loans Segment" refers to our Securities and Loans Segment, exclusive of (i) all investments held within affiliated entities, (ii) TBAs, and (iii) any investments classified as "Other assets" on our consolidated balance sheets. Our Securities and Loans Segment refers to our Agency RMBS portfolio and our credit portfolio. Our Single-Family Rental Properties Segment refers to our single-family rental properties.

This presentation of our investment portfolio is consistent with how our management evaluates our business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition.

Arc Home LLC

We, alongside private funds under the management of Angelo Gordon, through AG Arc LLC, one of our indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). Arc Home, through its wholly-owned subsidiary, originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans that it originates, and purchases additional mortgage servicing rights from third-party sellers. We consider Arc Home as part of our Securities and Loans Segment.

Market conditions

CoreLogic Case-Shiller reported a 3.2% increase in national home prices year-over-year, down from 3.6% in the previous quarter and down from 6.0% a year ago. Housing activity has remained somewhat mixed, as buyers continue to face affordability headwinds from rising prices and a limited stock of housing in lower- and middle-price tiers, although lower prevailing rates provided a small boost to activity during the quarter. While the inventory headwind has created challenges for buyers, it continues to be a source of support for home prices, as housing demand exceeds the tight inventory available across much of the country. Although the pace of home price appreciation has slowed, the continued positive trajectory in home prices has resulted in an annual 4.8% increase of U.S. homeowner equity in the second quarter of 2019 according to CoreLogic's Homeowner Equity Report. At the same time, the total number of mortgaged residential properties with negative equity (homes where the homeowner owes more on the home than the home is worth) decreased 9% on a year-over-year basis to 2 million homes. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to be stable-to-improving. According to CoreLogic's Loan Performance Insights Report, the serious delinquency rate, defined as 90 days or more past due including loans in foreclosure, was 1.7% in June 2019, down from 2.2% in June 2018. This improvement has been driven primarily by the strengthening of borrower's household balance sheets and the strength of the U.S. labor market. Although unemployment and jobless claims remain at or near historical lows, weakening economic data combined with subdued inflation, ongoing macroeconomic uncertainties and signs of weakening manufacturing and business confidence led the Federal Reserve to cut the federal funds interest rate at its September meeting to a target range of 1.75%-2.00%; this decision was not unanimous, with three members dissenting. Chairman Powell spoke encouragingly about the economy but continued to highlight the elevated downside risks posed by ongoing global trade disputes. In their revised summary of economic expectations, both growth and inflation remained largely unchanged and appetite for further rate moves was mixed. The macroeconomic landscape remains largely about global uncertainties stemming from US-China trade and Brexit. The market has continued to price in at least one rate cut prior to year-end. Spreads for many mortgage sectors tightened during the third quarter of 2019 although Agency MBS spreads widened versus benchmarks as the rally in interest rates continued to apply pressure in the form of elevated gross supply, prepayment uncertainty and increased implied volatility. Funding pressures into quarter-end also resulted in erosion of carry in the sector. While the Fed has stepped in to provide relief to funding markets, participants remain uneasy into year-end. The CRT market, which also serves as a barometer of overall mortgage credit, performed well, with tighter spreads for subordinate bonds and stable spreads for mezzanine tranches. Legacy RMBS spreads were broadly unchanged amidst increased secondary trading volumes. CMBS spreads generally ended the quarter in line with levels observed at the beginning of the quarter despite an increase in issuance volumes and lackluster market demand for new issue AAA rated securities. The market conditions and trends outlined above may have a meaningful impact on our operating results and our existing portfolio and may cause us to adjust our investment and financing strategies over time as new opportunities emerge and the risk profile of our business changes.

Recent government activity

The current regulatory environment may be impacted by future legislative developments, such as changes to Fannie Mae and Freddie Mac, including with respect to how long they will continue to be in existence, the extent of their roles in the market and what forms they will take. The impact of such potential reforms on our operations is unclear.

Results of operations

Our operating results can be affected by a number of factors and primarily depend on the size and composition of our investment portfolio, the level of our net interest income, the fair market value of our assets and the supply of, and demand for, our target assets in the marketplace, which can be impacted by unanticipated credit events, such as defaults, liquidations or delinquencies, experienced by borrowers whose mortgage loans are included in our investment portfolio. Our primary source of net income available to common stockholders is our net interest income, less our cost of hedging, which represents the difference between the interest earned on our investment portfolio and the costs of financing and hedging our investment portfolio. Our net interest income varies primarily as a result of changes in market interest rates, prepayment speeds, as measured by the Constant Prepayment Rate ("CPR") on the Agency RMBS in our investment portfolio, and our funding and hedging costs.

Three Months Ended September 30, 2019 compared to the Three Months Ended September 30, 2018

The table below presents certain information from our consolidated statements of operations for the three months ended September 30, 2019 and September 30, 2018 (in thousands, except for share and per share data):

	Three Months Ended		
	September 30, 2019	**September 30, 2018**	**Increase/(Decrease)**
Statement of Operations Data:			
Net Interest Income			
Interest income	$ 40,735	$ 39,703	$ 1,032
Interest expense	23,134	18,692	4,442
Total Net Interest Income	17,601	21,011	(3,410)
Other Income/(Loss)			
Rental income	3,309	794	2,515
Net realized gain/(loss)	(16,132)	(14,204)	(1,928)
Net interest component of interest rate swaps	2,179	1,816	363
Unrealized gain/(loss) on real estate securities and loans, net	11,726	700	11,026
Unrealized gain/(loss) on derivative and other instruments, net	3,258	6,589	(3,331)
Foreign currency gain/(loss), net	667	—	667
Other income	243	1	242
Total Other Income/(Loss)	5,250	(4,304)	9,554
Expenses			
Management fee to affiliate	2,346	2,384	(38)
Other operating expenses	6,215	3,503	2,712
Equity based compensation to affiliate	76	66	10
Excise tax	186	375	(189)
Servicing fees	416	148	268
Property depreciation and amortization	1,013	494	519
Property operating expenses	1,986	320	1,666
Total Expenses	12,238	7,290	4,948
Income/(loss) before equity in earnings/(loss) from affiliates	10,613	9,417	1,196
Equity in earnings/(loss) from affiliates	(564)	13,960	(14,524)
Net Income/(Loss)	10,049	23,377	(13,328)
Dividends on preferred stock	3,720	3,367	353
Net Income/(Loss) Available to Common Stockholders	$ 6,329	$ 20,010	$ (13,681)

Interest income

Interest income is calculated using the effective interest method for our GAAP investment portfolio excluding SFR and calculated based on the actual coupon rate and the outstanding principal balance on our U.S. Treasury securities, if any.

Interest income increased from September 30, 2018 to September 30, 2019 primarily due to an increase in the weighted average cost of our GAAP investment portfolio (excluding SFR) and U.S. Treasury securities, if any, of $0.2 billion from $3.2 billion at September 30, 2018 to $3.4 billion at September 30, 2019. This was offset by a decrease in the weighted average yield on our GAAP investment portfolio (excluding SFR) and U.S. Treasury securities, if any, during the period of 0.17% from 4.90% for the three months ended September 30, 2018 to 4.73% for the three months ended September 30, 2019.

Interest expense

Interest expense is calculated based on the actual financing rate and the outstanding financing balance of our GAAP investment portfolio and U.S. Treasury securities, if any.

Interest expense increased from September 30, 2018 to September 30, 2019 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period, by 0.33% from 2.71% for the three months ended September 30, 2018 to 3.04% for the three months ended September 30, 2019. This was coupled with an increase in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period of $0.2 billion from $2.8 billion for the three months ended September 30, 2018 to $3.0 billion for the three months ended September 30, 2019. Refer to the "Financing activities" section below for a discussion of material changes in our cost of funds. For the three months ended September 30, 2019 and September 30, 2018, interest expense includes $6.0 thousand and $9.3 thousand, respectively, of deferred financing costs that were excluded from core earnings in transaction related expenses.

Rental income

Rental income is accrued monthly on a straight-line basis over the terms of the leases on our SFR portfolio. We acquired a stabilized portfolio of SFR in September 2018 and the increase in income is as a result of holding the portfolio for the whole quarter in 2019.

Net realized gain/(loss)

Net realized gain/(loss) represents the net gain or loss recognized on any (i) sales of real estate securities out of our GAAP investment portfolio, (ii) sales of loans out of our GAAP investment portfolio, transfers of loans from our GAAP investment portfolio to real estate owned included in Other assets, and sales of Other assets, (iii) sales of single-family rental properties out of our GAAP investment portfolio, if any, (iv) settlement of derivatives and other instruments, and (v) other-than-temporary-impairment ("OTTI") charges recorded during the period. See Note 2, Note 3, Note 4 and Note 5 of the Notes to Consolidated Financial Statements (unaudited) for further discussion on OTTI. The following table presents a summary of Net realized gain/(loss) for the three months ended September 30, 2019 and September 30, 2018 (in thousands):

	Three Months Ended	
	September 30, 2019	**September 30, 2018**
Sale of real estate securities	$ 4,589	$ (18,053)
Sale of loans, and loans transferred to or sold from Other assets	122	1,043
Settlement of derivatives and other instruments	(17,218)	7,796
OTTI	(3,625)	(4,990)
Total Net realized gain/(loss)	$ (16,132)	$ (14,204)

Net interest component of interest rate swaps

Net interest component of interest rate swaps represents the net interest income received or expense paid on our interest rate swaps.

The net interest component of interest rate swaps increased from September 30, 2018 to September 30, 2019 due to a decrease in our weighted average pay rate from 2.24% at September 30, 2018 to 1.60% at September 30, 2019 due to the repositioning of interest rate swaps during the period. This was offset by a decrease in the average 3 month LIBOR rate (receive rate). Average 3 month LIBOR, the interest rate upon which the floating leg of these derivative instruments are based, decreased from 2.337% for the three months ended September 30, 2018 to 2.198% for the three months ended September 30, 2019. In addition, the weighted average swap notional decreased from $2.4 billion at September 30, 2018 to $1.1 billion at September 30, 2019.

Unrealized gain/(loss) on real estate securities and loans, net

For the three months ended September 30, 2019, the gain of $11.7 million was comprised of unrealized gains on securities and unrealized gains on loans of $7.6 million and $4.1 million, respectively, during the period. Unrealized gains were primarily due to the rally in interest rates during the period. Realized gains and losses on sales of real estate securities and loans can also impact our "Unrealized gain/(loss) on real estate securities and loans, net" as those sales convert unrealized gains and losses into realized gains and losses.

Unrealized gain/(loss) on derivative and other instruments, net

For the three months ended September 30, 2019, the gain of $3.3 million was comprised of unrealized gains on certain derivatives and other instruments of $4.6 million and unrealized losses on TBAs of $1.3 million. Realized gains and losses on sales of derivatives and other instruments can impact our "Unrealized gain/(loss) on derivative and other instruments, net" as those sales convert unrealized gains and losses into realized gains and losses.

Foreign currency gain/(loss), net

Foreign currency gain/(loss), net pertains to the effects of remeasuring the monetary assets and liabilities of our foreign investments into U.S. dollars using foreign currency exchange rates at the end of the reporting period.

We acquired assets and liabilities denominated in foreign currencies during the three months ended September 30, 2019, causing the change period over period.

Other income

Other income pertains to certain fees we receive on our residential mortgage loan, commercial real estate loan, and CMBS portfolios, ancillary rental income and insurance proceeds we receive on our SFR portfolio and a premium received on a credit default swap which was entered into and expired in Q2 2019.

For the three months ended September 30, 2019 and September 30, 2018, Other income increased primarily as a result of certain fees received on our commercial loans.

Management fee to affiliate

Our management fee is based upon a percentage of our Stockholders' Equity. See the "Contractual obligations" section of this Item 2 for further detail on the calculation of our management fee and for the definition of Stockholders' Equity.

For the three months ended September 30, 2019 and September 30, 2018, our management fees were relatively flat.

Other operating expenses

These amounts are primarily comprised of professional fees, directors' and officers' ("D&O") insurance and directors' fees, as well as certain expenses reimbursable to the Manager. We are required to reimburse our Manager or its affiliates for operating expenses which are incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Refer to the "Contractual obligations" section below for more detail on certain expenses reimbursable to the Manager. The following table presents a summary of expenses within Other operating expenses within our reportable segments and corporate for the three months ended September 30, 2019 and September 30, 2018 (in thousands):

	Three Months Ended	
	September 30, 2019	**September 30, 2018**
Corporate		
Affiliate expense reimbursement - Operating expenses	$ 1,423	$ 1,628
Professional fees	528	539
D&O insurance	174	176
Directors' compensation	222	218
Other	308	241
Total Corporate	2,655	2,802
Securities and Loans and Single-Family Rental Properties Segments		
Affiliate expense reimbursement - Deal related expenses	145	154
Affiliate expense reimbursement - Transaction related expenses and deal related performance fees	—	228
Professional fees (1)	120	33
Residential mortgage loan related expenses	298	177
Transaction related expenses and deal related performance fees (2)	2,868	(35)
Other	129	144
Total Securities and Loans and Single-Family Rental Properties Segments	3,560	701
Total Other operating expenses	$ 6,215	$ 3,503

(1) For the three months ended September 30, 2019, we incurred $78.7 thousand of professional fees related to the Single-Family Rental Properties Segment. No professional fees were incurred relating to the Single-Family Rental Properties Segment for the three months ended September 30, 2018.

(2) For the three months ended September 30, 2019, we incurred $75.0 thousand of transaction related expenses and deal related performance fees related to the Single-Family Rental Properties Segment. No transaction related expenses and deal related performance fees were incurred relating to the Single-Family Rental Properties Segment for the three months ended September 30, 2018.

The increase in Transaction related expenses and deal related performance fees from the three months ended September 30, 2018 to the three months ended September 30, 2019 is primarily a result of expenses incurred in connection with the Q3 2019 securitization transaction of certain of our re-performing residential mortgage loans. See Note 4 to the Notes to Consolidated Financial Statements (unaudited) for more detail on this securitization transaction.

Equity based compensation to affiliate

Equity based compensation to affiliate represents the amortization of the fair value of our restricted stock units granted to our Manager, less the present value of dividends expected to be paid on the underlying shares through the requisite period.

For the three months ended September 30, 2019 and September 30, 2018, our equity based compensation to affiliate was relatively flat.

Excise tax

Excise tax represents a four percent tax on the required amount of our ordinary income and net capital gains not distributed during the year. The quarterly expense is calculated in accordance with applicable tax regulations. For the three months ended September 30, 2019 and September 30, 2018, the decrease relates to decreased estimated undistributed taxable income.

Servicing fees

We incur servicing fee expenses in connection with the servicing of our Residential mortgage loans. As of September 30, 2019 and September 30, 2018, we owned Residential mortgage loans with a fair market value of $379.4 million and $87.6 million, respectively. This increase in the fair market value of the Residential mortgage loans we own pertains to the purchase of Residential mortgage loan pools in 2018 and 2019.

For the three months ended September 30, 2019 and September 30, 2018 our servicing fees increased primarily due to our purchases of these pools of Residential mortgage loans in 2018 and 2019.

Property depreciation and amortization

We recognize straight line depreciation and amortization on our buildings, in-place lease intangibles and any capitalized acquisition, renovation, or other expense that improves or extends the useful life of our SFR portfolio. We acquired a stabilized portfolio of SFR in September 2018 and the increased expense is as a result of holding the portfolio for the whole quarter in 2019.

Property operating expenses

Property operating expenses may include property taxes, insurance, homeowner association fees, market-level personnel expenses, utility expenses, repairs and maintenance, leasing costs, marketing expenses, and property management fees on our SFR portfolio. Property management fees represent costs associated with the oversight and management of our SFR portfolio. Our SFR portfolio is managed by Conrex. We acquired a stabilized portfolio of SFR in September 2018 and the increase in expenses is as a result of holding the portfolio for the whole quarter in 2019.

Equity in earnings/(loss) from affiliates

Equity in earnings/(loss) from affiliates represents our share of earnings and profits of investments held within affiliated entities. A majority of these investments are comprised of real estate securities, loans and our investment in AG Arc. The decrease from the quarter ended September 30, 2018 to the quarter ended September 30, 2019 primarily pertains to our share of the unrealized losses on investments held within affiliated entities.

Nine Months Ended September 30, 2019 compared to the Nine Months Ended September 30, 2018

The table below presents certain information from our consolidated statements of operations for the nine months ended September 30, 2019 and September 30, 2018 (in thousands, except for share and per share data):

	Nine Months Ended		
	September 30, 2019	**September 30, 2018**	**Increase/(Decrease)**
Statement of Operations Data:			
Net Interest Income			
Interest income	$ 123,126	$ 115,072	$ 8,054
Interest expense	70,752	50,289	20,463
Total Net Interest Income	52,374	64,783	(12,409)
Other Income/(Loss)			
Rental income	9,868	794	9,074
Net realized gain/(loss)	(64,321)	(37,103)	(27,218)
Net interest component of interest rate swaps	5,760	1,607	4,153
Unrealized gain/(loss) on real estate securities and loans, net	101,644	(36,032)	137,676
Unrealized gain/(loss) on derivative and other instruments, net	(17,667)	48,460	(66,127)
Foreign currency gain/(loss), net	667	—	667
Other income	1,185	21	1,164
Total Other Income/(Loss)	37,136	(22,253)	59,389
Expenses			
Management fee to affiliate	7,091	7,210	(119)
Other operating expenses	13,895	10,168	3,727
Equity based compensation to affiliate	275	211	64
Excise tax	464	1,125	(661)
Servicing fees	1,203	232	971
Property depreciation and amortization	3,640	494	3,146
Property operating expenses	5,775	320	5,455
Total Expenses	32,343	19,760	12,583
Income/(loss) before equity in earnings/(loss) from affiliates	57,167	22,770	34,397
Equity in earnings/(loss) from affiliates	715	17,023	(16,308)
Net Income/(Loss)	57,882	39,793	18,089
Dividends on preferred stock	10,455	10,102	353
Net Income/(Loss) Available to Common Stockholders	$ 47,427	$ 29,691	$ 17,736

Interest income

Interest income increased from September 30, 2018 to September 30, 2019 primarily due to an increase in the weighted average yield on our GAAP investment portfolio (excluding SFR) and U.S. Treasury securities, if any, during the period of 0.16% from 4.70% for the nine months ended September 30, 2018 to 4.86% for the nine months ended September 30, 2019. This was coupled with an increase in the weighted average cost of our GAAP investment portfolio (excluding SFR) and U.S. Treasury securities, if any, of $0.1 billion from $3.3 billion at September 30, 2018 to $3.4 billion at September 30, 2019.

Interest expense

Interest expense increased from September 30, 2018 to September 30, 2019 primarily due to an increase in the weighted average financing rate on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period, by 0.69% from 2.42% for the nine months ended September 30, 2018 to 3.11% for the nine months ended September 30, 2019. This was coupled with an increase in the weighted average financing balance on our GAAP investment portfolio and U.S. Treasury securities, if any, during the period of $0.2 billion from $2.8 billion for the nine months ended September 30, 2018 to $3.0 billion for the nine months ended September 30, 2019. Refer to the "Financing activities" section below for a discussion of material changes in our cost of funds. For the nine months ended September 30, 2019 and September 30, 2018, interest expense includes $0.1 million and $11.7 thousand, respectively, of deferred financing costs that were excluded from core earnings in transaction related expenses.

Rental income

The increase in Rental Income is a result of holding the SFR portfolio for the entire nine months ended September 30, 2019.

Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the nine months ended September 30, 2019 and September 30, 2018 (in thousands):

	Nine Months Ended	
	September 30, 2019	**September 30, 2018**
Sale of real estate securities	$ 10,396	$ (47,421)
Sale of loans, and loans transferred to or sold from Other assets	1,070	2,272
Settlement of derivatives and other instruments	(58,665)	14,744
OTTI	(17,122)	(6,698)
Total Net realized gain/(loss)	$ (64,321)	$ (37,103)

Net interest component of interest rate swaps

The net interest component of interest rate swaps increased from September 30, 2018 to September 30, 2019 due to a decrease in our weighted average pay rate from 2.24% at September 30, 2018 to 1.60% at September 30, 2019 due to the repositioning of interest rate swaps during the the period. This was coupled with an increase in the average 3 month LIBOR rate (receive rate). Average 3 month LIBOR, the interest rate upon which the floating leg of these derivative instruments are based, increased from 2.200% for the nine months ended September 30, 2018 to 2.462% for the nine months ended September 30, 2019. In addition, the weighted average swap notional decreased from $2.4 billion at September 30, 2018 to $1.5 billion at September 30, 2019.

Unrealized gain/(loss) on real estate securities and loans, net

For the nine months ended September 30, 2019, the $101.6 million gain was comprised of unrealized gains on securities and unrealized gains on loans of $90.5 million and $11.1 million, respectively, during the period. Unrealized gains were primarily due to the rally in interest rates during the period. Realized gains and losses on sales of real estate securities and loans can also impact our "Unrealized gain/(loss) on real estate securities and loans, net" as those sales convert unrealized gains and losses into realized gains and losses.

Unrealized gain/(loss) on derivative and other instruments, net

For the nine months ended September 30, 2019, the $(17.7) million loss was comprised of unrealized losses on certain derivatives and other instruments of $16.7 million and unrealized losses on TBAs of $1.0 million. Realized gains and losses on sales of derivatives and other instruments can impact our "Unrealized gain/(loss) on derivative and other instruments, net" as those sales convert unrealized gains and losses into realized gains and losses.

Foreign currency gain/(loss), net

We acquired assets and liabilities denominated in foreign currencies during the nine months ended September 30, 2019, causing the change period over period.

Other income

For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, Other income increased as a result of increased commercial loan origination fees received related to the acquisition of new commercial real estate loans and increased insurance proceeds received on our SFR portfolio.

Management fee to affiliate

For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, our management fees decreased due to the decrease in our Stockholders' Equity as calculated pursuant to our Management Agreement.

Other operating expenses

The following table presents a summary of expenses within Other operating expenses within our reportable segments and corporate for the nine months ended September 30, 2019 and September 30, 2018 (in thousands):

	Nine Months Ended	
	September 30, 2019	**September 30, 2018**
Corporate		
Affiliate expense reimbursement - Operating expenses	$ 4,913	$ 4,889
Professional fees	1,437	1,680
D&O insurance	522	533
Directors' compensation	661	637
Other	762	731
Total Corporate	8,295	8,470
Securities and Loans and Single-Family Rental Properties Segments		
Affiliate expense reimbursement - Deal related expenses	512	356
Affiliate expense reimbursement - Transaction related expenses and deal related performance fees	42	228
Professional fees (1)	304	109
Residential mortgage loan related expenses	696	470
Transaction related expenses and deal related performance fees (2)	3,631	276
Other	415	259
Total Securities and Loans and Single-Family Rental Properties Segments	5,600	1,698
Total Other operating expenses	$ 13,895	$ 10,168

(1) For the nine months ended September 30, 2019, we incurred $169.9 thousand of professional fees related to the Single-Family Rental Properties Segment. No professional fees were incurred relating to the Single-Family Rental Properties Segment for the nine months ended September 30, 2018.

(2) For the nine months ended September 30, 2019, we incurred $75.0 thousand of transaction related expenses and deal related performance fees related to the Single-Family Rental Properties Segment. No transaction related expenses and deal related performance fees were incurred relating to the Single-Family Rental Properties Segment for the nine months ended September 30, 2018.

The increase in Transaction related expenses and deal related performance fees from the nine months ended September 30, 2018 to the nine months ended September 30, 2019 is primarily a result of expenses incurred in connection with the Q3 2019 securitization transaction of certain of our re-performing residential mortgage loans. See Note 4 to the Notes to Consolidated Financial Statements (unaudited) for more detail on this securitization transaction.

Equity based compensation to affiliate

For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, our equity based compensation to affiliate increased due to a retrospective adjustment in Q1 2019 as a result of our adoption of ASU 2018-7, which changed the measurement of nonemployee share-based payment award recognition from the performance completion date (generally the vesting date) to the grant date.

Excise tax

For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, our excise tax decreased due primarily to a true up based on 2018 undistributed taxable income taken in the current period coupled with a decrease in our current estimated undistributed taxable income.

Servicing fees

For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 our servicing fees increased primarily because of purchases of residential mortgage loans in 2018 and 2019.

Property depreciation and amortization

The increase in property depreciation and amortization is attributable to our ownership of the SFR portfolio for the entire nine months ended September 30, 2019.

Property operating expenses

The increase in property operating expenses is attributable to our ownership of the SFR portfolio for the entire nine months ended September 30, 2019.

Equity in earnings/(loss) from affiliates

The decrease from the nine months ended September 30, 2018 to the nine months ended September 30, 2019 primarily pertains to our share of the unrealized losses on one of our investments held within an affiliated entity.

Book value per share

As of September 30, 2019, December 31, 2018 and September 30, 2018, our book value per common share was $17.16, $17.21 and $19.16 respectively.

Undepreciated book value per share is a non-GAAP book value metric which adds accumulated depreciation and amortization back to book value to present an adjusted book value that incorporates our single-family rental property portfolio at its undepreciated basis. This metric allows management to consider the investment portfolio exclusive of non-cash adjustments and facilitates the comparison of our financial performance to peer REITs. A reconciliation of book value per share to undepreciated book value per share as of September 30, 2019, December 31, 2018 and September 30, 2018 is presented below.

	September 30, 2019	December 31, 2018	September 30, 2018
Book value per share	$ 17.16	$ 17.21	$ 19.16
Add back: Accumulated depreciation and amortization per share	0.18	0.09	0.02
Undepreciated book value per share	$ 17.34	$ 17.30	$ 19.18

Per share amounts for book value are calculated using all outstanding common shares in accordance with GAAP, including all vested shares granted to AG REIT Management, LLC, our external manager, and our independent directors under our equity incentive plans as of quarter-end. Book value is calculated using stockholders' equity less net proceeds of our 8.25% Series A Cumulative Redeemable Preferred Stock, 8.00% Series B Cumulative Redeemable Preferred Stock, and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock as the numerator.

Presentation of investment, financing and hedging activities

In the "Investment activities," "Financing activities," "Hedging activities" and "Liquidity and capital resources" sections of this Item 2, where we disclose our investment portfolio and the related financing arrangements, we have presented this information inclusive of (i) unconsolidated ownership interests in affiliates that are accounted for under GAAP using the equity method and (ii) TBAs, which are accounted for as derivatives under GAAP. Our investment portfolio and the related financing arrangements are presented along with a reconciliation to GAAP. This presentation of our investment portfolio is consistent with how our management evaluates the business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition. See Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for a discussion of investments in debt and equity of affiliates and TBAs.

Net interest margin and leverage ratio

GAAP net interest margin and net interest margin, a non-GAAP financial measure, are calculated by subtracting the weighted average cost of funds from the weighted average yield for our GAAP investment portfolio or our investment portfolio, respectively, which both exclude cash held by us and any net TBA position. The weighted average yield on our Agency RMBS portfolio and our credit portfolio represents an effective interest rate, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter-end. The weighted average yield on our SFR portfolio represents annualized net operating income for the quarter divided by the carrying value of our SFR portfolio gross of accumulated depreciation and amortization. Net operating income on our SFR portfolio is comprised of rental income and other SFR related income less property operating expenses. The calculation of weighted average yield is weighted on net carrying value. The weighted average cost of funds is the sum of the weighted average funding costs on total financing arrangements outstanding at quarter-end, including all non-recourse financing arrangements, and our weighted average hedging cost, which is the weighted average of the net pay rate on our interest rate swaps, the net receive/pay rate on our Treasury long and short positions, respectively, and the net receivable rate on our IO index derivatives, if any. Both elements of cost of funds are weighted by the outstanding financing arrangements on our GAAP investment portfolio or our investment portfolio and securitized debt at quarter-end, exclusive of repurchase agreements associated with U.S. Treasury securities, if any.

Net interest margin and leverage ratio are metrics that management believes should be considered when evaluating the performance of our investment portfolio. See the "Financing activities" section below for more detail on our leverage ratio.

The chart below sets forth the net interest margin and leverage ratio from our investment portfolio as of September 30, 2019 and September 30, 2018 and a reconciliation to our GAAP investment portfolio:

September 30, 2019

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield (b)	4.46%	6.51%	4.62%
Cost of Funds (c)	2.50%	4.48%	2.62%
Net Interest Margin	1.96%	2.03%	2.00%
Leverage Ratio (d)	4.6x	(e)	4.7x

September 30, 2018

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield (b)	5.14%	6.66%	5.24%
Cost of Funds (c)	2.67%	4.70%	2.75%
Net Interest Margin	2.47%	1.96%	2.49%
Leverage Ratio (d)	4.0x	(e)	4.1x

(a) Excludes any net TBA position.
(b) Yield on our SFR portfolio is based on annualized quarterly net operating income divided by carrying value, gross of accumulated depreciation and amortization. As of September 30, 2019 and September 30, 2018, our SFR portfolio had a yield of 3.79% and 6.09%, respectively.
(c) Includes cost of non-recourse financing arrangements. Non-recourse financing arrangements include securitized debt and our term loan.
(d) The leverage ratio on our investment portfolio represents economic leverage as defined below in the "Financing Activities" section. The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage.
(e) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

Core Earnings

We define Core Earnings, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) unrealized gains/(losses) on real estate securities, loans, derivatives and other investments, realized gains/(losses) on the sale or termination of such instruments and any OTTI, (ii) beginning with Q2 2018, as a policy change, any transaction related expenses incurred in connection with the acquisition or disposition of our investments, (iii) beginning with Q3 2018, concurrent with a change in our business, any depreciation or amortization expense related to our SFR portfolio, (iv) beginning with Q3 2018, as a policy change, accrued deal related performance fees payable to Arc Home and third party operators to the extent the primary component of the accrual relates to items that are excluded from Core Earnings, such as unrealized and realized gains/(losses), (v) beginning with Q4 2018 and applied retrospectively, as a policy change, realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights as well as realized and unrealized changes in the fair value of derivatives that are intended to offset changes in the fair value of those net mortgage servicing rights, and (vi) beginning in Q3 2019, concurrent with a change in our business, any foreign currency gains/(losses) relating to monetary assets and liabilities. Items (i) through (vi) above include any amounts related to those items held in affiliated entities. Management considers the transaction related expenses referenced in (ii) above to be similar to realized losses incurred at acquisition or disposition and does not view them as being part of its core operations. Management views the exclusion described in (v) above to be consistent with how it calculates Core Earnings on the remainder of its portfolio. As defined, Core Earnings include the net interest income and other income earned on our investments on a yield adjusted basis, including TBA dollar roll income or any other investment activity that may earn or pay net interest or its economic equivalent. One of our objectives is to generate net income from net interest margin on the portfolio, and management uses Core Earnings to help measure this objective. Management believes that this non-GAAP measure, when considered with our GAAP financials, provides supplemental information useful for investors as it enables them to evaluate our current core performance using the same measure that management uses to operate the business. This metric, in conjunction with related GAAP measures, provides greater transparency into the information used by our management team in its financial and operational decision-making. Our presentation of Core Earnings may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP measure should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated. Refer to the "Results of Operations" section above for a detailed discussion of our GAAP financial results.

A reconciliation of "Net Income/(loss) available to common stockholders" to Core Earnings for the three and nine months ended September 30, 2019 and September 30, 2018 is set forth below (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net Income/(loss) available to common stockholders	$ 6,329	$ 20,010	$ 47,427	$ 29,691
Add (Deduct):				
Net realized (gain)/loss	16,132	14,204	64,321	37,103
Unrealized (gain)/loss on real estate securities and loans, net	(11,726)	(700)	(101,644)	36,032
Unrealized (gain)/loss on derivative and other instruments, net	(3,258)	(6,589)	17,667	(48,460)
Property depreciation and amortization	1,013	494	3,640	494
Transaction related expenses and deal related performance fees (a)(b)(c)	2,874	216	3,816	530
Equity in (earnings)/loss from affiliates	564	(13,960)	(715)	(17,023)
Net interest income and expenses from equity method investments (d)	1,641	1,597	3,997	5,621
Foreign currency (gain)/loss, net	(667)	—	(667)	—
Dollar roll income	138	453	858	1,598
Other income	(37)	—	(298)	—
Core Earnings (e)	$ 13,003	$ 15,725	$ 38,402	$ 45,586
Core Earnings, per Diluted Share (e)	$ 0.40	$ 0.56	$ 1.20	$ 1.61

(a) For the three months ended March 31, 2018, the above chart was not adjusted for transaction related expenses of $0.1 million, as they did not have a material impact on Core Earnings for the period. Our policy with respect to transaction related expenses was modified in Q2 2018.

(b) For the six months ended June 30, 2018, the above chart was not adjusted for deal related performance fees as they did not have a material impact on Core Earnings for the period. Our policy with respect to deal related performance fees was modified in Q3 2018.

(c) Refer to changes in Interest expense and Other operating expenses in our "Results of Operations" section above for a breakout of transaction related expenses and deal related performance fees for the three and nine months ended September 30, 2019 and September 30, 2018.

(d) For the three months ended September 30, 2019 and September 30, 2018, $(2.8) million or $(0.09) per diluted share and $1.0 million or $0.03 per diluted share, respectively, of realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives were excluded from Core earnings per diluted share as a result of our modification to the definition and calculation of Core Earnings in Q4 2018. For the nine months ended September 30, 2019 and September 30, 2018, $(10.4) million or $(0.33) per diluted share and $3.1 million or $0.11 per diluted share, respectively, of realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives were excluded from Core earnings per diluted share.

(e) The three months ended September 30, 2019 and September 30, 2018 include cumulative retrospective adjustments of $(0.6) million or $(0.02) per diluted share and $0.2 million or $0.01 per diluted share, respectively, on the premium amortization for investments accounted for under ASC 320-10.

Investment activities

We opportunistically invest in a diversified risk-adjusted portfolio of Agency RMBS, Credit Investments, and Single-Family Rental Properties. Our Credit Investments include our Residential Investments, Commercial Investments, and ABS Investments.

The risk-reward profile of our investment opportunities changes continuously with the market, with labor, housing and economic fundamentals, and with U.S. monetary policy, among others. As a result, in reacting to market conditions and taking into account a variety of other factors, including liquidity, duration, interest rate expectations and hedging, the mix of our assets changes over time as we opportunistically deploy capital.

We evaluate investments in Agency RMBS using factors including expected future prepayment trends, supply of and demand for Agency RMBS, costs of financing, costs of hedging, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. Prepayment speeds, as reflected by the CPR and interest rates vary according to the type of investment, conditions in financial markets, competition and other factors, none of which can be predicted with any certainty. In general, as prepayment speeds on our Agency RMBS portfolio increase, the related purchase premium amortization increases, thereby reducing the net yield on such assets.

Our credit investments are subject to risk of loss with regard to principal and interest payments. We evaluate each investment in our credit portfolio based on the characteristics of the underlying collateral and the securitization structure. We maintain a comprehensive portfolio management process that generally includes day-to-day oversight by the portfolio management team and a quarterly credit review process for each investment that examines the need for a potential reduction in accretable yield, missed or late contractual payments, significant declines in collateral performance, prepayments, projected defaults, loss severities and other data which may indicate a potential issue in our ability to recover our capital from the investment. These processes are designed to enable our Manager to evaluate and proactively manage asset-specific credit issues and identify credit trends on a portfolio-wide basis. Nevertheless, we cannot be certain that our review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets. Therefore, potential future losses may also stem from issues with our investments that are not identified by our credit reviews.

Our SFR portfolio is comprised of 1,225 properties located predominantly in the Southeast United States. The values of these properties are subject to volatility and may be affected adversely by a number of factors, including, but not limited to: national, regional and local economic conditions, local real estate conditions, construction quality, age and design; demographic factors; and retroactive changes to building or similar codes.

The following table presents a detailed break-down of our investment portfolio as of September 30, 2019 and December 31, 2018 and a reconciliation to our GAAP Investment Portfolio ($ in thousands):

	Amortized Cost		Carrying Value (a)		Percent of Investment Portfolio Carrying Value		Leverage Ratio (b)	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Securities and Loans Segment								
Agency RMBS	$ 2,900,734	$ 2,019,617	$ 2,965,667	$ 2,015,586	60.0%	56.6%	7.8x	7.0x
Residential Investments	1,294,540	969,484	1,369,769	1,019,116	27.7%	28.6%	2.9x	3.3x
Commercial Investments	429,126	348,720	457,761	365,052	9.3%	10.3%	2.2x	2.4x
ABS	12,933	21,946	12,292	21,160	0.2%	0.6%	3.1x	1.0x
Total Securities and Loans Segment	4,637,333	3,359,767	4,805,489	3,420,914	97.2%	96.1%	4.9x	4.7x
Single-Family Rental Properties Segment								
Single-Family Rental Properties	136,098	138,678	136,098	138,678	2.8%	3.9%	N/A	N/A
Total: Investment Portfolio	$ 4,773,431	$ 3,498,445	$ 4,941,587	$ 3,559,592	100.0%	100.0%	4.7x	4.4x
Investments in Debt and Equity of Affiliates (c)	$ 269,720	$ 212,349	$ 278,776	$ 213,419	N/A	N/A	(d)	(d)
TBAs	$ 152,984	$ —	$ 153,175	$ —	N/A	N/A	(d)	(d)
Total: GAAP Investment Portfolio	$ 4,350,727	$ 3,286,096	$ 4,509,636	$ 3,346,173	N/A	N/A	4.6x	4.3x

(a) Carrying value represents fair value, except in the case of Single-family rental properties, where it represents cost less accumulated depreciation and amortization.

(b) The leverage ratio on our investment portfolio represents economic leverage as defined below in the "Financing Activities" section and is calculated by dividing each investment type's total recourse financing arrangements by its allocated equity (described in the chart below). The economic leverage ratio excludes any non-recourse financing arrangements, including securitized debt and our term loan. The leverage ratio on our Agency RMBS includes any net receivables on TBA. The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage.

(c) Certain Re/Non-Performing Loans held in securitized form are recorded net of non-recourse securitized debt.

(d) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

We allocate our equity by investment using the fair market value of our investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). We allocate all non-investment portfolio related items based on their respective characteristics, beginning by allocating those items within the Securities and Loans Segment and Single-Family Rental Properties Segment and then allocating Corporate between the Securities and Loans Segment and Single-Family Rental Properties Segment in order to sum to stockholders' equity per the consolidated balance sheets. Our equity allocation method is a non-GAAP methodology and may not be comparable to the similarly titled measure or concepts of other companies, who may use different calculations and allocation methodologies.

The following table presents a summary of the allocated equity of our investment portfolio as of September 30, 2019 and December 31, 2018 ($ in thousands):

	Allocated Equity		Percent of Equity	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Securities and Loans Segment				
Agency RMBS	$ 342,443	$ 257,454	41.1%	39.2%
Residential Investments	307,420	241,284	36.9%	36.8%
Commercial Investments	145,888	109,159	17.4%	16.6%
ABS	3,012	10,293	0.4%	1.6%
Total Securities and Loans Segment	798,763	618,190	95.8%	94.2%
Single-Family Rental Properties Segment				
Single-Family Rental Properties	35,410	37,821	4.2%	5.8%
Total	$ 834,173	$ 656,011	100.0%	100.0%

Securities and Loans Segment

The following table presents a reconciliation of our Securities and Loans Segment to our GAAP Securities and Loan Segment as of September 30, 2019 ($ in thousands):

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3) (4)
Agency RMBS:							
30 Year Fixed Rate	$ 2,578,886	$ 2,651,900	$ 69,788	$ 2,721,688	3.82%	3.19%	5.45
Inverse Interest Only	218,969	37,317	(840)	36,477	4.13%	6.65%	5.10
Interest Only	273,218	37,351	(1,566)	35,785	3.56%	2.88%	4.01
Excess MSR (5)	3,277,526	21,182	(2,640)	18,542	N/A	6.79%	5.15
Fixed Rate 30 Year TBA (6)	150,000	152,984	191	153,175	3.08%	N/A	N/A
Total Agency RMBS	6,498,599	2,900,734	64,933	2,965,667	3.78%	3.25%	5.22
Credit Investments:							
Residential Investments							
Prime (7)	316,144	227,028	32,119	259,147	4.91%	7.46%	11.48
Alt-A/Subprime (7)	208,008	130,311	14,308	144,619	4.65%	7.06%	6.38
Credit Risk Transfer	249,808	250,436	8,724	259,160	5.40%	5.50%	5.86
Non-U.S. RMBS	38,683	48,156	(514)	47,642	3.40%	3.37%	3.03
Interest Only and Excess MSR (8)	297,034	1,903	(329)	1,574	0.67%	4.81%	5.20
Re/Non-Performing Loans	531,600	449,757	19,137	468,894	4.50%	6.47%	6.77
New Origination Loans	856,881	186,949	1,784	188,733	2.02%	6.23%	1.60
Total Residential Investments	2,498,158	1,294,540	75,229	1,369,769	3.73%	6.39%	5.23
Commercial Investments							
CMBS	173,177	165,404	2,614	168,018	5.46%	5.91%	3.38
Freddie Mac K-Series	201,618	76,084	21,191	97,275	5.90%	12.29%	8.81
Interest Only (9)	3,293,688	41,833	4,117	45,950	0.24%	7.14%	3.10
Commercial Real Estate Loans (10)	146,518	145,805	713	146,518	7.08%	7.39%	2.25
Total Commercial Investments	3,815,001	429,126	28,635	457,761	0.79%	7.86%	3.38
ABS	13,000	12,933	(641)	12,292	8.77%	10.04%	7.23
Total Credit Investments	6,326,159	1,736,599	103,223	1,839,822	1.82%	6.78%	4.12
Total: Securities and Loans Segment	$ 12,824,758	$ 4,637,333	$ 168,156	$ 4,805,489	2.54%	4.65%	4.67
Investments in Debt and Equity of Affiliates	$ 1,339,188	$ 269,720	$ 9,056	$ 278,776	1.92%	6.51%	2.49
TBAs	$ 150,000	$ 152,984	$ 191	$ 153,175	3.08%	N/A	N/A
Total: GAAP Securities and Loans Segment	$ 11,335,570	$ 4,214,629	$ 158,909	$ 4,373,538	2.59%	4.48%	4.86

(1) Refer to "Off-balance sheet arrangements" section below and Note 2 to the Notes of the Consolidated Financial Statements section for more detail on our what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheet and a discussion of Investments in debt and equity of affiliates.
(2) Equity residuals, principal only securities and Excess MSRs with a zero coupon rate are excluded from this calculation.
(3) Fixed Rate 30 Year TBA are excluded from this calculation.
(4) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(5) Excess MSRs whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE.
(6) Represents long positions in Fixed Rate 30 Year TBA.
(7) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime and Alt-A/Subprime Non-Agency RMBS were 719 and 659, respectively.
(8) Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.
(9) Includes Freddie Mac K-Series interest-only bonds.
(10) Yield on Commercial Real Estate Loans includes any exit fees.

The following table presents a reconciliation of our Securities and Loans Segment to our GAAP Securities and Loan Segment as of December 31, 2018 ($ in thousands):

Instrument	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3) (4)
Agency RMBS:							
30 Year Fixed Rate	$ 1,781,995	$ 1,832,745	$ (2,630)	$ 1,830,115	4.08%	3.66%	8.82
Fixed Rate CMO	44,418	44,745	(388)	44,357	3.00%	2.79%	3.95
Inverse Interest Only	310,065	52,952	(594)	52,358	3.68%	9.84%	6.83
Interest Only	370,679	62,132	(682)	61,450	3.55%	6.67%	5.20
Excess MSR (5)	3,723,025	27,043	263	27,306	N/A	10.45%	6.76
Total Agency RMBS	6,230,182	2,019,617	(4,031)	2,015,586	3.94%	3.98%	7.24
Credit Investments:							
Residential Investments							
Prime (6)	388,021	287,754	28,637	316,391	4.83%	7.19%	10.95
Alt-A/Subprime (6)	209,887	126,206	11,789	137,995	4.76%	6.81%	7.28
Credit Risk Transfer	144,215	144,409	5,259	149,668	6.13%	6.26%	5.97
Interest Only and Excess MSR (7)	337,908	3,373	(65)	3,308	0.63%	22.02%	5.51
Re/Non-Performing Loans	369,803	294,803	3,624	298,427	4.86%	7.71%	5.73
New Origination Loans	109,960	112,939	388	113,327	6.14%	5.06%	2.89
Total Residential Investments	1,559,794	969,484	49,632	1,019,116	4.58%	6.97%	7.01
Commercial Investments							
CMBS	172,095	131,159	(1,330)	129,829	6.14%	6.74%	3.64
Freddie Mac K-Series	202,176	70,590	14,694	85,284	5.89%	12.24%	9.56
Interest Only (8)	3,534,050	48,398	2,967	51,365	0.23%	6.87%	3.43
Commercial Real Estate Loans (9)	98,574	98,573	1	98,574	7.45%	7.65%	0.92
Total Commercial Investments	4,006,895	348,720	16,332	365,052	0.65%	8.29%	3.69
ABS	22,125	21,946	(786)	21,160	9.49%	10.22%	5.38
Total Credit Investments	5,588,814	1,340,150	65,178	1,405,328	1.66%	7.36%	4.62
Total: Securities and Loans Segment	$ 11,818,996	$ 3,359,767	$ 61,147	$ 3,420,914	2.41%	5.37%	6.00
Investments in Debt and Equity of Affiliates	$ 544,914	$ 212,349	$ 1,070	$ 213,419	3.29%	6.49%	5.10
Total: GAAP Securities and Loans Segment	$ 11,274,082	$ 3,147,418	$ 60,077	$ 3,207,495	2.38%	5.29%	6.04

(1) Refer to "Off-balance sheet arrangements" section below and Note 2 to the Notes of the Consolidated Financial Statements section for more detail on our what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheet and a discussion of Investments in debt and equity of affiliates.
(2) Equity residuals, principal only securities and Excess MSRs with a zero coupon rate are excluded from this calculation.
(3) Fixed Rate 30 Year TBA are excluded from this calculation.
(4) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(5) Excess MSRs whose underlying collateral is securitized in a trust held by a U.S. government agency or GSE.
(6) Non-Agency RMBS with credit scores above 700, between 700 and 620 and below 620 at origination are classified as Prime, Alt-A, and Subprime, respectively. The weighted average credit scores of our Prime and Alt-A/Subprime Non-Agency RMBS were 719 and 665, respectively.
(7) Excess MSRs whose underlying collateral is securitized in a trust not held by a U.S. government agency or GSE.
(8) Includes Freddie Mac K-Series interest-only bonds.
(9) Yield on Commercial Real Estate Loans includes any exit fees.

The following table presents the fair value ($ in thousands) and the CPR experienced on our GAAP Agency RMBS portfolio, on an annualized basis, as of the periods presented:

	Fair Value		CPR (1)(2)	
Agency RMBS	**September 30, 2019**	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
30 Year Fixed Rate	$ 2,721,688	$ 1,830,115	9.7%	4.0%
Fixed Rate CMO	—	44,357	—%	5.2%
ARM (3)	—	—	—%	11.4%
Inverse Interest Only	36,477	52,358	15.1%	6.8%
Interest Only	35,785	61,450	11.4%	8.6%
Total/Weighted Average	$ 2,793,950	$ 1,988,280	9.8%	4.4%

(1) Represents the weighted average monthly CPRs published during the quarters ended of September 30, 2019 and December 31, 2018 for our in-place portfolio as of the same period.
(2) Source: Bloomberg
(3) We held ARMs during the fourth quarter of 2018, but sold them prior to December 31, 2018.

The following table presents a break out of the fair value of our credit portfolio into securities and loans, and a reconciliation to our GAAP credit portfolio (in thousands):

	Fair Value	
	September 30, 2019	**December 31, 2018**
Non-Agency RMBS (1)	$ 819,360	$ 716,197
CMBS (2)	311,243	266,478
ABS	12,292	21,160
Total Credit securities	1,142,895	1,003,835
Residential loans (3)	550,409	302,919
Commercial real estate loans	146,518	98,574
Total loans	696,927	401,493
Total Credit investments	$ 1,839,822	$ 1,405,328
Less: Investments in Debt and Equity of Affiliates	$ 278,237	$ 212,555
Total GAAP Credit Portfolio	$ 1,561,585	$ 1,192,773

(1) Includes investments in Prime, Alt-A/Subprime, Credit Risk Transfer, Non-U.S RMBS, Interest-Only and Excess MSR, Re/Non-Performing Loans and New Origination Loans that are held in securitized form.
(2) Includes CMBS, Freddie Mac K-Series, and Interest-Only investments.
(3) Includes Re/Non-Performing Loans and New Origination Loans that are not held in securitized form.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of September 30, 2019 ($ in thousands). We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)
Pre 2009	$ 295,266	$ 211,660	$ 28,299	$ 239,959	5.06%	7.24%	12.17
2010	1,143	1,008	46	1,054	2.40%	6.67%	2.97
2011	5,165	4,541	117	4,658	4.54%	5.94%	4.95
2012	4,051	3,350	534	3,884	4.04%	6.85%	3.44
2013	69,930	11,388	1,532	12,920	2.07%	7.77%	2.52
2014	982,555	40,453	5,299	45,752	0.32%	10.48%	0.70
2015	908,038	106,623	20,181	126,804	0.85%	9.20%	4.06
2016	1,247,992	101,703	14,855	116,558	0.75%	8.50%	4.60
2017	791,328	177,814	8,780	186,594	1.36%	6.85%	5.25
2018	273,600	102,340	3,266	105,606	2.13%	5.73%	6.05
2019	978,938	292,114	6,992	299,106	2.01%	6.26%	2.19
Total: Credit Securities	$ 5,558,006	$ 1,052,994	$ 89,901	$ 1,142,895	1.29%	7.25%	3.94
Investments in Debt and Equity of Affiliates	$ 941,167	$ 99,380	$ 7,977	$ 107,357	0.70%	9.82%	2.29
Total: GAAP Basis	$ 4,616,839	$ 953,614	$ 81,924	$ 1,035,538	1.37%	6.99%	4.27

(1) Certain Re/Non-Performing Loans held in securitized form are recorded net of non-recourse securitized debt.
(2) Equity residual investments and principal only securities are excluded from this calculation.
(3) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Actual maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents certain information grouped by vintage as it relates to our credit securities portfolio as of December 31, 2018 ($ in thousands). We have also presented a reconciliation to GAAP.

Credit Securities:	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)
Pre 2009	$ 409,237	$ 279,978	$ 26,811	$ 306,789	4.98%	7.01%	10.79
2010	1,415	1,237	18	1,255	2.51%	6.14%	2.94
2011	6,144	5,405	5	5,410	4.31%	6.03%	5.00
2012	4,966	4,147	545	4,692	4.22%	6.30%	3.59
2013	71,948	13,662	1,569	15,231	2.04%	7.57%	2.89
2014	991,192	33,899	3,956	37,855	0.28%	10.42%	1.01
2015	1,140,335	112,805	16,128	128,933	0.74%	9.19%	4.36
2016	1,292,975	111,709	12,800	124,509	0.78%	8.11%	4.96
2017	833,086	211,172	3,817	214,989	1.64%	7.58%	5.46
2018	366,221	166,254	(2,082)	164,172	2.49%	7.35%	5.51
Total: Credit Portfolio	$ 5,117,519	$ 940,268	$ 63,567	$ 1,003,835	1.28%	7.73%	4.62
Investments in Debt and Equity of Affiliates	$ 271,780	$ 95,474	$ 466	$ 95,940	1.60%	8.26%	5.19
Total: GAAP Basis	$ 4,845,739	$ 844,794	$ 63,101	$ 907,895	1.26%	7.67%	4.59

(1) Certain Re/Non-Performing Loans held in securitized form are recorded net of non-recourse securitized debt.
(2) Equity residual investments and principal only securities are excluded from this calculation.
(3) This is based on projected life. Typically, actual maturities of mortgage-backed securities are shorter than stated contractual maturities. Actual maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The following table presents the fair value of our credit securities portfolio by credit rating as of September 30, 2019 and December 31, 2018 (in thousands):

Credit Rating - Credit Securities (1)	September 30, 2019 (2)	December 31, 2018 (2)
AAA	$ 13,319	$ 15,240
A	13,802	24,824
BBB	38,268	27,510
BB	113,984	71,678
B	177,014	146,753
Below B	114,308	144,962
Not Rated	672,200	572,868
Total: Credit Securities	$ 1,142,895	$ 1,003,835
Investments in Debt and Equity of Affiliates	$ 107,357	$ 95,940
Total: GAAP Basis	$ 1,035,538	$ 907,895

(1) Represents the minimum rating for rated assets of S&P, Moody and Fitch credit ratings, stated in terms of the S&P equivalent.
(2) Certain Re/Non-Performing Loans held in securitized form are recorded net of non-recourse securitized debt.

The following tables present the geographic concentration of the underlying collateral for our Non-Agency RMBS and CMBS portfolios ($ in thousands):

September 30, 2019

Non-Agency RMBS			CMBS (1)		
State	**Fair Value (2)**	**Percentage (2)**	**State**	**Fair Value**	**Percentage**
California	$ 153,340	21.4%	Texas	$ 37,082	11.9%
Florida	50,562	7.1%	California	33,978	10.9%
New York	42,313	5.9%	New York	25,712	8.3%
Colorado	36,218	5.1%	Florida	23,998	7.7%
Texas	31,083	4.3%	New Jersey	18,407	5.9%
Other	505,844	56.2%	Other	172,066	55.3%
Total	$ 819,360	100.0%	**Total**	$ 311,243	100.0%

(1) CMBS includes all commercial credit securities, including CMBS, Freddie Mac K-Series, and Interest-Only investments.
(2) Non-Agency RMBS fair value includes $56.5 million of investments where there was no data regarding the underlying collateral and $47.6 million of investments which are collateralized by non-U.S. mortgages. These positions were excluded from the percent calculation.

December 31, 2018

Non-Agency RMBS			CMBS (1)		
State	**Fair Value (2)**	**Percentage (2)**	**State**	**Fair Value**	**Percentage**
California	$ 149,417	23.4%	Texas	$ 29,064	10.9%
Florida	42,175	6.6%	California	26,174	9.8%
New York	40,667	6.4%	Florida	23,254	8.7%
Colorado	28,180	4.4%	New York	21,446	8.0%
Georgia	26,551	4.2%	New Jersey	20,756	7.8%
Other	429,207	55.0%	Other	145,784	54.8%
Total	$ 716,197	100.0%	**Total**	$ 266,478	100.0%

(1) CMBS includes all commercial credit securities, including CMBS, Freddie Mac K-Series, and Interest-Only investments.
(2) Non-Agency RMBS fair value includes $78.8 million of investments where there was no data regarding the underlying collateral. These positions were excluded from the percent calculation.

See Note 4 to the Consolidated Financial Statements (unaudited) for a breakout of geographic concentration of credit risk within loans we include in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

The following tables present certain information regarding credit quality for certain categories within our Non-Agency RMBS and CMBS portfolios ($ in thousands):

September 30, 2019

Non-Agency RMBS*

Category	Fair Value	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
Prime	$ 259,147	11.4%	135.4	9.4%
Alt-A/Subprime	144,619	12.3%	157.0	15.7%
Credit Risk Transfer	259,160	0.2%	14.9	1.5%

CMBS*

Category	Fair Value	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
CMBS	$ 168,018	0.2%	28.4	11.8%
Freddie Mac K Series	97,275	0.7%	47.2	0.5%

December 31, 2018

Non-Agency RMBS*

Category	Fair Value	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
Prime	$ 316,391	10.4%	133.2	11.9%
Alt-A/Subprime	137,995	14.6%	152.1	16.5%
Credit Risk Transfer	149,668	0.3%	24.0	1.2%

CMBS*

Category	Fair Value	Weighted Average 60+ Days Delinquent	Weighted Average Loan Age (Months)	Weighted Average Credit Enhancement
CMBS	$ 129,829	1.1%	29.6	13.6%
Freddie Mac K Series	85,284	0.7%	39.7	0.6%

*Sources: Intex, Trepp

The following table presents detail on our commercial real estate loan portfolio on September 30, 2019 ($ in thousands).

				Gross Unrealized			Weighted Average					
Loan (1)(2)	**Current Face**	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value**	**Coupon (3)**	**Yield (4)**	**Life (Years) (5)**	**Initial Stated Maturity Date**	**Extended Maturity Date (6)**	**Location**
Loan G (7)	$ 39,189	$ —	$ 39,189	$ —	$ —	$ 39,189	6.79%	6.79%	0.79	July 9, 2020	July 9, 2022	CA
Loan H (8)	36,000	—	36,000	—	—	36,000	6.03%	6.03%	0.45	March 9, 2019	March 9, 2020	AZ
Loan I (9)	9,435	(205)	9,230	205	—	9,435	12.54%	14.71%	1.30	February 9, 2021	February 9, 2023	MN
Loan J (10)	3,233	—	3,233	—	—	3,233	6.75%	6.75%	2.38	January 1, 2023	January 1, 2024	NY
Loan K (11)	7,661	—	7,661	—	—	7,661	11.10%	12.29%	1.89	May 22, 2021	February 22, 2024	NY
Loan L (12)	51,000	(508)	50,492	508	—	51,000	6.44%	6.75%	4.88	July 22, 2022	July 22, 2024	IL
	$ 146,518	$ (713)	$ 145,805	$ 713	$ —	$ 146,518	7.08%	7.39%	2.25			

(1) We have the contractual right to receive a balloon payment for each loan.
(2) Loan B paid off at par in Q3 2019 and we received $32.8 million of principal proceeds.
(3) Each commercial real estate loan investment has a variable coupon rate.
(4) Yield includes any exit fees.
(5) Actual maturities of commercial real estate loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(6) Represents the maturity date of the last possible extension option.
(7) Loan G is a first mortgage of up to $84.5 million, of which $39.2 million has been funded.
(8) Loan H is a first mortgage of up to $36.0 million, all of which has been funded. As of Q1 2019, Loan H has been extended to the extended maturity date.
(9) Loan I is a mezzanine loan of up to $20.0 million, of which $9.4 million has been funded.
(10) Loan J is a first mortgage of up to $30.0 million, of which $3.2 million had been funded.
(11) Loan K is comprised of a first mortgage and mezzanine loan of up to $15.0 million and $5.0 million, respectively. As of September 30, 2019, $5.8 million and $1.9 million of the first mortgage and mezzanine loan, respectively, have been funded.
(12) Loan L is comprised of a first mortgage and mezzanine loan of up to $45.9 million and $5.1 million, respectively, all of which has been funded.

The following table presents detail on our commercial real estate loan portfolio on December 31, 2018 ($ in thousands).

Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (2)	Weighted Average Yield (3)	Weighted Average Life (Years) (4)	Initial Stated Maturity Date	Extended Maturity Date (5)	Location
Loan B (6)	$ 32,800	$ —	$ 32,800	$ —	$ —	$ 32,800	7.13%	7.51%	0.52	July 1, 2016	July 1, 2019	TX
Loan F (7)	10,417	(1)	10,416	1	—	10,417	13.39%	14.02%	0.03	September 9, 2018	September 9, 2019	MN
Loan G (8)	19,357	—	19,357	—	—	19,357	7.14%	7.14%	1.54	July 9, 2020	July 9, 2022	CA
Loan H (9)	36,000	—	36,000	—	—	36,000	6.21%	6.21%	1.21	March 9, 2019	March 9, 2020	AZ
	$ 98,574	$ (1)	$ 98,573	$ 1	$ —	$ 98,574	7.45%	7.65%	0.92			

(1) We have the contractual right to receive a balloon payment for each loan.
(2) Each commercial real estate loan investment has a variable coupon rate.
(3) Yield includes any exit fees.
(4) Actual maturities of commercial real estate loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(5) Represents the maturity date of the last possible extension option.
(6) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively. As of December 31, 2018, Loan B has been extended to the extended maturity date shown above.
(7) Loan F is a mezzanine loan of up to $10.4 million, all of which has been funded. As of December 31, 2018, Loan F has been extended to January 2019. Loan F paid off at par in Q1 2019, and we received proceeds of $10.4 million.
(8) Loan G is a first mortgage loan of up to $75.0 million, of which $19.4 million has been funded.
(9) Loan H is a first mortgage loan of up to $36.0 million, all of which has been funded. As of Q1 2019, Loan H has been extended to the extended maturity date.

Single-Family Rental Properties Segment

The following table presents information by state on our SFR portfolio as of September 30, 2019.

State	Number of Properties (a)	Average Occupancy	Average Monthly Rent (b)	Average Monthly Rent PSF (b)	Percent of Rental Income (c)
South Carolina	435	93.6%	$ 1,103	$ 0.77	38.1%
Alabama	296	93.9%	1,012	0.67	23.9%
Georgia	209	89.5%	920	0.62	14.6%
North Carolina	120	95.0%	984	0.71	9.5%
Ohio	70	95.7%	1,090	0.79	6.2%
Indiana	49	91.8%	1,093	0.71	4.2%
Tennessee	43	93.0%	1,049	0.73	3.5%
Total	**1,222**	**93.1%**	**$ 1,036**	**$ 0.71**	**100.0%**

(a) Represents stabilized properties that have the ability to generate income as of September 30, 2019.
(b) Represents average monthly straight-line rents for occupied residences as of September 30, 2019.
(c) Represents the percentage of total straight-line rents for occupied residences in each state as of September 30, 2019.

The following table presents summarized information on our SFR portfolio as of December 31, 2018.

	Number of Properties (a)	Average Occupancy	Average Monthly Rent (b)	Average Monthly Rent PSF (b)	Percent of Rental Income (c)
Total	**1,225**	**87.9%**	**$ 1,020**	**$ 0.71**	**100.0%**

(a) Represents stabilized properties that have the ability to generate income as of December 31, 2018.
(b) Represents average straight-line rents for occupied residences as of December 31, 2018.
(c) Represents the percentage of total straight-line rents for occupied residences in each state as of December 31, 2018.

Financing activities

We use leverage to purchase real estate, real estate securities, and loans in our investment portfolio. In 2019 and 2018, our leverage has primarily been in the form of repurchase agreements, facilities, and securitized debt. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." The size of the haircut reflects the perceived risk associated with the pledged asset. Haircuts may change as our financing arrangements mature or roll and are sensitive to governmental regulations. We did not experience fluctuations in our haircuts that caused us to alter our business and financing strategies for the three and nine months ended September 30, 2019, but we continue to monitor the regulatory environment, which may influence the timing and amount of our financing activity. We seek to obtain financing from multiple different counterparties in order to reduce our financing risk related to any single counterparty. We had outstanding debt with 32 and 31 counterparties at September 30, 2019 and December 31, 2018, respectively.

The vast majority of our financing arrangements are repurchase agreements. Our repurchase agreements are accounted for as financings and require the repurchase of the transferred securities or loans or repayment of the advance at the end of each agreement's term, typically 30 to 90 days. If we maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we receive the related principal and interest payments. If we do not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, we will have the related principal and interest payments remitted to us by the lender. Interest rates on borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time we may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. In response to declines in fair value of pledged assets due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically require us to post additional assets as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. As of September 30, 2019 and December 31, 2018, we have met all margin call requirements.

For the nine months ended September 30, 2019, we noted changes in the spread of our financing arrangements. The Fed elected to cut the federal funds rate by a total of 50 basis points during Q3 2019. As a result, our cost of financing decreased from 3.19% at December 31, 2018 to 2.77% at September 30, 2019.

The following table presents the quarter-end balance, average quarterly balance and maximum balance at any month-end for our (i) financing arrangements on our investment portfolio, U.S Treasury securities, and FHLBC Advances ("Non-GAAP Basis" below), and (ii) financing arrangements through affiliated entities, excluding any financing utilized in our investment in AG Arc, with a reconciliation of all quarterly figures to GAAP ("GAAP Basis" below) (in thousands). Refer to the "Hedging Activities" section below for more information on repurchase agreements secured by U.S. Treasury securities.

Quarter Ended	Quarter-End Balance	Average Quarterly Balance	Maximum Balance at Any Month-End
September 30, 2019			
Non-GAAP Basis	$ 3,822,951	$ 3,403,719	$ 3,822,951
Less: Investments in Debt and Equity of Affiliates	195,949	238,144	279,478
GAAP Basis	$ 3,627,002	$ 3,165,575	$ 3,543,473
June 30, 2019			
Non-GAAP Basis	$ 3,176,519	$ 3,268,591	$ 3,365,461
Less: Investments in Debt and Equity of Affiliates	183,286	216,024	238,045
GAAP Basis	$ 2,993,233	$ 3,052,567	$ 3,127,416
March 31, 2019			
Non-GAAP Basis	$ 3,392,457	$ 3,171,994	$ 3,392,456
Less: Investments in Debt and Equity of Affiliates	177,548	174,672	179,524
GAAP Basis	$ 3,214,909	$ 2,997,322	$ 3,212,932
December 31, 2018			
Non-GAAP Basis	$ 2,962,244	$ 2,953,741	$ 2,968,859

Less: Investments in Debt and Equity of Affiliates	139,739	125,851	139,739
GAAP Basis	$ 2,822,505	$ 2,827,890	$ 2,829,120
September 30, 2018			
Non-GAAP Basis	$ 3,015,530	$ 2,896,931	$ 3,015,530
Less: Investments in Debt and Equity of Affiliates	102,149	92,833	102,149
GAAP Basis	$ 2,913,381	$ 2,804,098	$ 2,913,381
June 30, 2018			
Non-GAAP Basis	$ 2,719,376	$ 2,792,123	$ 2,932,186
Less: Investments in Debt and Equity of Affiliates	85,194	170,006	213,489
GAAP Basis	$ 2,634,182	$ 2,622,117	$ 2,718,697
March 31, 2018			
Non-GAAP Basis	$ 3,035,398	$ 2,954,404	$ 3,043,392
Less: Investments in Debt and Equity of Affiliates	208,819	77,309	208,819
GAAP Basis	$ 2,826,579	$ 2,877,095	$ 2,834,573
December 31, 2017			
Non-GAAP Basis	$ 3,011,591	$ 2,882,548	$ 3,011,591
Less: Investments in Debt and Equity of Affiliates	7,184	8,849	9,807
GAAP Basis	$ 3,004,407	$ 2,873,699	$ 3,001,784
September 30, 2017			
Non-GAAP Basis	$ 2,703,069	$ 2,596,533	$ 2,746,151
Less: Investments in Debt and Equity of Affiliates	8,517	8,697	8,869
GAAP Basis	$ 2,694,552	$ 2,587,836	$ 2,737,282
June 30, 2017			
Non-GAAP Basis	$ 2,265,227	$ 2,209,991	$ 2,339,133
Less: Investments in Debt and Equity of Affiliates	8,485	8,806	9,116
GAAP Basis	$ 2,256,742	$ 2,201,185	$ 2,330,017
March 31, 2017			
Non-GAAP Basis	$ 1,887,767	$ 1,813,668	$ 1,887,766
Less: Investments in Debt and Equity of Affiliates	8,424	8,788	9,172
GAAP Basis	$ 1,879,343	$ 1,804,880	$ 1,878,594
December 31, 2016			
Non-GAAP Basis	$ 1,910,509	$ 1,972,785	$ 2,009,130
Less: Investments in Debt and Equity of Affiliates	9,999	10,525	11,019
GAAP Basis	$ 1,900,510	$ 1,962,260	$ 1,998,111
September 30, 2016			
Non-GAAP Basis	$ 2,237,849	$ 2,242,396	$ 2,275,368
Less: Investments in Debt and Equity of Affiliates	11,485	12,147	12,843
GAAP Basis	$ 2,226,364	$ 2,230,249	$ 2,262,525

The balance on our financing arrangements can reasonably be expected to (i) increase as the size of our investment portfolio increases primarily through equity capital raises and as we increase our investment allocation to Agency RMBS and (ii) decrease as the size of our portfolio decreases through asset sales, principal paydowns, and as we increase our investment allocation to credit investments. Credit investments and investments in SFR, due to their risk profile, have lower leverage ratios than Agency RMBS, which restricts our financing counterparties from providing as much financing to us and lowers the balance of our total financing.

Financing arrangements on our investment portfolio

As of September 30, 2019 and December 31, 2018, we have entered into financing arrangements on our investment portfolio with 45 and 44 counterparties under which we had outstanding debt with 32 and 31 counterparties, respectively, inclusive of financing arrangements in affiliated entities. See Note 8 to the "Notes to Consolidated Financial Statements (unaudited)" for a description of our material financing arrangements.

Our financing arrangements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each MRA, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

The following table presents a summary of financing arrangements on our investment portfolio as of September 30, 2019 and December 31, 2018 (in thousands).

	September 30, 2019	December 31, 2018
Repurchase agreements	$ 3,478,021	$ 2,650,898
Term loan, net	102,014	102,017
Revolving facilities	242,916	209,329
Total: Non-GAAP Basis	$ 3,822,951	$ 2,962,244
Investments in Debt and Equity of Affiliates	$ 195,949	$ 139,739
Total: GAAP Basis	$ 3,627,002	$ 2,822,505

The following table presents a summary of financing arrangements on our Investment Portfolio, by segment, as of September 30, 2019 ($ in thousands):

	Securities and Loans Segment				Single-Family Rental Properties Segment			
	Agency		Credit		SFR		Total	
Financing Arrangements Maturing Within: (1)	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost
Overnight	$ 111,793	2.55%	$ —	—	$ —	—	$ 111,793	2.55%
30 days or less	2,163,107	2.31%	615,924	3.11%	—	—	2,779,031	2.49%
31-60 days	248,955	2.62%	199,185	3.00%	—	—	448,140	2.79%
61-90 days	—	—	47,364	3.24%	—	—	47,364	3.24%
91-180 days	—	—	123,594	4.70%	—	—	123,594	4.70%
Greater than 180 days	—	—	211,015	4.27%	102,014	4.81%	313,029	4.45%
Total: Non-GAAP Basis	$ 2,523,855	2.35%	$ 1,197,082	3.47%	$ 102,014	4.81%	$ 3,822,951	2.77%
Investments in Debt and Equity of Affiliates	$ —	—	$ 195,949	4.48%	$ —	—	$ 195,949	4.48%
Total: GAAP Basis	$ 2,523,855	2.35%	$ 1,001,133	3.27%	$ 102,014	4.81%	$ 3,627,002	2.67%

(1) As of September 30, 2019, our weighted average days to maturity is 98 days and our weighted average original days to maturity is 149 days on a GAAP Basis. As of September 30, 2019, our weighted average days to maturity is 101 days and our weighted average original days to maturity is 172 days on a Non-GAAP Basis.

The following table presents a summary of financing arrangements on our Investment Portfolio, by segment, as of December 31, 2018 ($ in thousands):

	Securities and Loans Segment				Single-Family Rental Properties Segment			
	Agency		Credit		SFR		Total	
Financing Arrangements Maturing Within: (1)	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost	Balance	Weighted Average Funding Cost
Overnight	$ 52,385	3.92%	$ —	—	$ —	—	$ 52,385	3.92%
30 days or less	1,093,948	2.51%	482,281	3.52%	—	—	1,576,229	2.82%
31-60 days	658,721	2.57%	274,968	4.55%	—	—	933,689	3.16%
61-90 days	—	—	46,594	3.89%	—	—	46,594	3.89%
91-180 days	—	—	13,699	6.01%	—	—	13,699	6.01%
Greater than 180 days	—	—	237,631	4.56%	102,017	4.80%	339,648	4.64%
Total: Non-GAAP Basis	$ 1,805,054	2.57%	$ 1,055,173	4.07%	$ 102,017	4.80%	$ 2,962,244	3.18%
Investments in Debt and Equity of Affiliates	$ —	—	$ 139,739	5.79%	$ —	—	$ 139,739	5.79%
Total: GAAP Basis	$ 1,805,054	2.57%	$ 915,434	3.81%	$ 102,017	4.80%	$ 2,822,505	3.04%

(1) As of December 31, 2018, our weighted average days to maturity is 143 days and our weighted average original days to maturity is 218 days on a GAAP Basis. As of December 31, 2018, our weighted average days to maturity is 142 days and our weighted average original days to maturity is 226 days on a Non-GAAP Basis.

Repurchase agreements

The following table presents, as of September 30, 2019, a summary of repurchase agreements on our real estate securities ($ in thousands). It also reconciles these items to GAAP:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight	$ 111,793	2.55%	2.55%	1	3.2%
30 days or less	2,774,778	2.49%	2.49%	13	8.3%
31-60 days	421,488	2.75%	2.75%	47	9.6%
61-90 days	47,364	3.24%	3.24%	67	21.8%
Greater than 180 days	24,623	4.12%	4.12%	379	24.2%
Total: Non-GAAP Basis	$ 3,380,046	2.54%	2.54%	20	8.6%
Investments in Debt and Equity of Affiliates	$ 61,870	4.14%	4.14%	105	30.5%
Total: GAAP Basis	$ 3,318,176	2.52%	2.52%	18	8.2%

The following table presents, as of December 31, 2018, a summary of repurchase agreements on our real estate securities ($ in thousands). It also reconciles these items to GAAP:

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Overnight	$ 52,385	3.92%	3.92%	2	3.0%
30 days or less	1,576,229	2.82%	2.82%	9	9.9%
31-60 days	852,017	2.85%	2.85%	46	8.1%
61-90 days	46,594	3.89%	3.89%	72	21.4%
91-180 days	13,699	6.01%	6.01%	178	38.1%
Greater than 180 days	26,212	4.71%	4.77%	556	21.9%
Total: Non-GAAP Basis	$ 2,567,136	2.91%	2.91%	29	9.7%
Investments in Debt and Equity of Affiliates	$ 55,025	4.94%	4.97%	258	27.1%
Total: GAAP Basis	$ 2,512,111	2.86%	2.86%	24	9.3%

The increase in the balance of our repurchase agreements from December 31, 2018 to September 30, 2019 is due primarily to financing added on agency securities purchased during the period.

The following table presents, as of September 30, 2019, a summary of repurchase agreements on our Re/Non-performing loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
30 days or less	$ 4,253	3.27%	3.27%	16	23.0%
61-90 days	24,589	3.34%	3.34%	58	32.8%
Greater than 180 days	67,050	3.85%	4.16%	455	18.4%
Total: GAAP Basis	$ 95,892	3.69%	3.91%	334	22.3%

The following table presents, as of December 31, 2018, a summary of repurchase agreements on our Re/Non-performing loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$ 83,762	4.27%	4.37%	728	15.6%

The increase in the balance of our repurchase agreements from December 31, 2018 to September 30, 2019 on our Re/Non-performing loans is due primarily to financing added on loans purchased in 2019.

The following table presents, as of September 30, 2019, a summary of repurchase agreements on our commercial real estate loans ($ in thousands).

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Days to Maturity	Weighted Average Haircut
Greater than 180 days	$ 2,083	4.81%	6.71%	1,189	35.6%

There were no repurchase agreements on commercial real estate loans as of December 31, 2018.

Financing facilities

The following table presents information regarding our term loan and revolving facilities as of September 30, 2019 and December 31, 2018 ($ in thousands). It also reconciles these items to GAAP.

			September 30, 2019				December 31, 2018		
Facility	**Investment**	**Maturity Date**	**Rate**	**Funding Cost (2)**	**Balance**	**Maximum Aggregate Borrowing Capacity**	**Rate**	**Funding Cost (2)**	**Balance**
Term loan facility, net (1)	Single-family rental properties	October 10, 2023	4.63%	4.81%	$ 102,014	$ 102,866	4.63%	4.80%	$ 102,017
Revolving facility A (4)(5)	Commercial loans	July 1, 2019	—	—	$ —	$ —	4.66%	4.66%	$ 21,796
Revolving facility B (3)(4)	Re/Non-performing loans	June 28, 2021	4.05%	4.05%	23,221	110,000	4.53%	4.54%	63,328
Revolving facility C (3)(4)	Commercial loans	August 10, 2023	4.27%	4.42%	85,616	100,000	4.53%	4.80%	39,491
Revolving facility D (3)(4)(6)	New origination loans	February 18, 2020	3.87%	4.70%	123,594	245,245	5.00%	6.37%	81,671
Revolving facility E (4)	Re/Non-performing loans	November 25, 2019	4.39%	4.39%	2,063	2,063	4.88%	4.88%	3,043
Revolving facility F (4)	Re/Non-performing loans	July 25, 2021	3.77%	3.77%	8,422	14,120	—	—	—
Total revolving facilities					$ 242,916	$ 471,428			$ 209,329
Total: Non-GAAP Basis					$ 344,930	$ 574,294			$ 311,346
Investments in Debt and Equity of Affiliates					$ 134,079	$ 261,428			$ 84,714
Total: GAAP Basis					$ 210,851	$ 312,866			$ 226,632

(1) As of September 30, 2019 and December 31, 2018, the total borrowings under the term loan was $102.9 million and $103.0 million, respectively, which is shown net of deferred financing costs of $0.9 million and $1.0 million, respectively.
(2) Funding costs represent the stated rate inclusive of any deferred financing costs.
(3) Increasing our borrowing capacity under this facility requires consent of the lender.
(4) Under the terms of our financing agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
(5) This facility was paid off in July 2019.
(6) Subsequent to quarter end, the maximum borrowing capacity on this facility decreased to $211.8 million.

The increase in our Revolving facility C balance from December 31, 2018 to September 30, 2019 is due primarily to the financing obtained to purchase certain commercial real estate loans during the period. The increase in our Revolving facility D balance from December 31, 2018 to September 30, 2019 is due primarily to the financing obtained by MATT since December 31, 2018 in order to acquire New Origination Loans.

Other financing transactions

In 2014, we entered into a resecuritization transaction, pursuant to which we created a special purpose entity ("SPE") to facilitate the transaction. We determined that the SPE was a variable interest entity ("VIE") and that the VIE should be consolidated by us under ASC 810-10. The transferred assets were recorded as a secured borrowing (the "Consolidated December 2014 VIE"). See Note 2 to the Notes to Consolidated Financial Statements (unaudited) for more detail on Consolidated December 2014 VIE.

The following table details certain information related to the Consolidated December 2014 VIE as of September 30, 2019 ($ in thousands):

	Current Face	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (1)
Consolidated tranche (2)	$ 7,976	$ 7,999	3.85%	4.27%	2.06
Retained tranche	8,182	6,867	5.24%	18.54%	7.76
Total resecuritized asset (3)	$ 16,158	$ 14,866	4.55%	10.86%	4.95

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of September 30, 2019, we have recorded secured financing of $8.0 million on our consolidated balance sheets in the "Securitized debt, at fair value" line item. We recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.
(3) As of September 30, 2019, the fair market value of the total resecuritized asset is included on our consolidated balance sheets as "Non-Agency RMBS."

The following table details certain information related to the Consolidated December 2014 VIE as of December 31, 2018 ($ in thousands):

	Current Face	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (1)
Consolidated tranche (2)	$ 10,821	$ 10,858	4.10%	4.47%	2.39
Retained tranche	8,401	6,550	4.61%	18.50%	8.37
Total resecuritized asset (3)	$ 19,222	$ 17,408	4.32%	9.75%	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) As of December 31, 2018, we have recorded secured financing of $10.9 million on our consolidated balance sheets in the "Securitized debt, at fair value" line item. We recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.
(3) As of December 31, 2018, the fair market value of the total resecuritized asset is included on our consolidated balance sheets as "Non-Agency RMBS."

In August 2019, we entered into a securitization transaction of certain of our residential mortgage loans, pursuant to which we created an SPE to facilitate the transaction. We determined that the SPE was a VIE and that the VIE should be consolidated by us under ASC 810-10. The transferred assets were recorded as a secured borrowing (the "Consolidated August 2019 VIE"). See Note 2 to the Notes to Consolidated Financial Statements (unaudited) for more detail on the Consolidated August 2019 VIE.

The following table details certain information related to the Consolidated August 2019 VIE as of September 30, 2019 ($ in thousands):

	Current Unpaid Principal Balance	Fair Value	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years) (1)
Residential mortgage loans (2)	$ 268,455	$ 259,914	4.51%	5.29%	7.43
Securitized debt (3)	221,882	221,568	2.82%	2.87%	6.21

(1) This is based on projected life. Typically, actual maturities of investments and loans are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.
(2) This represents all loans contributed to the consolidated VIE.
(3) As of September 30, 2019, we have recorded secured financing of $221.6 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. We recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.

We did not have an interest in the Consolidated August 2019 VIE as of December 31, 2018.

Leverage

We define GAAP leverage as the sum of (1) our GAAP financing arrangements, (2) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, and (3) securitized debt, at fair value. We define Economic Leverage, a non-GAAP metric, as the sum of: (i) our GAAP leverage, exclusive of any non-recourse financing arrangements, (ii) financing arrangements held through affiliated entities, exclusive of any financing utilized through AG Arc, any adjustment related to unsettled trades as described in (2) in the above paragraph, and any non-recourse financing arrangements and (iii) our net TBA position (at cost). Our calculations of GAAP leverage and Economic Leverage exclude financing arrangements and net receivables/payables on unsettled trades pertaining to U.S. Treasury securities due to the highly liquid and temporary nature of these investments.

Historically, we reported non-GAAP "At-Risk" leverage, which included non-recourse financing arrangements, but we believe that the adjustments made to our GAAP leverage in order to compute Economic Leverage, including the exclusion of non-recourse financing arrangements, allow investors the ability to identify and track the leverage metric that management uses to evaluate and operate the business. Our obligation to repay our non-recourse financing arrangements is limited to the value of the pledged collateral thereunder and does not create a general claim against us as an entity.

The calculations in the tables below divide GAAP leverage and Economic Leverage by our GAAP stockholders' equity to derive our leverage ratios. The following tables present a reconciliation of our Economic Leverage ratio back to GAAP ($ in thousands).

September 30, 2019	**Leverage**	**Stockholders' Equity**	**Leverage Ratio**
GAAP Leverage	$ 3,868,362	$ 834,173	4.6x
Non-recourse financing arrangements, net*	(331,581)		
Financing arrangements through affiliated entities	195,949		
Net TBA receivable/(payable) adjustment	154,042		
Economic Leverage	$ 3,886,772	$ 834,173	4.7x

* Non-recourse financing arrangements, net includes securitized debt and our term loan.

December 31, 2018	**Leverage**	**Stockholders' Equity**	**Leverage Ratio**
GAAP Leverage	$ 2,833,363	$ 656,011	4.3x
Non-recourse financing arrangements, net*	(112,875)		
Financing arrangements through affiliated entities	155,888		
Economic Leverage	$ 2,876,376	$ 656,011	4.4x

* Non-recourse financing arrangements, net includes securitized debt and our term loan.

Hedging activities

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we utilize derivative instruments, including interest rate swaps, swaption agreements, futures, and other financial instruments such as short positions in U.S. Treasury securities, in an effort to hedge the interest rate risk associated with the financing of our Securities and Loans Segment. Specifically, we may seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in interest rates. We also use foreign currency forward contracts to manage foreign currency risk and to protect the value or to fix the amount of certain investments or cash flows in terms of U.S. dollars. In utilizing leverage and interest rate derivatives, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the costs of our financing and hedging. Derivatives have not been designated as hedging instruments for GAAP. We do not hedge the financing on our Single-Family Rental Properties Segment. Refer to the tables below for a summary of our derivative instruments.

Our centrally cleared trades require that we post an "initial margin" to our counterparties of an amount determined by the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"), the central clearinghouses ("CCPs") through which those trades are cleared, which is generally intended to be set at a level sufficient to protect the CCPs from the maximum estimated single-day price movement in that market participant’s contracts. We also exchange cash "variation margin" with our counterparties on our centrally cleared trades based upon daily changes in the fair value as measured by the CCPs. Beginning in the first quarter of 2017, as a result of an amendment to the CCPs' rule book, which governs their central clearing activities, the daily exchange of variation margin associated with a CCP instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, beginning in 2017, we account for the daily receipt or payment of variation margin associated with our centrally cleared interest rate swaps and futures as a direct reduction to the carrying value of the interest rate swap and future derivative asset or liability, respectively. Beginning in 2017, the carrying amount of centrally cleared interest rate swaps and futures reflected in our consolidated balance sheets is equal to the unsettled fair value of such instruments. See Note 9 in the Notes to Consolidated Financial Statements for more information.

The following table presents the fair value of our derivative and other instruments and their balance sheet location at September 30, 2019 and December 31, 2018 (in thousands).

Derivatives and Other Instruments (1)	**Hedge Designation**	**Balance Sheet Location**	**September 30, 2019**	**December 31, 2018**
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other assets	$ 276	$ 1,406
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other liabilities	(210)	(317)
Pay Fix/Receive Float Interest Rate Swap Agreements	Non-Hedge	Investments in debt and equity of affiliates	(92)	—
Payer Swaptions	Non-Hedge	Other assets	1,944	323
Short positions on U.S. Treasuries	Non-Hedge	Other liabilities (3)	—	(11,378)

(1) As of September 30, 2019, we applied a reduction in fair value of $31.3 thousand and $35.2 thousand to our British Pounds Futures assets and U.S. Treasury Futures liabilities, respectively, related to variation margin. As of December 31, 2018, we applied a fair value reduction of $0.1 million and $1.0 million to our U.S. Treasury Futures assets and Eurodollar Future liabilities, respectively, related to variation margin.

(2) As of September 30, 2019, we applied a reduction in fair value of $2.3 million and $5.3 million to our interest rate swap assets and liabilities, respectively, related to variation margin. As of December 31, 2018, we applied a reduction in fair value of $26.0 million and $18.1 million to our interest rate swap assets and liabilities, respectively, related to variation margin.

(3) Short positions on U.S. Treasuries relate to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item on our consolidated statement of operations.

The following table summarizes the notional amount of certain of our non-hedge derivatives and other instruments (in thousands).

Notional amount of non-hedge derivatives and other instruments:	Notional Currency	September 30, 2019	December 31, 2018
Pay Fix/Receive Float Interest Rate Swap Agreements (1)	USD	$ 1,437,930	$ 1,963,500
Payer Swaptions	USD	895,000	260,000
Long positions on U.S. Treasury Futures (2)	USD	25,000	30,000
Short positions on Eurodollar Futures (3)	USD	—	500,000
Short positions on British Pound Futures (4)	GBP	6,438	—
Short positions on U.S. Treasuries	USD	—	11,250

(1) As of September 30, 2019, there were $89.2 million notional amount of pay fix/receive float interest rate swap agreements held through Investments in Debt and Equity of Affiliates. As of December 31, 2018, there was no notional amount of pay fix/receive float interest rate swap agreements held through Investments in Debt and Equity of Affiliates.
(2) Each U.S. Treasury Future contract embodies $100,000 of notional value.
(3) Each Eurodollar Future contract embodies $1,000,000 of notional value.
(4) Each British Pound Future contract embodies £62,500 of notional value.

The following table summarizes gains/(losses) related to derivatives and other instruments (in thousands). It also reconciles these items to GAAP.

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Included within Unrealized gain/(loss) on derivative and other instruments, net				
Interest Rate Swaps	$ 4,535	$ 5,921	$ (15,229)	$ 47,783
Eurodollar Futures	233	—	1,001	—
Swaptions	531	(449)	(243)	(481)
U.S. Treasury Futures	(37)	573	(181)	464
British Pound Futures	31	—	31	—
U.S. Treasuries	—	28	82	(66)
	5,293	6,073	(14,539)	47,700
Included within Net realized gain/(loss)				
Interest Rate Swaps	(19,965)	7,925	(61,045)	13,787
Eurodollar Futures	107	—	(1,122)	—
Swaptions	—	—	(861)	51
U.S. Treasury Futures	(510)	(5)	(139)	735
British Pound Futures	(138)	—	(138)	—
U.S. Treasuries	231	—	(18)	131
	(20,275)	7,920	(63,323)	14,704
Total income/(loss) - Non-GAAP Basis	$ (14,982)	$ 13,993	$ (77,862)	$ 62,404
Total income/(loss) - Investments in Debt and Equity of Affiliates	$ (2,026)	$ —	$ (2,026)	$ —
Total income/(loss) - GAAP Basis	$ (12,956)	$ 13,993	$ (75,836)	$ 62,404

The following table summarizes the weighted average life of our non-hedge derivatives and other instruments:

Weighted Average Life (Years) on non-hedge derivatives and other instruments	September 30, 2019	December 31, 2018
Interest rate swaps (1)	4.21	5.57
Swaptions	0.61	0.60
Short positions on Eurodollar Futures	—	1.95
Great British Pounds Futures Short	0.21	—
Long positions on U.S. Treasury Futures	0.22	0.22
Short positions on U.S. Treasuries	—	2.88

(1) As of September 30, 2019, the weighted average life of interest rate swaps on a GAAP basis was 4.29 and the weighted average life of interest rate swaps held through Investments in Debt and Equity of Affiliates was 2.97. As of December 31, 2018, there were no interest rate swaps held through Investments in Debt and Equity of Affiliates.

Interest rate swaps

To help mitigate exposure to increases in interest rates, we use currently-paying and may use forward-starting, one- or three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement helps hedge our exposure to higher interest rates because the variable-rate payments received on the swap agreements help to offset additional interest accruing on the related borrowings due to the higher interest rate, leaving the fixed-rate payments to be paid on the swap agreements as our effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the swap agreements and actual borrowing rates.

As of September 30, 2019, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about our interest rate swaps as of September 30, 2019 ($ in thousands). It also reconciles these items to GAAP.

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.25%	0.45
2022	682,180	1.65%	2.17%	2.90
2023	5,750	3.19%	2.24%	4.10
2024	375,000	1.51%	2.14%	4.94
2026	180,000	1.50%	2.12%	6.95
2029	90,000	1.74%	2.16%	9.97
Total/Wtd Avg: Non-GAAP Basis	$ 1,437,930	1.70%	2.16%	4.49
Investments in Debt and Equity of Affiliates	$ 89,180	1.60%	2.16%	2.97
Total/Wtd Avg: GAAP Basis	$ 1,348,750	1.60%	2.16%	4.29

As of December 31, 2018, our interest rate swap positions consisted of pay-fixed interest rate swaps. The following table presents information about our interest rate swaps as of December 31, 2018 ($ in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate	Weighted Average Receive-Variable Rate	Weighted Average Years to Maturity
2020	$ 105,000	1.54%	2.56%	1.20
2021	58,500	3.00%	2.63%	2.76
2022	478,000	1.87%	2.72%	3.58
2023	403,000	3.05%	2.64%	4.65
2024	230,000	2.06%	2.63%	5.50
2025	125,000	2.87%	2.70%	6.38
2026	75,000	2.12%	2.66%	7.89
2027	264,000	2.35%	2.66%	8.68
2028	225,000	2.96%	2.69%	9.37
Total/Wtd Avg	$ 1,963,500	2.41%	2.67%	5.57

Dividends

We intend to continue to make regular quarterly distributions to holders of our common stock if and to the extent authorized by our Board of Directors. Federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT ordinary taxable income, without regard to the deduction for dividends paid and excluding net capital gains and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our financing arrangements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, prior to the time we have fully deployed the net proceeds of our follow-on offerings to acquire assets in our target asset classes we may fund our quarterly distributions out of such net proceeds.

As mentioned above, our distribution requirements are based on taxable income rather than GAAP net income. The primary differences between taxable income and GAAP net income include (i) unrealized gains and losses associated with investment and derivative portfolios which are marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) temporary differences related to amortization of premiums and discounts paid on investments, (iii) the timing and amount of deductions related to stock-based compensation, (iv) temporary differences related to the recognition of realized gains and losses on sold investments and certain terminated derivatives, (v) taxes and (vi) methods of depreciation. Undistributed taxable income is based on current estimates and is not finalized until we file our annual tax return, typically in September of the following year. As of September 30, 2019, we had estimated undistributed taxable income of approximately $1.11 per share.

The following tables detail our common stock dividends during the nine months ended September 30, 2019 and September 30, 2018:

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50
6/14/2019	6/28/2019	7/31/2019	0.50
9/6/2019	9/30/2019	10/31/2019	0.45
Total			**$ 1.45**

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475
6/18/2018	6/29/2018	7/31/2018	0.500
9/14/2018	9/28/2018	10/31/2018	0.500
Total			**$ 1.475**

The following tables detail our preferred stock dividends on our 8.25% Series A and 8.00% Series B Preferred Stock during the nine months ended September 30, 2019 and September 30, 2018. The first dividend on our 8.000% Series C Preferred Stock will be payable on or about December 17, 2019.

2019

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/15/2019	2/28/2019	3/18/2019	$ 0.51563
8.25% Series A	5/17/2019	5/31/2019	6/17/2019	0.51563
8.25% Series A	8/16/2019	8/30/2019	9/17/2019	0.51563
Total				**$ 1.54689**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/15/2019	2/28/2019	3/18/2019	$ 0.50
8.00% Series B	5/17/2019	5/31/2019	6/17/2019	0.50
8.00% Series B	8/16/2019	8/30/2019	9/17/2019	0.50
Total				**$ 1.50**

2018

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2018	2/28/2018	3/19/2018	$ 0.51563
8.25% Series A	5/15/2018	5/31/2018	6/18/2018	0.51563
8.25% Series A	8/16/2018	8/31/2018	9/17/2018	0.51563
Total				**$ 1.54689**

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2018	2/28/2018	3/19/2018	$ 0.50
8.00% Series B	5/15/2018	5/31/2018	6/18/2018	0.50
8.00% Series B	8/16/2018	8/31/2018	9/17/2018	0.50
Total				**$ 1.50**

Liquidity and capital resources

Our liquidity determines our ability to meet our cash obligations, including commitments to make distributions to our stockholders, pay our expenses, finance our investments and satisfy other general business needs. Our principal sources of cash as of September 30, 2019 consisted of borrowings under financing arrangements, payments of principal and interest we receive on our Agency RMBS and credit portfolio, cash generated from our operating results, and proceeds from capital market transactions. We typically use cash to repay principal and interest on our financing arrangements, to purchase real estate securities, loans and other real estate related assets, to make dividend payments on our capital stock, and to fund our operations. At September 30, 2019, we had $147.1 million available to support our liquidity needs, comprised of $31.5 million of cash and $115.6 million of Agency fixed rate securities and CMOs that have not been pledged as collateral under any of our financing arrangements. Refer to the "Contractual obligations" section of this Item 2 for additional obligations that could impact our liquidity.

Leverage

The amount of leverage we may deploy for particular assets depends upon our Manager's assessment of the credit and other risks of those assets, and also depends on any limitations placed upon us through covenants contained in our financing arrangements. We generate income principally from the yields earned on our investments and, to the extent that leverage is deployed, on the difference between the yields earned on our investments and our cost of borrowing and the cost of any hedging activities. Subject to maintaining both our qualification as a REIT for U.S. federal income tax purposes and our Investment Company Act exemption, to the extent leverage is deployed, we may use a number of sources to finance our investments.

As of September 30, 2019, we had financing arrangements with 45 counterparties, allowing us to utilize leverage in our operations. As of September 30, 2019, we had debt outstanding of $3.8 billion from 32 counterparties, inclusive of financing arrangements through affiliated entities. The borrowings under financing arrangements have maturities between October 1, 2019 and October 10, 2023. These agreements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each lending agreement, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios. If we fail to meet or satisfy any covenants, supplemental terms or representations and warranties, we would be in default under these agreements and our lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable, enforce their respective interests against collateral pledged under such agreements and restrict our ability to make additional borrowings. Certain financing arrangements may contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default.

Under our financing arrangements, we may be required to pledge additional assets to our lenders in the event the estimated fair value of the existing pledged collateral under such agreements declines and such lenders demand additional collateral, which may take the form of additional securities or cash. Certain securities that are pledged as collateral under our financing arrangements are in unrealized loss positions.

See "Financing arrangements on our investment portfolio" section above for information on the contractual maturity of our financing arrangements at September 30, 2019 and December 31, 2018.

As described above in the "Financing activities" section of this Item 2, we entered into a resecuritization transaction in 2014 that resulted in the consolidation of the VIE created with the SPE. We recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows. See Note 3 to the Notes to Consolidated Financial Statements (unaudited) for more detail.

As described above in the "Financing activities" section of this Item 2, we entered into a securitization transaction of certain of our residential mortgage loans in August 2019 that resulted in the consolidation of the VIE created with the SPE. We recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows. See Note 4 to the Notes to Consolidated Financial Statements (unaudited) for more detail.

The following table presents information at September 30, 2019 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders' equity at risk with a reconciliation back to GAAP ($ in thousands).

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 68,691	129	8.2%
Citigroup Global Markets Inc.	48,091	25	5.8%

(a) Represents stockholders' equity at risk, weighted average maturity and percentage of stockholders' equity from financing arrangements held in investments in debt and equity of affiliates.

The following table presents information at December 31, 2018 with respect to each counterparty that provides us with financing for which we had greater than 5% of our stockholders’ equity at risk ($ in thousands).

Counterparty		Stockholders’ Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders’ Equity
Credit Suisse Securities, LLC - Non-GAAP	$	45,039	222	6.9%
Non-GAAP Adjustments (a)		(34,616)	(75)	(4.9)%
Credit Suisse Securities, LLC - GAAP	$	10,423	147	2.0%
Barclays Capital Inc	$	40,882	356	6.2%

(a) Represents stockholders' equity at risk, weighted average maturity and percentage of stockholders' equity from financing arrangements held in investments in debt and equity of affiliates.

Margin requirements

The fair value of our real estate securities and loans fluctuate according to market conditions. When the fair value of the assets pledged as collateral to secure a financing arrangement decreases to the point where the difference between the collateral fair value and the financing arrangement amount is less than the haircut, our lenders may issue a "margin call," which requires us to post additional collateral to the lender in the form of additional assets or cash. Under our repurchase facilities, our lenders have full discretion to determine the fair value of the securities we pledge to them. Our lenders typically value assets based on recent trades in the market. Lenders also issue margin calls as the published current principal balance factors change on the pool of mortgages underlying the securities pledged as collateral when scheduled and unscheduled paydowns are announced monthly. We experience margin calls in the ordinary course of our business. In seeking to manage effectively the margin requirements established by our lenders, we maintain a position of cash and unpledged Agency RMBS. We refer to this position as our "liquidity." The level of liquidity we have available to meet margin calls is directly affected by our leverage levels, our haircuts and the price changes on our securities. If interest rates increase or if credit spreads widen, then the prices of our collateral (and our unpledged assets that constitute our liquidity) will decline, we will experience margin calls, and we will need to use our liquidity to meet the margin calls. There can be no assurance that we will maintain sufficient levels of liquidity to meet any margin calls. If our haircuts increase, our liquidity will proportionately decrease. In addition, if we increase our borrowings, our liquidity will decrease by the amount of additional haircut on the increased level of indebtedness. We intend to maintain a level of liquidity in relation to our assets that enables us to meet reasonably anticipated margin calls but that also allows us to be substantially invested in securities. We may misjudge the appropriate amount of our liquidity by maintaining excessive liquidity, which would lower our investment returns, or by maintaining insufficient liquidity, which would force us to liquidate assets into potentially unfavorable market conditions and harm our results of operations and financial condition. Further, an unexpected rise in interest rates and a corresponding fall in the fair value of our securities may also force us to liquidate assets under difficult market conditions, thereby harming our results of operations and financial condition, in an effort to maintain sufficient liquidity to meet increased margin calls. Refer to the "Liquidity risk – derivatives" section of Item 3 below for a further discussion on margin.

Similar to the margin calls that we receive on our borrowing agreements, we may also receive margin calls on our derivative instruments when their fair values decline. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the terms of the derivatives involved. Our posting of collateral with our counterparties can be done in cash or securities, and is generally bilateral, which means that if the fair value of our interest rate hedges increases, our counterparty will be required to post collateral with us.

Cash Flows

As of September 30, 2019, our cash, cash equivalents, and restricted cash totaled $67.8 million representing a net decrease from $84.4 million at December 31, 2018. Cash provided by operations of $33.8 million was attributable to net interest income less operating expenses. Cash used in investing activities of $(1,198.1) million was attributable to purchases of investments less sales and principal repayments of investments. Cash provided by financing activities of $1,147.6 million was primarily attributable to borrowings under financing arrangements and proceeds from issuance of common and preferred stock offset by repayments of financing arrangements and dividend payments.

Equity distribution agreement

On May 5, 2017, we entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which we refer to as the "Equity Distribution Agreements," pursuant to which we may sell up to $100.0 million aggregate offering price of shares of our common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. The Equity Distribution Agreements were amended on May 2, 2018 in conjunction with the filing of our shelf registration statement registering up to $750.0 million of its securities, including capital stock (the "2018 Registration Statement"). For the nine months ended September 30, 2019, we sold 503,700 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.6 million. For the three and nine months ended September 30, 2018, we sold 511,806 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $9.3 million.

Common offering

On February 14, 2019, we completed a public offering of 3,000,000 shares of its common stock and subsequently issued an additional 450,000 shares pursuant to the underwriters' over-allotment option at a price of $16.70 per share. Net proceeds to us from the offering were approximately $57.4 million, after deducting estimated offering expenses.

Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock issuance

On September 17, 2019, we completed a public offering of 4,000,000 shares of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") and subsequently issued 600,000 shares of Series C Preferred Stock pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. We received total gross proceeds of $115.0 million and net proceeds of approximately $111.2 million, net of underwriting discounts, commissions and expenses. The Series C Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Series C Preferred Stock is convertible to shares of our common stock. Holders of Series C Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends before holders of our common stock are entitled to receive any dividends. The initial dividend rate for the Series C Preferred Stock, from and including the date of original issue to, but not including, September 17, 2024, will be equal to 8.000% per annum of the $25.00 per share liquidation preference. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.476% per annum. Shares of our Series C Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at our option commencing on September 17, 2024, or earlier under certain circumstances intended to preserve our qualification as a REIT for Federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December.

Forward-looking statements regarding liquidity

Based upon our current portfolio, leverage and available borrowing arrangements, we believe that the net proceeds of our common equity offerings, preferred equity offerings, and private placements, combined with cash flow from operations and our available borrowing capacity will be sufficient to enable us to meet our anticipated liquidity requirements, including funding our investment activities, paying fees under our management agreement, funding our distributions to stockholders and paying general corporate expenses.

Contractual obligations

Management agreement

On June 29, 2011, we entered into an agreement with our Manager pursuant to which our Manager is entitled to receive a management fee and the reimbursement of certain expenses. The management fee is calculated and payable quarterly in arrears in an amount equal to 1.50% of our Stockholders' Equity, per annum.

For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus our retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that we pay for repurchases of our common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and our independent directors and after approval by a majority of our independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. For the three and nine months ended September 30, 2019, we incurred management fees of approximately $2.3 million and $7.1 million, respectively. For the three and nine months ended September 30, 2018, we incurred management fees of approximately $2.4 million and $7.2 million, respectively.

Our Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel, who, notwithstanding that certain of them also are our officers, receive no compensation directly from us. We are required to reimburse our Manager or its affiliates for operating expenses which are incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Our reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by our Board of Directors and discussions with our Manager. Of the $6.2 million and $13.9 million of Other operating expenses for the three and nine months ended September 30, 2019 and September 30, 2018, respectively, we have accrued $1.6 million and $5.5 million, respectively, representing a reimbursement of expenses. Of the $3.5 million and $10.2 million of Other operating expenses for the three and nine months ended September 30, 2018, respectively, we have accrued $2.0 million and $5.5 million, respectively, representing a reimbursement of expenses.The Manager did not waive its right to receive any expense reimbursements for the three and nine months ended September 30, 2019. The Manager waived its right to receive expense reimbursements of $0.5 million for the year ended December 31, 2018.

Share-based compensation

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, we can award up to 277,500 shares of common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to our directors, officers, advisors, consultants and other personnel and to our Manager. As of September 30, 2019, 24,506 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of September 30, 2019, we have granted an aggregate of 92,744 and 40,250 shares of restricted common stock to our independent directors and Manager, respectively, and 120,000 restricted stock units to our Manager under our equity incentive plans. As of September 30, 2019, all the shares of restricted common stock granted to our Manager and independent directors have vested and 99,991 restricted stock units granted to our Manager have vested. The 20,009 restricted stock units that have not vested as of September 30, 2019 were granted to the Manager on July 1, 2017, and represent the right to receive an equivalent number of shares of our common stock when the units vest on July 1, 2020. The units do not entitle the participant the rights of a holder of our common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager’s transferee shall be immediately cancelled and forfeited without consideration.

Unfunded commitments - commercial real estate loans

See our "Off-balance sheet arrangements" section below and Note 14 of the Notes to Consolidated Financial Statements for a summary of our commitments on our commercial real estate loans as of September 30, 2019.

Unfunded commitments - Mortgage Acquisition Trust I LLC

On August 29, 2017, we, alongside private funds under the management of Angelo Gordon, formed Mortgage Acquisition Holding I LLC ("MATH") to conduct a residential mortgage investment strategy. MATH in turn sponsored the formation of MATT to purchase predominantly Non-QM loans, which are residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the CFPB. Non-QM loans are not eligible for delivery to Fannie Mae, Freddie Mac, or Ginnie Mae. MATT has made an election to be treated as a real estate investment trust beginning with the 2018 tax year. In furtherance of this business, MATH’s sponsoring funds agreed to provide up to $75.0 million of capital to MATH. This commitment was increased by $25.0 million to $100.0 million on March 28, 2019 and by $5.0 million to $105.0 million on August 23, 2019 with amendments to the MATH LLC Agreement. As of September 30, 2019, our share of MATH’s total capital commitment to MATT was $46.8 million, of which we have funded $44.6 million and our remaining commitment was $2.2 million (net of any return of capital to us).

Unfunded commitments - LOT SP I LLC

On May 15, 2019, we, alongside private funds under the management of Angelo Gordon and a third party, formed LOT SP I LLC ("LOTS") to originate Lot Loans. In furtherance of this business, we agreed to fund various commitments to LOTS in connection with the origination of Lot Loans. As of September 30, 2019, our total capital commitment to LOTS was $17.9 million, of which we have funded $10.7 million and our remaining commitment was $7.2 million.

Other

We have presented a table that details the contractual maturity of our financing arrangements at September 30, 2019 in the "Financing activities" section for this Item 2. As of September 30, 2019 and December 31, 2018, we are obligated to pay accrued interest on our financing arrangements in the amount of $7.5 million and $12.3 million, respectively, inclusive of accrued interest accounted for through investments in debt and equity of affiliates, and exclusive of accrued interest on any financing utilized through AG Arc. The change in accrued interest on our financing arrangements was due primarily to shorter contractual maturities on certain of our financing arrangements as of September 30, 2019.

Off-balance sheet arrangements

We have entered into long TBA positions to facilitate the future purchase or sale of Agency RMBS. We have also entered into short TBA positions to hedge Agency RMBS. We record TBA purchases/shorts and sales/covers on the trade date and present the amount net of the corresponding payable or receivable until the settlement date of the transaction. As of September 30, 2019, we had a net long TBA position with a net payable amount of $154.0 million and fair market value of $153.2 million. We recorded $0.4 million of derivative assets and $1.3 million of derivative liabilities, in the "Other assets" and "Other liabilities" line items, respectively, on our consolidated balance sheets.

Our investments in debt and equity of affiliates are primarily comprised of real estate securities, Excess MSRs, loans, our interest in AG Arc, and certain derivatives. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. See Note 2 to the Notes to Consolidated Financial Statements (unaudited) for a discussion of investments in debt and equity of affiliates. The below table details our investments in debt and equity of affiliates as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019			December 31, 2018		
	Assets (1)	Liabilities	Equity	Assets (1)	Liabilities	Equity
Agency Excess MSR	$ 539	$ —	$ 539	$ 864	$ —	$ 864
Total Agency	539	—	539	864	—	864
Re/Non-Performing Loans	83,628	(54,440)	29,188	94,135	(57,222)	36,913
New Origination Loans	188,733	(141,103)	47,630	113,327	(81,671)	31,656
Total Residential	272,361	(195,543)	76,818	207,462	(138,893)	68,569
Freddie Mac K-Series	4,869	—	4,869	4,059	—	4,059
CMBS Interest Only	1,007	—	1,007	1,034	—	1,034
Total Commercial	5,876	—	5,876	5,093	—	5,093
Total Credit	278,237	(195,543)	82,694	212,555	(138,893)	73,662
Total Investments excluding AG Arc	278,776	(195,543)	83,233	213,419	(138,893)	74,526
AG Arc, at fair value	27,271	—	27,271	20,360	—	20,360
Cash and Other assets/(liabilities) (2)	32,439	(1,694)	30,745	7,423	(17,417)	(9,994)
Investments in debt and equity of affiliates	$ 338,486	$ (197,237)	$ 141,249	$ 241,202	$ (156,310)	$ 84,892

(1) Certain Re/Non-Performing Loans held in securitized form are recorded net of non-recourse securitized debt.

(2) Includes financing arrangements on real estate owned as of September 30, 2019 and December 31, 2018 of $(0.4) million and $(0.8) million, respectively.

The table below details our additional commitments as of September 30, 2019 (in thousands):

Commitment Type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
MATH (a)	March 29, 2018	$ 46,820	$ 44,590	$ 2,230
Commercial loan G (b)(c)	July 26, 2018	84,515	39,189	45,326
Commercial loan I (b)	January 23, 2019	20,000	9,435	10,565
Commercial loan J (b)(d)	February 11, 2019	30,000	3,233	26,767
Commercial loan K (b)	February 22, 2019	20,000	7,661	12,339
LOTS (a)	Various	17,922	10,714	7,208
Total		$ 219,257	$ 114,822	$ 104,435

(a) Refer to "Contractual obligations" section above for more information regarding MATH and LOTS.
(b) We entered into commitments on commercial loans relating to construction projects. See Note 4 to the Notes to the Consolidated Financial Statements (unaudited) for further details.
(c) We expect to receive financing of approximately $29.5 million on our remaining commitment, which would cause our remaining equity commitment to be approximately $15.9 million. This financing is not committed and actual financing could vary significantly from our expectations.
(d) We expect to receive financing of approximately $17.4 million on our remaining commitment, which would cause our remaining equity commitment to be approximately $9.4 million. Of the expected financing, $8.7 million is committed by the financing counterparty. Actual financing could vary significantly from our expectations.

Subsequent to quarter end, we entered into a credit agreement, pursuant to which we have committed to fund revolving loans in an aggregate principal amount not to exceed $12.4 million. This amount remains unfunded through the date of the filing of this Quarterly Report on Form 10-Q.

Management views our TBA position and our investments in debt and equity of affiliates as part of our investment portfolio. Exclusive of our TBAs and our investments in debt and equity of affiliates described above, we do not expect these off-balance sheet arrangements, taken as a whole, to be significant to, or to have a material impact on, our overall liquidity or capital resources or our operations, given our ability to finance such arrangements.

Certain related person transactions

Our Board of Directors has adopted a policy regarding the approval of any "related person transaction," which is any transaction or series of transactions in which (i) we or any of our subsidiaries is or are to be a participant, (ii) the amount involved exceeds $120,000, and (iii) a "related person" (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person would need to promptly disclose to our Secretary or Assistant Secretary any related person transaction and all material facts about the transaction. Our Secretary or Assistant Secretary, in consultation with outside counsel, to the extent appropriate, would then assess and promptly communicate that information to the audit committee of our Board of Directors. Based on its consideration of all of the relevant facts and circumstances, the audit committee will review, approve or ratify such transactions as appropriate. The audit committee will not approve or ratify a related person transaction unless it shall have determined that such transaction is in, or is not inconsistent with, our best interests and does not create a conflict of interest. If we become aware of an existing related person transaction that has not been approved under this policy, the transaction will be referred to the audit committee which will evaluate all options available, including ratification, revision or termination of such transaction. Our policy requires any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

Grants of restricted common stock

See "Share-based compensation" section above for detail on our grants of restricted common stock.

Red Creek

In connection with our investments in Re/Non-Performing Loans and non-QM loans, we may engage asset managers to provide advisory, consultation, asset management and other services to our third-party. Beginning in November 2015, we also engaged Red Creek Asset Management LLC ("Asset Manager"), a related party of the Manager and direct subsidiary of Angelo Gordon, as the asset manager for certain of our Re/Non-Performing Loans. Beginning in September 2019, we engaged the Asset Manager as the asset manager for our non-QM loans. We pay the Asset Manager separate arm's-length asset management fees as assessed and confirmed periodically by a third party valuation firm for our Re/Non-Performing Loans and non-QM loans. In the third quarter of 2019, the third party assessment of asset management fees resulted in our updating the fee amount for our Re/Non-Performing Loans. We also utilized the third party valuation firm to establish the fee level for non-QM loans in the third quarter of 2019. For the three and nine months ended September 30, 2019, the fees paid by us to the Asset Manager totaled $126,604 and $393,484, respectively. For the three and nine months ended September 30, 2018, the fees paid by us to the Asset Manager totaled $123,050 and $244,481, respectively.

Arc Home

On December 9, 2015, we, alongside private funds under the management of Angelo Gordon, through AG Arc, formed Arc Home, a Delaware limited liability company. Arc Home, through its subsidiary, originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers.

Our investment in Arc Home, which is conducted through AG Arc, one of our indirect subsidiaries, is reflected on the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets. See "Off-balance sheet arrangements" section above for the fair value as Arc Home of September 30, 2019 and December 31, 2018.

Arc Home may sell loans to us or to affiliates of our Manager. Arc Home may also enter into agreements with us, third parties, or affiliates of our Manager to sell Excess MSRs on the mortgage loans that it either purchases from third parties or originates. We, directly or through our subsidiaries, have entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of its MSRs and as of September 30, 2019 and December 31, 2018, these Excess MSRs had fair value of approximately $18.5 million and $27.3 million, respectively.

In connection with our investments in Excess MSRs purchased through Arc Home, we paid an administrative fee to Arc Home. For the three and nine months ended September 30, 2019 the administrative fees paid by us to Arc Home totaled $76,802 and $240,173, respectively. For the three and nine months ended September 30, 2018 the administrative fees paid by us to Arc Home totaled $87,264 and $164,946, respectively.

Mortgage Acquisition Trust I LLC

See "Contractual Obligations: Unfunded Commitments - Mortgage Acquisition Trust I LLC" above.

LOT SP I LLC

See "Contractual Obligations: Unfunded commitments - LOT SP I LLC" above.

Management agreement

On June 29, 2011 we entered into a management agreement with our Manager, which governs the relationship between us and our Manager and describes the services to be provided by our Manager and its compensation for those services. The terms of our management agreement, including the fees payable by us to Angelo Gordon, were not negotiated at arm's length, and its terms may not be as favorable to us as if they had been negotiated with an unaffiliated party. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under our management agreement. For further detail on the Management Agreement, see the "Contractual obligations–Management agreement" section of this Item 2.

Other transactions with affiliates

Our Board of Directors has adopted a policy regarding the approval of any "affiliated transaction," which is any transaction or series of transactions in which Angelo Gordon arranges for the purchase and sale of a security or other investment between or among us, on the one hand, and an entity or entities under Angelo Gordon's management, on the other hand (an "Affiliated Transaction"). In order for us to enter into an Affiliated Transaction, the Affiliated Transaction must be approved by our Chief Risk Officer and the Chief Compliance Officer of Angelo Gordon. The price at which the security or investment is traded is the market price or market bid for such security or investment. Independent third-party valuations are used when market prices or bids are not available or prove to be impracticable to acquire. Our Affiliated Transactions are reviewed by our Audit Committee on a quarterly basis to confirm compliance with the policy.

In February 2017, in accordance with our Affiliated Transactions Policy, we executed one trade whereby we acquired a real estate security from an affiliate of the Manager (the "February Selling Affiliate"). As of the date of the trade, the security acquired from the February Selling Affiliate had a total fair value of $2.0 million. The February Selling Affiliate sold the real estate security through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the February Selling Affiliate, we submitted our bid for the real estate security to the February Selling Affiliate. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

In July 2017, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities from an affiliate of the Manager (the "July Selling Affiliate"). As of the date of the trade, the securities acquired from the July Selling Affiliate had a total fair value of $0.2 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by an independent third-party pricing vendor. The third-party pricing vendor allowed us to confirm third-party market pricing and best execution.

In October 2017, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities and loans from two separate affiliates of the Manager (the "October Selling Affiliates"). As of the date of the trade, the securities and loans acquired from the October Selling Affiliates had a total fair value of $8.4 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In October 2018, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities and loans from an affiliate of the Manager (the "October 2018 Selling Affiliate"). As of the date of the trade, the real estate securities and loans acquired from the October 2018 Selling Affiliate had a total fair value of $0.5 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In March 2019, in accordance with our Affiliated Transactions Policy, we executed one trade whereby we acquired a real estate security from an affiliate of the Manager (the "March 2019 Selling Affiliate"). As of the date of the trade, the security acquired from the March 2019 Selling Affiliate had a total fair value of $0.9 million. The March 2019 Selling Affiliate sold the real estate security through a BWIC. Prior to the submission of the BWIC by the March 2019 Selling Affiliate, we submitted our bid for the real estate security to the March 2019 Selling Affiliate. The pre-submission of our bid allowed us to confirm third-party market pricing and best execution.

In June 2019, we, alongside private funds under the management of Angelo Gordon, participated through our unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair market value of $408.0 million were securitized. Certain senior tranches in the securitization were sold to third parties with us and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair market value of $42.9 million as of June 30, 2019. We have a 44.6% interest in the retained subordinate tranches.

In July 2019, in accordance with our Affiliated Transactions Policy, we acquired certain real estate securities from an affiliate of the Manager (the "July 2019 Selling Affiliate"). As of the date of the trade, the real estate securities acquired from the July 2019 Selling Affiliate had a total fair value of $2.0 million. As procuring market bids for the real estate securities was determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed us to confirm third-party market pricing and best execution.

In September 2019, we, alongside private funds under the management of Angelo Gordon, participated through our unconsolidated ownership interest in MATT in a rated non-QM loan securitization, in which non-QM loans with a fair market value of $415.1 million were securitized. Certain senior tranches in the securitization were sold to third parties with us and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair market value of $28.7 million as of September 30, 2019. We have a 44.6% interest in the retained subordinate tranches.

Critical accounting policies

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. Our most critical accounting policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our consolidated financial statements are based are reasonable at the time made and based upon information available to us at that time. We rely upon independent pricing of our assets at each quarter end to arrive at what we believe to be reasonable estimates of fair market value, whenever available. For more information on our fair value measurements, see Note 7 to the "Notes to Consolidated Financial Statements (unaudited)." For a review of our significant accounting policies and the recent accounting pronouncements that may impact our results of operations, see Note 2 to the "Notes to Consolidated Financial Statements (unaudited)."

Foreign currency remeasurement

Our assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Income and expenses are remeasured using the average exchange rates for each reporting period. The effects of remeasuring the monetary assets and liabilities of our foreign investments held by entities with a U.S. dollar functional currency are included in the “Foreign currency gain/(loss), net” line item in the Consolidated Statements of Operations. The effects of remeasuring the assets, income and expenses of our foreign investments held by entities with a U.S. dollar functional currency in which the fair value option is elected are either included in the applicable unrealized line item per our other significant accounting policies, or within the "Interest income" or "Interest expense" line items, respectively, in the Consolidated Statements of Operations.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates.

Compliance with Investment Company Act and REIT tests

We intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of the Investment Company Act. If we failed to maintain our exempt status under the Investment Company Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this report. Accordingly, we monitor our compliance with both the 55% Test and the 80% Test of the Investment Company Act in order to maintain our exempt status. As of December 31, 2018, we determined that we maintained compliance with both the 55% Test and the 80% Test requirements.

We calculate that at least 75% of our assets were real estate assets, cash and cash items and government securities for the year ended December 31, 2018. We also calculate that our revenue qualifies for the 75% gross income test and for the 95% gross income test rules for the year ended December 31, 2018. Overall, we believe that we met the REIT income and asset tests. We also believe that we met all other REIT requirements, including the ownership of our common stock and the distribution of our net income. Therefore, for the year ended December 31, 2018, we believe that we qualified as a REIT under the Code.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary components of our market risk relate to interest rates, liquidity, prepayment rates and credit risk. While we do not seek to avoid risk completely, we seek to assume risk that can be quantified from historical experience and to actively manage that risk, to earn sufficient returns to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest rate risk

Interest rate risk is highly sensitive to many factors, including governmental monetary, fiscal and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with both our investments and the financing under our financing arrangements. We generally seek to manage this risk by monitoring the reset index and the interest rate related to our target assets and our financings; by structuring our financing arrangements to have a range of maturity terms, amortizations and interest rate adjustment periods; and by using derivative instruments to adjust interest rate sensitivity of our target assets and borrowings.

Interest rate effects on net interest income

Our operating results depend in large part upon differences between the yields earned on our investments and our cost of borrowing and upon the effectiveness of our interest rate hedging activities. The majority of our financing arrangements are short term in nature with an initial term of between 30 and 90 days. The financing rate on these agreements will generally be determined at the outset of each transaction by reference to prevailing rates plus a spread. As a result, our borrowing costs will tend to increase during periods of rising interest rates as we renew, or "roll", maturing transactions at the higher prevailing rates. When combined with the fact that the income we earn on our fixed interest rate investments will remain substantially unchanged, this will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. We have obtained term financing on certain borrowing arrangements. The financing on term facilities generally are fixed at the outset of each transaction by reference to a pre-determined interest rate plus a spread.

In an attempt to offset the increase in funding costs related to rising interest rates, our Manager enters into hedging transactions structured to provide us with positive cash flow in the event interest rates rise. Our Manager accomplishes this through the use of interest rate derivatives. Some hedging strategies involving the use of derivatives are highly complex, may produce volatile returns and may expose us to increased risks relating to counterparty defaults.

Interest rate effects on fair value

Another component of interest rate risk is the effect that changes in interest rates will have on the fair market value of the assets that we acquire.

Generally, in a rising interest rate environment, the fair value of our real estate securities and loan portfolios would be expected to decrease, all other factors being held constant. In particular, the portion of our real estate securities and loan portfolios with fixed-rate coupons would be expected to decrease in value more severely than that portion with a floating-rate coupon. This is because fixed-rate coupon assets tend to have significantly more duration or price sensitivity to changes in interest rates, than floating-rate coupon assets. Fixed-rate assets currently comprise a majority of our portfolio.

The fair value of our investment portfolio could change at a different rate than the fair value of our liabilities when interest rates change. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities. In order to reduce this exposure we use hedging instruments to reduce the gap in duration between our assets and liabilities.

We calculate estimated effective duration (i.e., the price sensitivity to changes in risk-free interest rates) to measure the impact of changes in interest rates on portfolio value. We estimate duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. We allocate the net duration by asset type based on the interest rate sensitivity.

The following chart details information about our duration gap as of September 30, 2019:

Duration (1)(2)	Years
Agency RMBS	1.02
Residential Loans (3)	0.36
Hedges	(1.27)
Subtotal	0.11
Credit Investments, excluding Residential Loans (3)	0.62
Duration Gap	**0.73**

(1) Duration related to financing arrangements is netted within its respective Agency RMBS and Credit Investments line items.
(2) The calculation of duration does not include our SFR portfolio.
(3) Residential Loans include Re/Non-Performing Loans and New Origination Loans.

The following tables quantify the estimated percent changes in GAAP equity, the fair market value of our assets, and projected net interest income should interest rates go up or down instantaneously by 25, 50 and 75 basis points, assuming (i) the yield curves of the rate shocks will be parallel to each other and the current yield curve and (ii) all other market risk factors remain constant. These estimates were compiled using a combination of third-party services and models, market data and internal models. All changes in equity, assets, and income are measured as percentage changes from the projected net interest income and GAAP equity from our base interest rate scenario. The base interest rate scenario assumes spot and forward interest rates, which existed as of September 30, 2019. Actual results could differ materially from these estimates.

Agency RMBS assumptions attempt to predict default and prepayment activity at projected interest rate levels. To the extent that these estimates or other assumptions do not hold true, actual results will likely differ materially from projections and could be larger or smaller than the estimates in the table below. Moreover, if different models were employed in the analysis, materially different projections could result. In addition, while the table below reflects the estimated impact of interest rate increases and decreases on a static portfolio as of September 30, 2019, our Manager may from time to time sell any of our investments as a part of the overall management of our investment portfolio.

Change in Interest Rates (basis points) (1)(2)	Change in Fair Market Value as a Percentage of GAAP Equity	Change in Fair Market Value as a Percentage of Assets	Percentage Change in Projected Net Interest Income (3)
75	(4.7)%	(0.8)%	(8.3)%
50	(2.7)%	(0.5)%	(5.2)%
25	(1.1)%	(0.2)%	(2.4)%
(25)	0.7 %	0.1 %	2.0 %
(50)	1.3 %	0.2 %	4.3 %
(75)	1.7 %	0.3 %	6.7 %

(1) Includes investments held through affiliated entities that are reported as "Investments in debt and equity of affiliates" on our consolidated balance sheet, but excludes AG Arc.
(2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.
(3) Interest income includes trades settled as of September 30, 2019.

The information set forth in the interest rate sensitivity tables above and all related disclosures constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the foregoing interest rate sensitivity table. See below for additional risks which may impact the fair market value of our assets, GAAP equity and net income.

Liquidity risk

Our primary liquidity risk arises from financing long-maturity assets with shorter-term borrowing primarily in the form of financing arrangements. Our Manager seeks to mitigate our liquidity risks by maintaining a prudent level of leverage, monitoring our liquidity position on a daily basis and maintaining a substantial cushion of cash and unpledged real estate securities and loans in our portfolio in order to meet future margin calls. In addition, our Manager seeks to further mitigate our liquidity risk by (i) diversifying our exposure across a broad number of financing counterparties, (ii) limiting our exposure to any single financing counterparty and (iii) monitoring the ongoing financial stability of our financing counterparties.

Liquidity risk – financing arrangements

We pledge real estate securities or mortgage loans and cash as collateral to secure our financing arrangements. Should the fair value of our real estate securities or mortgage loans pledged as collateral decrease (as a result of rising interest rates, changes in prepayment speeds, widening of credit spreads or otherwise), we will likely be subject to margin calls for additional collateral from our financing counterparties. Should the fair value of our real estate securities or mortgage loans decrease materially and suddenly, margin calls will likely increase causing an adverse change to our liquidity position which could result in substantial losses. In addition, we cannot be assured that we will always be able to roll our financing arrangements at their scheduled maturities which could cause material additional harm to our liquidity position and result in substantial losses. Further, should funding conditions tighten as they did in 2007 and 2009, our financing arrangement counterparties may increase our margin requirements on new financings, including repurchase transactions that we roll at maturity with the same counterparty, which would require us to post additional collateral and would reduce our ability to use leverage and could potentially cause us to incur substantial losses.

Liquidity risk - derivatives

The terms of our interest rate swaps and futures require us to post collateral in the form of cash or Agency RMBS to our counterparties to satisfy two types of margin requirements: variation margin and initial margin.

We and our swap and futures counterparties are both required to post variation margin to each other depending upon the daily moves in prevailing benchmark interest rates. The amount of this variation margin is derived from the mark to market valuation of our swaps or futures. Hence, as our swaps or futures lose value in a falling interest rate environment, we are required to post additional variation margin to our counterparties on a daily basis; conversely, as our swaps or futures gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swaps or futures counterparties, we are able to partially mitigate the liquidity risk created by margin calls on our repurchase transactions during periods of rising interest rates.

Initial margin works differently. Collateral posted to meet initial margin requirements is intended to create a safety buffer to benefit our counterparties if we were to default on our payment obligations under the terms of the swaps or futures and our counterparties were forced to unwind the swap or futures. For trades executed on a bilateral basis, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the trade. This means that once we post initial margin at the outset of a bilateral trade, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared trades varies from day to day depending upon various factors, including the absolute level of interest rates and the implied volatility of interest rates. There is a distinctly positive correlation between initial margin, on the one hand, and the absolute level of interest rates and implied volatility of interest rates, on the other hand. As a result, in times of rising interest rates or increasing rate volatility, we anticipate that the initial margin required on our centrally-cleared trades will likewise increase, potentially by a substantial amount. These margin increases will have a negative impact on our liquidity position and will likely impair the intended liquidity risk mitigation effect of our swaps and futures discussed above.

Our TBA dollar roll contracts are also subject to margin requirements governed by the Mortgage-Backed Securities Division ("MBSD") of the Fixed Income Clearing Corporation and by our prime brokerage agreements, which may establish margin levels in excess of the MBSD. Such provisions require that we establish an initial margin based on the notional value of the TBA contract, which is subject to increase if the estimated fair value of our TBA contract or the estimated fair value of our pledged collateral declines. The MBSD has the sole discretion to determine the value of our TBA contracts and of the pledged collateral securing such contracts. In the event of a margin call, we must generally provide additional collateral, either securities or cash, on the same business day.

Prepayment risk

Premiums arise when we acquire real estate assets at a price in excess of the principal balance of the mortgages securing such assets (i.e., par value). Conversely, discounts arise when we acquire assets at a price below the principal balance of the mortgages securing such assets. Premiums paid on our assets are amortized against interest income and accretable purchase discounts on our assets are accreted to interest income. Purchase premiums on our assets, which are primarily carried on our Agency RMBS, are amortized against interest income over the life of each respective asset using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield or interest income earned on such assets. Generally, if prepayments on our Non-Agency RMBS or mortgage loans are less than anticipated, we expect that the income recognized on such assets would be reduced due to the slower accretion of purchase discounts, and impairments could result.

As further discussed in Note 2 of the "Notes to Consolidated Financial Statements (unaudited)," differences between previously estimated cash flows and current actual and anticipated cash flows caused by changes to prepayment or other assumptions are adjusted retrospectively through a "catch up" adjustment for the impact of the cumulative change in the effective yield through the reporting date for securities accounted for under ASC 320-10 (generally, Agency RMBS) or adjusted prospectively through an adjustment of the yield over the remaining life of the investment for investments accounted for under ASC 325-40 (generally, Non-Agency RMBS, ABS, CMBS, Excess MSR and interest-only securities) and mortgage loans accounted for under ASC 310-30.

In addition, our interest rate hedges are structured in part based upon assumed levels of future prepayments within our real estate securities or mortgage loan portfolio. If prepayments are slower or faster than assumed, the life of the real estate securities or mortgage loans will be longer or shorter than assumed, respectively, which could reduce the effectiveness of our Manager’s hedging strategies and may cause losses on such transactions.

Our Manager seeks to mitigate our prepayment risk by investing in real estate assets with a variety of prepayment characteristics as well as by attempting to maintain in our portfolio a mix of assets purchased at a premium with assets purchased at a discount.

Real estate value risk

Residential and commercial property values are subject to volatility and may be affected adversely by a number of factors outside of our control, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing or commercial real estate); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values could cause us to suffer losses and reduce the value of the real estate we invest in or the collateral underlying our RMBS and CMBS portfolios as well as the potential sale proceeds available to repay our loans in the event of a default. In addition, substantial decreases in property values can increase the rate of strategic defaults by residential mortgage borrowers which can impact and create significant uncertainty in the recovery of principal and interest on our investments.

Credit risk

Although we expect to encounter only de minimis credit risk in our Agency RMBS portfolio, we are exposed to the risk of potential credit losses from an unanticipated increase in borrower defaults as well as general credit spread widening on any Non-Agency assets in our portfolio, including residential and commercial mortgage loans as well as Non-Agency RMBS, ABS, CMBS, Excess MSRs and Interest Only investments related to Non-Agency and CMBS. We seek to manage this risk through our Manager’s pre-acquisition due diligence process and, if available, through the use of non-recourse financing, which limits our exposure to credit losses to the specific pool of collateral which is the subject of the non-recourse financing. Our Manager’s pre-acquisition due diligence process includes the evaluation of, among other things, relative valuation, supply and demand trends, the shape of various yield curves, prepayment rates, delinquency and default rates, recovery of various sectors and vintage of collateral.

Basis risk

Basis risk refers to the possible decline in our book value triggered by the risk of incurring losses on the fair value of our Agency RMBS as a result of widening market spreads between the yields on our Agency RMBS and the yields on comparable duration Treasury securities. The basis risk associated with fluctuations in fair value of our Agency RMBS may relate to factors impacting the mortgage and fixed income markets other than changes in benchmark interest rates, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other hedges to protect against moves in interest rates, such instruments will generally not protect our net book value against basis risk.

Seasonality

Our SFR portfolio and related operating results may be impacted by seasonal factors throughout the year. In particular, we may experience higher levels of resident move-outs during the summer months, which may impact both our rental revenues and related turnover costs. Further, our property operating costs can be seasonally impacted in certain markets by increases in expenses such as HVAC repairs, costs to re-resident, and landscaping expenses during the summer season.

Foreign currency risk

We intend to hedge our currency exposures in a prudent manner. However, our currency hedging strategies may not eliminate all of our currency risk due to, among other things, uncertainties in the timing and/or amount of payments received on the related investments, and/or unequal, inaccurate, or unavailable hedges to perfectly offset changes in future exchange rates. Additionally, we may be required under certain circumstances to collateralize our currency hedges for the benefit of the hedge counterparty, which could adversely affect our liquidity.

Consistent with our strategy of hedging foreign currency exposure on certain investments, we typically enter into a series of forwards to fix the U.S. dollar amount of foreign currency denominated cash flows (interest income, rental income and principal payments) we expect to receive from our foreign currency denominated investments. Accordingly, the notional values and expiration dates of our foreign currency hedges approximate the amounts and timing of future payments we expect to receive on the related investments.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the Company is required to disclose in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that the Company's management, including its principal executive officer and principal financial officer, as appropriate, allow for timely decisions regarding required disclosure.

We have evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2019. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

No change occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are at times subject to various legal proceedings arising in the ordinary course of business. In addition, in the ordinary course of business, we can be and are involved in governmental and regulatory examinations, information gathering requests, investigations and proceedings. As of the date of this report, we are not party to any litigation or legal proceedings, or to our knowledge, any threatened litigation or legal proceedings, which we believe, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

ITEM 1A. RISK FACTORS.

Refer to the risks identified under the caption "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2018 and our subsequent filings, which are available on the Securities and Exchange Commission's website at www.sec.gov, and in the "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections herein.

Our investments that are denominated in foreign currencies subject us to foreign currency risk, which may adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.

Our investments that are denominated in foreign currencies subject us to foreign currency risk arising from fluctuations in exchange rates between such foreign currencies and the U.S. dollar. While we currently attempt to hedge the vast majority of our foreign currency exposure, subject to qualifying and maintaining our qualification as a REIT, we may not always choose to hedge such exposure, or we may not be able to hedge such exposure. To the extent that we are exposed to foreign currency risk, changes in exchange rates of such foreign currencies to the U.S. dollar may adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.

Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

We pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and currency exchange rates. Our hedging activity varies in scope based on the level and volatility of interest rates, currency exchange rates, the type of assets held and other changing market conditions. Hedging may fail to protect or could adversely affect us because, among other things:

- interest rate and/or currency hedging can be expensive, particularly during periods of rising and volatile markets;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedges may not match the duration of the liabilities;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a taxable REIT subsidiary ("TRS")) to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

In addition, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Any actions taken by regulators could constrain our investment strategy and could increase our costs, either of which could materially and adversely impact our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
*3.1	Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 ("Pre-Effective Amendment No. 2").
*3.2	Articles of Amendment to Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on May 5, 2017.
*3.3	Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Pre-Effective Amendment No. 2.
*3.4	Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*3.5	Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*3.6	Articles Supplementary of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.5 of Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.
*4.1	Specimen Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 of Pre-Effective Amendment No. 2.
*4.2	Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.
*4.3	Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.
*4.4	Specimen 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 3.9 of Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.
*10.1	Form of Registration Rights Agreement by and between the Company and the purchasers of units and shares in the private placement, dated June 29, 2011, incorporated by reference to Exhibit 10.1 of Amendment No. 7 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on June 29, 2011 ("Pre-Effective Amendment No. 7").
*10.2	Form of Management Agreement, dated June 29, 2011 by and between the Company and AG REIT Management, LLC, incorporated by reference to Exhibit 10.3 of Amendment No. 3 to our Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 25, 2011.**
*10.3	Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.4 of Pre-Effective Amendment No. 2.**
*10.4	Manager Equity Incentive Plan, dated July 6, 2011, incorporated by reference to Exhibit 10.5 of Pre-Effective Amendment No. 2.**
*10.5	Form of Equity Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.6 of Pre-Effective Amendment No. 2.**

*10.6	Form of Manager Equity Incentive Plan Restricted Stock Award Agreement, dated July 6, 2011, incorporated by reference to Exhibit 10.7 of Pre-Effective Amendment No. 2.**
*10.7	Form of Indemnification Agreement, dated July 6, 2011, by and between the Company and the Company's directors and officers, incorporated by reference to Exhibit 10.10 of Pre-Effective Amendment No. 7.
*10.8	Amended and Restated Master Repurchase and Securities Contract dated as of April 12, 2013 between AG MIT, LLC, AG Mortgage Investment Trust, Inc. and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on April 15, 2013.
*10.9	Guarantee Agreement dated as of April 9, 2012 by AG Mortgage Invest Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on April 10, 2012.
*10.10	Amended and Restated Master Repurchase and Securities Contract dated as of February 11, 2014 between AG MIT WFB1 2014 LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on February 21, 2014.
*10.11	Guarantee Agreement dated as of February 11, 2014 by AG MIT, LLC and AG Mortgage Invest Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on February 21, 2014.
*10.12	Master Repurchase and Securities Contract dated as of September 17, 2014, as amended by Omnibus Amendment No.1, dated as of August 4, 2015, between AG MIT CREL LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.1 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
*10.13	Guarantee Agreement dated as of September 17, 2014 as amended by Omnibus Amendment No.1, dated as of August 4, 2015, by AG MIT, LLC and AG Mortgage Investment Trust, Inc. in favor of Wells Fargo Bank, National Association, incorporated by reference to Exhibit 99.2 of Form 8-K, filed with the Securities and Exchange Commission on September 18, 2014.
*10.14	Form of Restricted Stock Unit Award Agreement, dated July 1, 2014, incorporated by reference to Exhibit 10.14 on Form 10-Q, filed with the Securities and Exchange Commission on November 6, 2014.**
*10.15	Omnibus Amendment No.1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter dated as of August 4, 2015 between AG MIT CREL, LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 10.15 of Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2015.
*10.16	Form of Restricted Stock Unit Award Agreement, dated July 1, 2017, incorporated by reference to Exhibit 10.14 on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2017.**
*10.17	Amendment No. 1 to the Equity Distribution Agreement, dated May 22, 2018, by and among the Company and JMP Securities LLC, incorporated by reference to Exhibit 1.1 of Form 8-K, filed with the Securities and Exchange Commission on May 22, 2018.
*10.18	Amendment No. 1 to the Equity Distribution Agreement, dated May 22, 2018, by and among the Company and Credit Suisse Securities (USA) LLC, incorporated by reference to Exhibit 1.2 of Form 8-K, filed with the Securities and Exchange Commission on May 22, 2018.
*10.19	Amendment Number 7 to the Master Repurchase and Securities Contract dated as of and effective as of February 18, 2014 between AG MIT WFB1 2014 LLC and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 10.1 of Form 8-K, filed with the Securities and Exchange Commission on June 25, 2018.

*10.20	Purchase and Sale Agreement, dated August 31, 2018, by and among Conrex Residential Property Group 2012-2, LLC, Conrex Residential Property Group 2012-2 Operating Company, LLC, Conrex Residential Property Group 2012-2 (B2R-1) Operating Company, LLC, Conrex Residential Property Group 2012-2 (B2R-2) Operating Company, LLC, Ovation Properties, LLC, and SFR MT LLC, incorporated by reference to Exhibit 10.20 on Form 10-Q, filed with the Securities and Exchange Commission on November 9, 2018.
*10.21	Loan Agreement, dated as of September 10, 2018, by and between SFR MT LLC and Metropolitan Life Insurance Company, incorporated by reference to Exhibit 10.21 on Form 10-Q, filed with the Securities and Exchange Commission on November 9, 2018.
*10.22	Underwriting Agreement, dated February 11, 2019, by and among AG Mortgage Investment Trust, Inc., AG REIT Management, LLC and Morgan Stanley & Co. LLC, as representative of the several underwriters, incorporated by reference to Exhibit 1.1 on Form 8-K, filed with the Securities and Exchange Commission on February 14, 2019.
*10.23	Underwriting Agreement, dated September 11, 2019, by and among AG Mortgage Investment Trust, Inc., AG REIT Management, LLC and BofA Securities, Inc., as representative of the several underwriters, incorporated by reference to Exhibit 1.1 on Form 8-K, filed with the Securities and Exchange Commission on September 17, 2019.
10.24	Purchase and Sale Agreement, dated November 4, 2019, by and between SFR MT LLC and Conrex ML Portfolio 2019-01 Operating Company, LLC.
31.1	Certification of David N. Roberts pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Brian C. Sigman pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of David N. Roberts pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Brian C. Sigman pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Fully or partly previously filed.

** Management contract or compensatory plan or arrangement.

SIGNATURES

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

	AG MORTGAGE INVESTMENT TRUST, INC.
November 5, 2019	By: /s/ David N. Roberts
	David N. Roberts
	Chief Executive Officer (principal executive officer)
November 5, 2019	By: /s/ Brian C. Sigman
	Brian C. Sigman
	Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)

*Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed. The redacted confidential portions of the exhibit are marked by [***].

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement"), dated November 4, 2019 (the "Effective Date"), is entered into by and between SFR MT LLC, a Delaware limited liability company (the "Seller"), and CONREX ML PORTFOLIO 2019-01 OPERATING COMPANY, LLC, a Delaware limited liability company (the "Purchaser").

Whereas, (i) Conrex Property Management, LLC, a Delaware limited liability company (the "Property Manager"), is the current property manager for the Property (as defined herein) on behalf of Seller and has received property management fees in exchange for such services pursuant to a property management and services agreement (the "Existing PMA"), and (ii) an affiliate of Property Manager is the owner of an indirect interest in Purchaser and, therefore in consideration for such property management fees, its ownership interest in Purchaser and other good and other good and valuable consideration, Property Manager desires to join in this Agreement for purposes of giving certain representations and warranties set forth herein and providing credit support in connection therewith;

In consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Purchaser agree as follows:

1. SALE OF PROPERTY

A. **Purchase and Sale**. Subject to the terms and provisions of this Agreement, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller, all of its right, title and interest in the real property (including land and all buildings, structures and improvements thereon, the "Real Property"), consisting of one thousand two hundred thirty (1,230) single family residential properties commonly known by the addresses set forth on Exhibit A attached hereto and incorporated herein, together with:

(i) any personal property owned by the Seller and presently located on the Property (collectively, the "Personal Property");

(ii) all of the interest of the Seller in any leases, subleases, rental agreements or other agreements (written or verbal, now or hereafter in effect) that grant a possessory interest in or that otherwise grant rights with regard to use of all or any portion of the Property (together with any renewals and amendments thereof, each a "Lease" and collectively, the "Leases"; the Leases together with the Real Property and Personal Property, the "Property"); and

(iii) all books, records, data, rental history, property and tenant files, rent rolls and repair and maintenance records associated with the Property in the possession of the Seller or the applicable Property Manager (the "Intangible Property").

All of the dwelling units collectively are referred to as "Units"; an individual dwelling unit is referred to as a "Unit"; and more than one dwelling unit are referred to as the "Units".

2. PURCHASE PRICE

A. **Purchase Price**. The Seller and the Purchaser hereby acknowledge and agree that the purchase price of the Property shall be One Hundred Thirty-Six Million, Eight Hundred Thousand and No/100 Dollars ($136,800,000.00) (the "Purchase Price"). The Purchase Price shall be allocated to each individual Unit (any such allocated amount being the related "Allocated Purchase Price") as set forth on Exhibit A.

B. **Payment of Purchase Price**. The Purchase Price shall be payable at Closing (as defined below). On or prior to the Closing Date (as defined below), the Purchaser shall deposit in escrow with Chicago Title Insurance Company ("Escrow Agent") in immediately available funds (the "Cash Due at Closing") the amount of the Purchase Price subject to any credits, reductions, prorations or other adjustments for which this Agreement provides, including pursuant to Sections 2(C), 6(B), 6(C), 6(D), 6(E) and 10(A) of this Agreement.

C. **Currently Listed Properties**. Set forth on Schedule 2(C) are certain Units that the Seller has listed for sale as of the Effective Date (any such Unit, a "Currently Listed Property"), which Currently Listed Properties the Purchaser acknowledges may be sold by the Seller any time prior to the date which is two (2) Business Days prior to the Closing (the "Listing Cutoff Date") or for which a contract of sale may be entered into prior to the Listing Cutoff Date. If any Currently Listed Property is sold by the Seller prior to the Listing Cutoff Date, or a contract for the sale thereof is entered into by the Seller prior to the Listing Cutoff Date, then such Currently Listed Property shall not be sold pursuant to this Agreement, such Currently Listed Property shall be removed from the Property, the proceeds thereof shall be retained by the Seller and the Purchase Price shall be reduced by the Allocated Purchase Price for such Currently Listed Property. From and after the Effective Date, the Seller agrees not to list for sale any Unit which is not a Currently Listed Property as of the Effective Date, and in the event Closing occurs Seller shall (or shall cause Property Manager to) unlist any Currently Listed Property that is sold pursuant to this Agreement.

3. PROPERTY CONDITION

A. **Delivery of Property Information**.

(i) On or prior to Effective Date, and to the extent in the actual possession or control of Seller or Property Manager, the Seller shall make available to the Purchaser and the Purchaser's Agents (as defined herein), through the Property Manager, copies of the following items relating to the Property (collectively, the "Property Information"):

(a) Leases for the Units which, as of the Effective Date, are leased;

(b) A rent roll showing the current tenants occupying the Units under Leases, each lease end date, current rent, security deposits, and the options relating to such lease (the "Rent Roll");

(c) All other documents reasonably requested by the Seller;

(d) The repair, maintenance and capital expenditure records for each Unit; and

(e) HOA documents necessary for the Purchaser to review rental related restrictions for each Unit.

The Purchaser acknowledges and agrees that, except as expressly set forth in this Agreement, neither the Seller nor the Property Manager makes any representation or warranty, express or implied, as to the accuracy or completeness of the Property Information or the Data Tape (as defined in Section 5(A)(xii)), including, but not limited to, any financial information and/or projections contained therein. Except as expressly set forth in this Agreement, each of the Seller and the Property Manager hereby expressly disclaims any and all liability for representations or warranties, express or implied, regarding the Property Information and the Data Tape, and the Purchaser acknowledges and agrees that neither the Seller nor the Property Manager shall have any liability to the Purchaser resulting from the Purchaser's use of or reliance upon the Property Information or the Data Tape.

B. **Inspection of the Property**. Beginning on September 26, 2019 and ending at 6:00 pm Eastern time on November 4, 2019 (the "Due Diligence Period"), the Purchaser and the Purchaser's affiliates, engineers, employees, officers, directors, agents, representatives and attorneys (the "Purchaser's Agents") shall have the right (subject to the Inspection Cap (as defined herein)) to undertake a due diligence review of 100% of the Property. During the Due Diligence Period, with prior written notice (which may be accomplished by electronic mail) of no less than two (2) days to the Seller and the Property Manager, and at reasonable times, the Purchaser shall also have the right to conduct inspections of the Property, including, without limitation, physical examinations, structural tests, due diligence investigations, and feasibility studies (collectively, the "Inspections"). The Seller shall instruct the Property Manager to give the Purchaser and the Purchaser's Agents reasonable access to relevant personnel during regular business hours and with reasonable prior written notice and shall provide access to all reports, books, records, contracts, data, documentation and any other information related to the Property in the Seller's or Property Manager's possession or control. The Seller shall instruct the Property Manager to provide interior access (on a one time basis) to the Purchaser and the Purchaser's Agents for each of the unoccupied Units and up to ten percent (10%) of the occupied Units (the "Inspection Cap"). The Seller and the Purchaser shall confer promptly after the Effective Date to identify the Units for which the Seller will attempt to provide access. All Inspections shall be conducted in compliance with the terms hereof and subject to the rights of all tenants in possession. The Purchaser agrees that it shall not enter any homes currently leased to a tenant without providing a representative of the Property Manager a reasonable opportunity to be present, and only upon advance notice to the respective tenant(s), as required under the terms of the applicable Lease. Notwithstanding the foregoing, the Seller reserves the right to have a representative of the Seller accompany the Purchaser or its contractors, agents, employees and the like, during any Inspection or the conduct of any other physical investigation of the Property.

C. **Due Diligence Period and Right to Terminate**. In the Purchaser's sole and absolute discretion, for any or no reason, the Purchaser may elect to terminate this Agreement by sending the Seller written notice thereof in accordance with Section 10(C) hereof prior to the expiration of the Due Diligence Period. If the Purchaser so terminates this Agreement, neither party shall have any further rights or obligations hereunder except for those which are expressly stated to survive the termination of this Agreement. The Purchaser may agree to purchase all of the Properties (subject to the terms of Section 2(C) hereof) or agree to proceed to Closing prior to the end of the Due Diligence Period by providing written notice to the Seller at any time during the Due Diligence Period. If the Purchaser does not terminate this Agreement on or before the expiration of the Due Diligence Period, the parties shall, subject to the terms and conditions set forth in this Agreement, proceed to Closing and the Purchaser shall have no further right to terminate this Agreement pursuant to this Section 3(C).

4. TITLE REVIEW

A. **Title Commitment**. The Purchaser shall use commercially reasonable efforts to obtain a current standard form commitment for title insurance for each Unit (one or more of which title commitments may contain multiple Units thereunder) no later than the expiration of the Due Diligence Period, issued by or on behalf of Escrow Agent, OS National, LLC or another national underwriter reasonably satisfactory to the Purchaser ("Title Company"; each such commitment, a "Commitment" and collectively, the "Commitments") describing such Units, listing the Purchaser as the proposed insured, showing the Purchase Price allocated to the applicable Units as the policy amount and including legible copies of all recorded documents evidencing title exceptions, and Seller shall reasonably cooperate with Purchaser's efforts. The Commitments shall be subject only to those title exceptions permitted by this Agreement or as may be approved or deemed approved by the Purchaser during the Due Diligence Period. The cost of the title examination fees and municipal lien search fees, and the cost of the Purchaser's owner's title policy (the "Purchaser's Title Policy") shall be allocated in the manner described in Section 6.

B. **Review of Title**. If any exceptions appear in a Commitment that are unacceptable to the Purchaser, the Purchaser shall notify the Seller in writing of such objections (the "Purchaser's Title Objections") on or before November 4, 2019 (the "Title Objection Deadline"). The Seller shall have no obligation to cure any of Purchaser's Title Objections, to bring any action or proceeding, or otherwise to incur any expense whatsoever to eliminate, cure, or modify any of Purchaser's Title Objections, except for Monetary Liens (as hereinafter defined), which liens Seller shall cause to be released at or prior to Closing and which may be satisfied from the proceeds of the sale contemplated by this Agreement. Within three (3) days after the Seller's receipt of Purchaser's Title Objections, the Seller shall deliver written notice to the Purchaser advising the Purchaser whether the Seller intends to cure any of Purchaser's Title Objections (the "Response Notice"). If Seller elects to cure any of Purchaser's Title Objections, Seller shall use commercially reasonable efforts to cure or remove the same prior to Closing (provided that if Seller fails to cure or remove the same prior to Closing, then such Purchaser's Title Objection shall not be a Permitted Exception). The Seller's failure to timely deliver the Response Notice to the Purchaser within such three (3) day period shall be deemed to constitute an election by the Seller not to cure any of Purchaser's Title Objections. If the Seller elects (or is deemed to have elected) not to cure any of Purchaser's Title Objections with respect to a specific Unit or Units, then the Purchaser may elect by written notice received by Seller on or before the expiration of the Due Diligence Period to (i) terminate this Agreement, or (ii) waive Purchaser's Title Objections, consummate the transaction contemplated herein, and accept such title as the Seller has elected to deliver without any reduction in Purchase Price, in which case the parties shall, subject to the terms and conditions set forth in this Agreement, proceed to Closing and the Purchaser shall have no further right to terminate this Agreement pursuant to this Section 4(B). The failure of the Purchaser to timely send notice to the Seller of the Purchaser's election in the preceding sentence shall be deemed to mean that the Purchaser has elected to terminate this Agreement pursuant to clause (i) of the preceding sentence. In the event of a termination of this Agreement as described in this Section 4(B), neither party shall have any further rights or obligations hereunder except for those which are expressly stated to survive the termination of this Agreement. As used herein, "Monetary Liens" shall mean (a) mortgages or deeds of trust encumbering Seller's interest in the Property or any portion thereof, (b) mechanics' liens or notices thereof encumbering Seller's interest in any portion of the Property, (c) liens for delinquent real estate taxes, governmental assessments, or homeowners' association dues assessed against any portion of the Property owned by Seller, (d) judgment liens that can be removed by the payment of an ascertainable sum of money and that encumber one or more Units, and (e) code enforcement liens and municipal liens. Monetary Liens shall include, without limitation, those monetary issues set forth in Schedule 4(B) attached hereto. "Permitted Exceptions" shall refer to all of the following: (a) applicable zoning, building and land use laws, ordinances, rules and regulations provided that the same do not prohibit the use of any Unit as a single family residence, (b) the lien of taxes and assessments not yet due and payable, (c) the rights of the tenants, as tenants only, under the Leases, with no options to purchase or rights of first refusal to purchase, (d) those matters enumerated in "Schedule B-II" of the Title Commitments (other than Monetary Liens and those Purchaser's Title Objections which Seller has elected in writing to cure or remove as provided in this Section 4(B)).

C. **Title Insurance Policies**. At Closing, Seller shall convey and transfer to Purchaser insurable title to each Unit. A condition precedent to Purchaser's obligation to purchase the Property shall be the irrevocable and unconditional written agreement of the Title Company to record each Deed on the Closing Date and to issue to Purchaser effective as of the date and time the Deed is recorded, an ALTA 2006 Form owner's title insurance policy with respect to each Unit (each, an "Owner's Policy"), or equivalent form acceptable to Purchaser, with coverage in the aggregate amount of the Purchase Price and dated as of the date and time the Deed is recorded, indicating title to the Real Property to be vested of record in Purchaser, subject solely to the Permitted Exceptions. If such condition is not satisfied, Purchaser shall be entitled to terminate this Agreement.

5. WARRANTIES AND REPRESENTATIONS

A. **Seller Warranties and Representations**. The Seller represents and warrants to the Purchaser as of the Effective Date and as of the Closing Date with respect to the Seller and the Property that:

(i) The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the state of its formation and, to the extent required by applicable law, the states where the Real Property is located, and has full power and authority to enter into and to perform its obligations under this Agreement and under all documents and instruments executed and delivered pursuant to the terms of this Agreement in connection with the Closing, including (without limitation) the documents and instruments required pursuant to the terms of Section 7 (the "Closing Documents") to be executed by Seller and to consummate the transaction contemplated herein. The persons executing this Agreement on behalf of the Seller have full power and authority to do so and to perform every act and to execute and deliver every Closing Document necessary or appropriate to consummate the transactions contemplated by this Agreement;

(ii) All entity action on the part of the Seller and its constituents, which is required for the execution, delivery and performance by the Seller of this Agreement and each of the Closing Documents to be delivered by the Seller at the Closing (including, without limitation, any notice to, filing with, or any authorization, consent, or approval from any governmental instrumentality or other person or entity) has been duly and effectively taken;

(iii) This Agreement and each of the Closing Documents to be delivered by the Seller at Closing constitute legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, moratorium, or similar laws affecting the enforcement of creditors' rights generally, and subject, as to enforceability, to general principles of equity, regardless of whether enforcement is sought in a court of law or equity;

(iv) Neither the execution of this Agreement nor the performance by the Seller of its obligations under this Agreement will result in any breach or violation of (a) the terms of any law, rule, ordinance, or regulation; or (b) any decree, judgment or order to which the Seller or any constituent member of the Seller is a party now in effect from any court or governmental body. There are no consents, waivers, authorizations or approvals from any third party necessary to be obtained by the Seller in order to carry out the transactions contemplated by this Agreement. The execution and delivery of this Agreement and performance by the Seller of its obligations under this Agreement will not conflict with or result in a material breach or default (or constitute an event which, with the giving of notice or the passage of time, or both, would constitute a default) under the Seller's organizational documents or any indenture, mortgage, lease, agreement, or other instrument to which the Seller is a party or by which the Seller or any of its assets may be bound other than with respect to any outstanding indebtedness to be satisfied at or prior to Closing;

(v) The Seller is not a "Specially Designated National" or a prohibited person under Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit or Support Terrorism, as amended or the regulations issued pursuant thereto (collectively "Executive Order 13224"), and the Seller is not owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship or services of any kind to, or otherwise knowingly associated with any of the persons or entities referred to or described in Executive Order 13224, or banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control;

(vi) Except as set forth on Schedule 5(A)(vi) hereto, to the Seller's Knowledge, the Property has not been condemned in whole or in part and Seller has not received any written notice that such proceeding is contemplated;

(vii) Seller has instructed the Property Manager to operate the Property in accordance with all applicable laws;

(viii) Except as set forth on Schedule 5(A)(viii) hereto, to Seller's Knowledge, there are no actions, suits or proceedings at law or in equity by or before any governmental authority or other entity pending or threatened in writing against or affecting the Property or the Seller, which actions, suits or proceedings would reasonably be expected to have a material adverse effect on such Property; to Seller's Knowledge, no pending or threatened litigation or proceedings will adversely affect Seller's ability to consummate the transactions contemplated by this Agreement; to Seller's Knowledge, the operation of the Property has not been, during Seller's ownership of the Property, and is not now, the subject of any administrative investigation, action or judicial proceeding in regard to sex, age or racially discriminatory practices initiated by any governmental authority, or any private citizen, and no such investigation, administrative action, or judicial proceeding is now pending, nor is the Property presently operating under any court order or administrative agreement in regard to alleged sex, age or racially discriminatory practices;

(ix) There are no attachments, executions, assignments for the benefit of creditors, receiverships, conservatorships or voluntary or involuntary proceedings in bankruptcy or pursuant to any other debtor relief laws contemplated or filed by the Seller or pending against the Seller. The Seller is solvent and has adequate capital for its business and undertakings, including the disposition contemplated by this Agreement;

(x) The Seller has good and marketable fee simple legal and equitable title to the real property comprising the Property subject to Permitted Exceptions.

(xi) The Seller's ownership of the Property is free and clear of any liens, mechanic's liens and mortgages (except to the extent being released or otherwise terminated in connection with Closing) other than Permitted Exceptions. At or prior to Closing, all taxes, governmental assessments and any other payments (including, but not limited to, sewer, water and utility payments) due and owing for periods prior to Closing in respect of the Property will be paid, or an escrow of funds in an amount sufficient to cover such payments will be established hereunder or will be insured against by the Purchaser's Title Policy for such individual Property;

(xii) To the Seller's Knowledge, all information on the data tape referenced on Exhibit F hereto (the "Data Tape"), is true, complete and accurate in all material respects;

(xiii) To the Seller's Knowledge, the Seller has not knowingly withheld any material and adverse information with respect to the Property that is in the actual possession of the Seller and not otherwise available in the Property Manager's property management system;

(xiv) Each Unit is a single family residential property and no Unit is a housing cooperative or manufactured housing;

(xv) Seller is the sole owner of the lessor's interest in all of the Leases;

(xvi) Seller has instructed the Property Manager to enter leases for Units in the form attached to the Property Management Agreement;

(xvii) To Seller's Knowledge, there are no written or oral agreements affecting the Property or binding on Seller, other than the Property Management Agreement, the Leases, this Agreement, the Permitted Exceptions and vendor agreements for the provision of services to the Properties;

(xviii) Seller has instructed the Property Manager to execute all leases of Units using the form attached to the Property Management Agreement with only those changes that are required by applicable law and Seller has no Knowledge that the Property Manager has violated that obligation by adding any option to sell any Unit, right of first refusal or right of first opportunity to any lease of any Unit or otherwise agreed to or executed any documents evidencing any such right with respect to any Unit. Other than with respect to any Leases, Seller has not entered into any agreement or understanding, either written or oral, pursuant to which any person or entity has the right to own, acquire, use or occupy any portion of the Property or any interest therein;

(xix) Except as set forth in Schedule 5(A)(xix), the Seller has received no written notice from any governmental authority of zoning, building, fire, water, use, health, environmental or other violations of applicable law issued in respect of the Property which, to the Seller's Knowledge, have not been heretofore corrected;

(xx) Seller has no employees;

(xxi) Seller is not "an employee benefit plan," as such term is defined in Section 3(3) of ERISA, which is subject to Title 1 of ERISA. Neither the Property nor any of the other assets of Seller constitute or, to the knowledge of Seller, have ever constituted "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101;

(xxii) The Property is properly zoned for its present and contemplated use as a single family rental. All licenses, permits, approvals and consents required in connection with the present and contemplated use and occupancy of the Property have been duly issued by the appropriate governmental authorities or private authorities and are in full force and effect; and

(xxiii) All utilities required by applicable laws for the operation of the Property are available to the Property necessary for the present and contemplated use of the Property.

B. **Purchaser Warranties and Representations**. The Purchaser represents and warrants to the Seller as of the Effective Date and as of the Closing Date that:

(i) The Purchaser is a limited liability company in good standing, duly formed and validly existing under the laws of the State of Delaware. The Purchaser has the authority and power to enter into this Agreement and to consummate the transaction provided for herein. This Agreement and all other Closing Documents executed and delivered by the Purchaser constitute legal, valid, binding and enforceable obligations of the Purchaser, and there are no claims or defenses, personal or otherwise, or offsets whatsoever to the enforceability or validity of this Agreement. The person executing this Agreement on behalf of the Purchaser has been duly authorized to do so;

(ii) All entity action on the part of the Purchaser and its constituents, which is required for the execution, delivery and performance by the Purchaser of this Agreement and each of the Closing Documents to be delivered by the Purchaser at the Closing has been duly and effectively taken;

(iii) This Agreement and each of the Closing Documents to be delivered by the Purchaser at Closing, constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, moratorium, or similar laws affecting the enforcement of creditors' rights generally, and subject, as to enforceability, to general principles of equity, regardless of whether enforcement is sought in a court of law or equity;

(iv) Neither the execution of this Agreement nor the performance by the Purchaser of its obligations under this Agreement will result in any breach or violation of (i) the terms of any law, rule, ordinance, or regulation; or (ii) any decree, judgment or order to which the Purchaser or any constituent member of the Purchaser is a party now in effect from any court or governmental body. There are no consents, waivers, authorizations or approvals from any third party necessary to be obtained by the Purchaser in order to carry out the transactions contemplated by this Agreement. The execution and delivery of this Agreement and performance by the Purchaser of its obligations under this Agreement will not conflict with or result in a breach or default (or constitute an event which, with the giving of notice or the passage of time, or both, would constitute a default) under the Purchaser's organizational documents or any indenture, mortgage, lease, agreement, or other instrument to which the Purchaser is a party or by which the Purchaser or any of its assets may be bound;

(v) To the knowledge of the Purchaser, there are no actions, suits or proceedings at law or in equity by or before any governmental authority or other entity pending or threatened in writing against or affecting the Purchaser;

(vi) There are no attachments, executions, assignments for the benefit of creditors, receiverships, conservatorships or voluntary or involuntary proceedings in bankruptcy or pursuant to any other debtor relief laws contemplated or filed by the Purchaser or pending against the Purchaser. The Purchaser is solvent and has adequate capital for its business and undertakings, including the acquisition contemplated by this Agreement; and

(vii) The Purchaser is not a "Specially Designated National" or a prohibited person under Executive Order 13224, and the Purchaser is not owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship or services of any kind to, or otherwise knowingly associated with any of the persons or entities referred to or described in Executive Order 13224, or banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control.

C. **Property Manager Warranties and Representations**. The Property Manager represents and warrants to the Purchaser as of the Effective Date and as of the Closing Date with respect to the Property Manager and the Property that:

(i) A copy of the Rent Roll used by Property Manager to manage the Property is attached as Exhibit I. The Rent Roll is a true, correct and complete, in all material respects, list of all leases and tenancy agreements affecting the Property and all amendments, extensions and modifications thereto, showing the name of each tenant, the date of each such lease and any amendment thereto, the rent and additional rent and percentage rent due under each such lease, the Security Deposit applicable to such lease, the options relating to such lease, and the other information set forth in the Rent Roll. Except as may be specifically noted to the contrary in the Rent Roll, to the Property Manager's Knowledge: (i) no tenant is or shall become entitled to any concession, rebate, allowance, or free rent for any period subsequent to the

Closing, without the prior written consent of Purchaser except as disclosed on the Data Tape; (ii) the Property Manager has not granted any tenant any purchase option or other interest (other than its leasehold tenancy for a specified term, as stated in the Rent Roll); (iii) all of the services required to be supplied to each tenant pursuant to the Leases are presently being supplied in all material respects; (iv) Property Manager (for itself or on behalf of Seller) has not received any written notice of a failure of Seller or Property Manager to supply any service to any tenant that has not yet been supplied in compliance with the applicable lease, nor has Property Manager received any written notice from any tenant of a material default or alleged material default by Seller or Property Manager (including failure by Seller or Property Manager to complete any material item of work to be completed pursuant to any of the Leases with respect to which the obligations of the Property Manager are delinquent); (v) Property Manager (for itself or on behalf of Seller) has not received any written notice to cancel any of the Leases or any written notice disputing the computation of the rents payable pursuant to any of the Leases; (vi) there are no pending claims asserted by any tenants for offsets against rent or any other monetary claims made against Seller as landlord or Property Manager; and (vii) no tenant has given Property Manager written notice of its intention to vacate a Unit prior to the end of the term of its lease;

(ii) The Property Manager maintains in its actual possession or control true and complete copies of the Leases (including all extensions, renewals and amendments thereof and thereto). The Property Manager has not entered into any written or oral agreements affecting the Property or binding on Seller, other than the Leases, and this Agreement;

(iii) Except as set forth in Schedule 5(A)(xix), to the Property Manager's Knowledge, there are no pending or threatened requests, applications or proceedings to alter or restrict the zoning or other use restrictions applicable to the Property; the Property Manager (for itself or on behalf of Seller) has received no written notice from any governmental authority of zoning, building, fire, water, use, health, environmental or other violations of applicable law issued in respect of the Property which have not been heretofore corrected;

(iv) Except as set forth on Schedule 5(C)(iv), the Property Manager (for itself or on behalf of Seller) has not received any written notice of any unsafe or other condition which presents risk of injury to persons or loss of or damage to property affecting or concerning the Property which have not been heretofore corrected; and

(v) Except as set forth on Schedule 5(C)(v), to the Property Manager's Knowledge, there are no unsatisfied requests for material repairs, restorations or improvements requested by the Property Manager that require approval from the Seller and are awaiting approval from the Seller.

D. **Definitions**. As used in this Agreement, the phrases "Known by the Seller", "Knows", "the Seller's Knowledge," "notice" or words of similar import with respect to Seller, shall mean the present and actual knowledge of Ronald Madden and Glenn Rocca. As used in this Agreement, the phrases "Known by the Property Manager", "Knows", "the Property Manager's Knowledge," "notice" or words of similar import with respect to Property Manager, shall mean the present and actual knowledge of Ralph Nacey, Eric Phillipps and Jon Grzyb.

E. **Indemnification Provisions**.

(i) The representations and warranties of the parties hereto contained in this Agreement or any certificate given in connection herewith shall survive the Closing for a period of six (6) months; provided, that any claim made with reasonable specificity by the party seeking to be indemnified within the time periods set forth in this Section 5(E) shall survive until such claim is finally and fully resolved (such period, the "Liability Period"). Each of the Purchaser and the Seller shall be entitled to bring a claim hereunder in respect of the covenants of the parties hereto contained in this Agreement to be performed in full prior to the Closing at any time until the nine (9) month anniversary of the Closing Date.

(ii) During the Liability Period, the Seller shall indemnify and hold harmless the Purchaser and the Purchaser's Agents, and their respective officers, directors, employees, agents, successors and assigns (each, a "Purchaser Indemnified Party") for and against all losses, to the extent arising out of or resulting from: (a) any breach of any representation or warranty in this Agreement or certifications given in connection with this Agreement by the Seller, and (b) any breach of any covenant or agreement contained in this Agreement requiring performance by the Seller (any such amount a "Seller Indemnity Payment"). Notwithstanding anything to the contrary in this Agreement, the Seller shall not be liable to the Purchaser for any losses resulting from or relating to any inaccuracy in or breach of any representation or warranty or any breach of any covenant or pursuant to any indemnity made by the Seller herein or in the documents delivered by the Seller in connection with the Closing in this Agreement if the Purchaser had knowledge of such breach on or prior to the Closing. In addition, notwithstanding anything to the contrary in this Agreement, (i) the Seller shall have no liability to the Purchaser for any breach of any representation, warranty or covenant or pursuant to any indemnity made by the Seller herein or in the documents delivered by the Seller in connection with the Closing unless and until the valid claims for all such breaches collectively aggregate more than Twenty-Five Thousand and No/100 Dollars ($25,000.00) (the "Seller Tipping Bucket") and after the Seller Tipping Bucket has been reached, the Purchaser shall be entitled to make a claim with respect to any such breach back to dollar zero; (ii) in no event will the Seller's aggregate liability to the Purchaser hereunder and under the documents delivered by the Seller in connection with the Closing (including, without limitation, for any breach of representation, warranty or covenant or pursuant to any indemnity made by the Seller) exceed an amount (as applicable, the "Seller Liability Cap") equal to five percent (5%) of the Purchase Price for any claim or notice of breach made by the Purchaser from the period after the Closing through and including the expiration of the Liability Period; and (iii) any liability of the Seller to the Purchaser hereunder or under the documents delivered by the Seller in connection with the Closing shall be limited in all instances to actual damages and in no event whatsoever shall the Seller be liable to the Purchaser for any special, indirect, incidental, exemplary, consequential or punitive damages. Notwithstanding the foregoing, the Closing Documents and Seller's proration obligations under Section 6, obligations under Section 8(C) and Section 10(O), and indemnification obligations contained in Section 9(B) shall not be subject to the Seller Tipping Bucket or the Seller Liability Cap. The provisions of this Section 5(E)(ii) shall survive the Closing or earlier termination of this Agreement.

(iii) During the Liability Period, the Purchaser shall indemnify and hold harmless the Seller and its affiliates, and their respective officers, directors, employees, agents, successors and assigns (each, a "Seller Indemnified Party") for and against any and all losses, arising out of or resulting from: (a) any breach of any representation or warranty in this Agreement by the Purchaser or any certificate given by the Purchaser in connection with this Agreement, and (b) any breach of any covenant or agreement contained in this Agreement requiring performance by the Purchaser. Notwithstanding anything to the contrary in this Agreement, any liability of the Purchaser to the Seller hereunder or under the documents delivered by the Purchaser in connection with the Closing shall be limited in all instances to actual damages and in no event whatsoever shall the Purchaser be liable to the Seller for any special, indirect, incidental, exemplary, consequential or punitive damages. The provisions of this Section 5(E)(iii) shall survive the Closing or earlier termination of this Agreement.

(iv) During the Liability Period, the Property Manager shall indemnify and hold harmless each Purchaser Indemnified Party for and against all losses, to the extent arising out of or resulting from: (a) any breach of any representation or warranty in this Agreement or certifications given in connection with this Agreement by the Property Manager, and (b) any breach of any covenant or agreement contained in this Agreement requiring performance by the Property Manager (any such amount a "PM Indemnity Payment"). Notwithstanding anything to the contrary in this Agreement, the Property Manager shall not be liable to the Purchaser for any losses resulting from or relating to any inaccuracy in or breach of any representation or warranty or any breach of any covenant or pursuant to any indemnity made by the Property Manager herein or in the documents delivered by the Property Manager in connection with the Closing in this Agreement if the Purchaser had knowledge of such breach on or prior to the Closing. In addition, notwithstanding anything to the contrary in this Agreement, (i) the Property Manager shall have no liability to the Purchaser for any breach of any representation, warranty or covenant or pursuant to any indemnity made by the Property Manager herein or in the documents delivered by the Property Manager in connection with the Closing unless and until the valid claims for all such breaches collectively aggregate more than Twenty-Five Thousand and No/100 Dollars ($25,000.00) (the "PM Tipping Bucket") and after the PM Tipping Bucket has been reached, the Purchaser shall be entitled to make a claim with respect to any such breach back to dollar zero; (ii) in no event will the Property Manager's aggregate liability to the Purchaser hereunder and under the documents delivered by the Property Manager in connection with the Closing (including, without limitation, for any breach of representation, warranty or covenant or pursuant to any indemnity made by the Property Manager) exceed an amount (as applicable, the "PM Liability Cap") equal to (y) one percent (1%) of the Purchase Price for any claim or notice of breach made by the Purchaser from the period after the Closing through and including the expiration of the Liability Period; and (iii) any liability of the Property Manager to the Purchaser hereunder or under the documents delivered by the Property Manager in connection with the Closing shall be limited in all instances to actual damages and in no event whatsoever shall the Property Manager be liable to the Purchaser for any special, indirect, incidental, exemplary, consequential or punitive damages. The provisions of this Section 5(E)(ii) shall survive the Closing or earlier termination of this Agreement.

(v) Any indemnity payments made by the Seller or the Purchaser pursuant to this Section 5(E) shall be treated as an adjustment to the Purchase Price for federal, state and local income tax purposes, except as otherwise required by applicable law.

(vi) If a claim may also be covered pursuant to the Owner's Policy, Purchaser shall diligently pursue such claim and upon receipt of any proceeds from such claim, shall reimburse the Seller or Property Manager, as appropriate, the amount of net proceeds received after deducting the actual out-of-pocket costs of collection, not to exceed the related indemnity payment hereunder.

(vii) Nothing in this Section 5(E) or in Section 8(A) will limit any remedy any party may have against any Person for fraud committed by such Person. In the absence of fraud, willful misconduct or, with respect to the third sentence of Section 8(A) only, bad faith of the Seller, the indemnification provisions set forth in this Section 5(E) shall provide the exclusive remedy for breach of any covenant, agreement, representation or warranty set forth in this Agreement or any other agreement ancillary hereto executed pursuant to this Agreement; provided, however, such limitation shall not impair the rights of any of the Parties to seek non-monetary equitable relief, including specific performance or injunctive relief to redress any default or breach of this Agreement. The provisions of this Section 5(E)(vi) shall survive the Closing or earlier termination of this Agreement.

6. CLOSING

A. **Time and Place of Closing**. Provided that all of the conditions of this Agreement shall have been satisfied or waived, the closing of the purchase and sale of the Property and the transaction contemplated herein (the "Closing") shall take place through an escrow with Escrow Agent on or before November 14, 2019 (the "Closing Date") no later than 1:00 pm eastern time on such date. The Closing may be held at such other place or such earlier time and date as the Seller and the Purchaser shall mutually approve in writing.

B. **Expenses of the Parties**. Subject to Section 6(C), the Purchaser and the Seller shall each be responsible for their respective costs and expenses (including, but not limited to legal, diligence, accounting and other related expenses) incurred in the structuring and negotiation of this Agreement.

C. **Expenses**. The Purchaser shall pay (i) 50% of the escrow fees charged by Escrow Agent, (ii) the cost of the title examination fees and municipal lien search fees, (iii) the cost of any endorsements, increased coverages or premium for any lender's title policy as may be desired by the Purchaser or required by the Purchaser, (iv) subject to the immediately following sentence, its own attorney's fees, and (v) any and all costs incurred in connection with the Purchaser's Inspections of the Property. The Seller shall pay (i) 50% of the escrow fees charged by Escrow Agent, (ii) if the Closing occurs, up to $125,000 of the Purchaser's reasonable and customary legal fees incurred in connection with the negotiation, execution and delivery of this Agreement and the closing of the transactions contemplated hereby and (iii) its own attorney's fees.

D. **Other Expenses**. The Purchaser's Title Policy, the recording costs for the Deed, any transfer fees and estoppel fees imposed by any homeowners' association, transfer taxes, documentary stamps and any other expenses, shall be paid by the Purchaser or the Seller, as applicable, in accordance with the cost allocations set forth on Exhibit G hereto.

E. **Prorations**.

(i) Non-Rent. Assessments (including homeowners' association assessments, municipal utility district charges and the like), current taxes and maintenance fees for the month of Closing or other applicable period will be prorated as of the Closing Date. The Seller shall pay all such expenses attributable to periods prior to the Closing Date (including, without limitation, the HOA Violations, as described in Section 7(C)(iii) below) and the Purchaser shall pay all expenses attributable to all periods from and after the Closing Date. If ad valorem taxes for the year in which the sale is closed are not available on the Closing Date, proration of taxes will be made on the basis of taxes assessed in the previous year and the parties shall re-prorate within thirty (30) days following receipt of the actual final tax bill. With respect to special assessments, the Seller shall pay all installments of special assessments due and payable in respect of the applicable Properties for all periods prior to the Closing Date, and the Purchaser shall pay all installments of special assessments in respect of the applicable Properties due and payable on and after the Closing Date; provided, however, that if any such special assessments shall be payable in one installment but relate to improvements which have a useful life for periods of time including the periods of ownership of the Seller and the Purchaser, the parties agree to prorate such special assessments equitably according to the parties' respective periods of ownership. If any other charges, expenses, and income are unavailable at the Closing Date, then a readjustment of these items shall be made by the Purchaser and delivered to the Seller (a "Reconciliation Notice") promptly after such items are determined but in any event within one hundred twenty (120) days of the Closing Date, and, if requested by the applicable the Seller, along with copies of supporting documents, to the extent reasonably available to the Purchaser, including applicable invoices, receipts, and other evidence of such charges. Within thirty (30) days after the receipt of the Reconciliation Notice, the Seller shall either approve the Reconciliation Notice (and thereafter within thirty (30) days the underpaying party shall pay the overpaying party) or disapprove. If the Seller disapproves the Reconciliation Notice, the Purchaser and the Seller shall cooperate in good faith to resolve the dispute. In the event the parties cannot agree, then either party may elect to have the dispute resolved by binding arbitration conducted pursuant to the rules of the American Arbitration Association. Upon final resolution either by agreement of the parties or by the arbitrator, the underpaying party shall pay the overpaying party within thirty (30) days.

(ii) Renovation Costs. The Seller shall be responsible for the payment of any repair or renovation costs the Seller elects to perform on the Property prior to the Closing Date; provided, however, the Seller shall have no obligation to undertake any renovation of the Property prior to Closing. The Purchaser shall be responsible for the payment of all costs and expenses incurred in connection with the operation and ownership of the Property including, without limitation, any repair or renovation costs performed on the Property on or after the Closing Date. During the period occurring on and after the Effective Date to the Closing Date, the Seller shall not commence any repair to, or renovation of, any Property with an expected cost in excess of $5,000.00 without the prior written approval of the Purchaser.

(iii) Leasing Costs. The Seller shall be solely responsible for the payment of all usual and customary third party finder's fees, commissions and apartment locater fees with respect to Leases executed after the Effective Date and prior to the Closing.

(iv) Rent. The Seller shall be entitled to all of the rents and all other reimbursements, charges and amounts payable to the landlord under the Leases (collectively, "Rents") applicable to periods prior to and through 11:59 p.m. on the date immediately prior to the Closing Date (the "Proration Date"), and the Purchaser shall be entitled to all Rents applicable to periods thereafter. Rents prepaid to the Seller, and actually collected by the Seller, for the month in which the Closing Date occurs shall be prorated between the Purchaser and the Seller on the Proration Date on the basis of the number of days in the particular month, and the Purchaser shall receive a credit against the Purchase Price in an amount equal to the Purchaser's pro rata share thereof. Any Rents not collected as of the Closing Date shall not be prorated at the time of Closing. With respect to any delinquent rentals, the Purchaser will use commercially reasonable efforts for a period of ninety (90) days following the Closing Date to collect the same for the Seller's benefit after the Closing in the ordinary course of the operation of the Property and such collection, if any, will be applied first toward the rent for the then-current month, then the rent for the month in which the Closing occurs, and any excess monies received shall be applied toward the payment of the most recent rents due under the applicable Lease, with Seller's share thereof (in any case) being promptly delivered to Seller. Nothing contained herein shall require the Purchaser to institute any lawsuit or other collection procedure to collect such delinquent rentals or declare a default under any Lease. If, subsequent to the Closing, any such Rents and other income allocable to the period after the Proration Date are actually received by the Seller following the Closing Date, the Seller shall remit the same (or pro rata share thereof) to the Purchaser within thirty (30) days after receipt (net of reasonable collection costs). The Seller shall have the right, before the Closing Date, to take such action as it deems appropriate to recover any unpaid Rents for periods prior to the Closing Date; provided, that the Seller shall not be permitted to institute any legal proceedings for the collection of such amounts or any eviction or similar dispossessory remedies after the Closing Date.

(v) Security Deposits and Other Deposits. At Closing, the Purchaser shall receive a credit against the Purchase Price in the amount of any security or other refundable deposits actually paid to or received by the Seller under the Leases (and not, as of the Closing Date, returned to or forfeited by tenants under Leases to the extent permitted or required by such Lease), with interest required by the Leases or by applicable law accrued thereon through the Closing Date, and any prepaid rentals actually paid to or received by the Seller for periods subsequent to the Closing (collectively, the "Security Deposits"). The foregoing provisions of this paragraph shall survive the Closing and delivery of the Deeds.

(vi) Closing Date Treatment; Property Manager Fees and Expenses. In making the prorations required by this Section 6(E), the economic burdens and benefits of ownership of the Property for the Closing Date shall be allocated to the Purchaser. All fees and expenses accrued and/or due to any Property Manager as of the Closing Date shall be paid in full by the Seller not later than the Closing Date and receipts therefore shall be delivered to the Purchaser.

(vii) Survival. The provisions of this Section 6(E) shall survive the Closing.

F. **Conditions Precedent To Obligations of Purchaser**. The obligation of Purchaser to consummate the transaction hereunder shall be subject to the fulfillment on or before the Closing Date of all of the following conditions, any or all of which may be waived by Purchaser in its sole discretion:

(i) Seller shall have delivered to Purchaser all of the items required to be delivered to Purchaser pursuant to the terms of this Agreement, including but not limited to, those provided for in Sections 4(B) and 7(A).

(ii) All of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects as of the Closing Date.

(iii) Seller shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by Seller as of the Closing Date.

(iv) The Title Company shall be prepared to deliver to Purchaser at Closing a marked title commitment, insuring Purchaser as owner of fee simple title to the Property subject only to the Permitted Exceptions.

G. **Conditions Precedent To Obligations of Seller**. The obligation of Seller to consummate the transaction hereunder shall be subject to the fulfillment on or before the Closing Date of all of the following conditions, any or all of which may be waived by Seller in its sole discretion:

(i) Seller shall have received the Purchase Price as adjusted pursuant to and payable in the manner provided for in this Agreement.

(ii) Purchaser shall have delivered to Seller all of the items required to be delivered to Seller pursuant to the terms of this Agreement, including but not limited to, those provided for in Section 7(B).

(iii) All of the representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects as of the date of Closing.

(iv) Purchaser shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by Purchaser as of the Closing Date.

(v) [***] ("[***]") shall have executed and delivered to Seller a legal, valid, binding and enforceable waiver of the yield maintenance payment provisions of the loan agreement between [***] and Seller, on terms satisfactory to Seller and [***] (the "Waiver").

7. DELIVERIES AT CLOSING

A. **Seller's Deliveries at Closing**. At Closing, the Seller shall deliver to, and the Purchaser's obligations hereunder shall be subject to receipt by, Escrow Agent of each of the following for recordation, filing or delivery to the Purchaser, as applicable, upon Closing, the following with respect to Units owned by such the Seller:

(i) a special or limited warranty deed (or local equivalent) with respect to each Unit, in the applicable form customarily used in the state in which such Unit is located as attached hereto as Exhibit H (each, a "Deed"), duly executed and acknowledged by the Seller, subject to any and all matters of record to the extent the same are valid and affect the Units, which Deed, upon proper recording by the Purchaser, shall be sufficient to convey title to Purchaser in accordance with the requirements of Section 4(C). The Purchaser and the Seller agree that a Deed may describe multiple Properties if multiple Properties being conveyed are located in the same county;

(ii) a Bill of Sale and General Assignment, in the form attached hereto as Exhibit B (the "Bill of Sale") duly executed by the Seller for the conveyance of all Personal Property owned by the Seller in the Property, if any;

(iii) an Assignment and Assumption of Leases, in the form attached hereto as Exhibit C (the "Assignment of Leases") duly executed by the Seller with respect to the Leases affecting the Units;

(iv) a notice to all tenants of the Property in the form attached hereto as Exhibit D ("Tenant Notice Letter") duly executed by the Seller, duplicate copies of which shall be sent by Seller promptly after Closing to each tenant under the Leases (which obligation shall survive the Closing of the Transaction);

(v) possession of the Property, subject to the rights of any tenants under any Leases;

(vi) a "non-foreign" certificate in the form attached hereto as Exhibit E (the "Non-Foreign Affidavit") duly executed by the Seller in accordance with the Internal Revenue Code;

(vii) a settlement statement setting forth the Purchase Price, the closing adjustments and prorations and the application thereof at the Closing (the "Settlement Statement"), duly executed by the Seller;

(viii) documentation satisfactory to the Title Company to establish the due authorization of Seller's sale of the Property and the authority of the signatory to this Agreement and the documents delivered by Seller pursuant to this Section 7(A) to execute the same on behalf of Seller, and such other evidence of the authority and capacity of the Seller and its representatives as the Title Company may reasonably require;

(ix) any additional instruments, duly executed and appropriately acknowledged by the Seller, as may be necessary for the Seller to have complied with the terms of this Agreement;

(x) one or more owner's affidavits or affidavits regarding debts and liens, as applicable in the states in which each Unit is located, as may be reasonably required by the Title Company, sufficient for the Title Company to delete any exceptions for parties in possession (other than tenants under the Leases, as tenants only) and mechanics' or materialmen's liens from any Purchaser's Title Policy, other than Permitted Exceptions or Monetary Liens (provided that any such Monetary Liens are also Removed in accordance with Section 4(B));

(xi) to the extent applicable, all transfer tax returns which are required by law and the regulations issued pursuant thereto in connection with the payment of all state or local real property transfer taxes that are payable or arise as a result of the consummation of the transactions contemplated by this Agreement, in each case, as prepared by the Seller or the Title Company;

(xii) a termination of any existing property management agreement with respect to the Real Property, duly executed by all parties to the existing property management agreement;

(xiii) to the extent applicable, an original 1099-S Certification duly executed by the Seller;

(xiv) such other state-specific deliverables agreed to by Purchaser and Seller prior to the Closing Date or as otherwise required by applicable law; and

(xv) a certificate stating that all of Seller's representations and warranties contained herein are true and correct as of the Closing Date or identifying any changes to such representations and warranties.

B. **Purchaser's Deliveries at Closing**. At Closing, the Purchaser shall deliver to, and the Seller's obligations hereunder shall be subject to receipt by, Escrow Agent of each of the following for recordation, filing or delivery to the Seller, as applicable, upon Closing, the following:

(i) the Purchase Price, as adjusted for prorations and other adjustments to be made in accordance with Section 2(B);

(ii) the Assignment of Leases, duly executed by the Purchaser;

(iii) the Settlement Statement, duly executed by the Purchaser;

(iv) such other evidence of the authority and capacity of the Purchaser and its representatives as the Title Company may reasonably require;

(v) any other documents as may be reasonably required by the Title Company and approved by the Purchaser;

(vi) any additional instruments, duly executed and appropriately acknowledged by the Purchaser, as may be necessary for the Purchaser to have complied with the terms of this Agreement; and

(vii) a payoff letter with respect to the loan from [***] to Seller which contains the Waiver.

C. **Property Manager's Deliveries at Closing**. At Closing, the Property Manager shall deliver to, and the Purchaser's obligations hereunder shall be subject to receipt by, Escrow Agent of each of the following for recordation, filing or delivery to the Purchaser and the Seller, as applicable, upon Closing, the following:

(i) an updated Rent Roll with respect to those Leases in effect on the date one (1) Business Day prior to the Closing Date, in the same form and containing the same level of detail as the Rent Roll attached hereto;

(ii) notice letters to the applicable homeowners associations affecting any Unit ("HOAs") regarding the sale of the Property setting forth Purchaser's contact information and the Closing Date, together with any completed and signed forms required from Seller by the HOAs to evidence the sale of the Property from Seller to Purchaser;

(iii) a report showing the current status of any and all unpaid HOA charges and assessments (the "HOA Violations") as of the Closing Date; and

(iv) a certificate stating that all of Property Manager's representations and warranties contained herein are true and correct as of the Closing Date or identifying any changes to such representations and warranties.

8. DEFAULT AND REMEDIES

A. **Default by the Seller**. If the Seller fails to perform any of its obligations under this Agreement and if the Purchaser is not in default of its obligations hereunder, the Purchaser shall notify the Seller in writing of the nature of and occurrence of the event of default and the Seller shall have five (5) business days to cure such event of default; provided, however, that if the default is a failure to close on the Closing Date, then no cure rights shall exist and this Agreement shall terminate. If the Seller fails or refuses to cure such event of default, the Purchaser, at the Purchaser's sole option, may either: (a) terminate this Agreement by delivering written notice to the Seller (and receive reimbursement of all of its reasonable pursuit costs), (b) seek the remedy of specific performance, or (c) waive said default and proceed to Closing without reduction or abatement of the Purchase Price and accept the Property subject to any such waived default. Notwithstanding the foregoing, if specific performance is not available and such event of default is due to fraud, willful misconduct or bad faith of the Seller, the Purchaser shall be entitled to all rights and remedies available at law or in equity, including without limitation, the right to recover all damages which the Purchaser may suffer as a result of such breach (including, without limitation, reimbursement for Purchaser's actual out-of-pocket costs and expenses incurred in connection with the transaction contemplated by this Agreement). Except as set forth in Section 5(D) hereof, nothing contained in this Agreement shall limit or otherwise affect any of the Purchaser's rights or remedies against the Seller arising under any express indemnification of the Purchaser by the Seller set forth in this Agreement or arising from any breach or default by the Seller after the Closing of any obligations in this Agreement which are expressly provided to survive the Closing.

B. **Default by the Purchaser**. If Purchaser defaults in its obligation to close the transaction contemplated by this Agreement (all conditions benefitting Purchaser having been satisfied or waived in writing), then the Seller shall notify the Purchaser in writing of the occurrence of the event of default and the Purchaser shall have five (5) days to cure such event of default. If the Purchaser fails or refuses to timely cure such event of default, the Seller shall have the right to terminate this Agreement, which shall be the Seller's sole and exclusive remedy and the parties shall have no further rights or obligations under this Agreement. If the Closing occurs, nothing contained in this Agreement shall limit or otherwise affect any of the Seller's rights or remedies against the Purchaser arising under any express indemnification of the Seller by the Purchaser set forth in this Agreement or arising from any breach or default by the Purchaser after the Closing of any obligations in this Agreement which are expressly provided to survive Closing.

C. **<u>Attorney's Fees</u>**. Notwithstanding any limitation of remedies described above, if it shall be necessary for either the Purchaser or the Seller to commence litigation to enforce its rights pursuant to this Agreement because of the default of the other party, the prevailing party shall reimburse the non-prevailing party for its reasonable out-of-pocket attorneys' fees and costs.

9. SELLER'S AND PROPERTY MANAGER'S COVENANTS

A. **<u>Seller Covenants</u>**.

(i) From the Effective Date until the Closing (or the earlier termination of this Agreement), the Seller shall (or shall instruct the Property Manager consistent with the terms of the Existing PMA to):

(a) operate and maintain the Property in substantially the same manner as it has heretofore operated and maintained the same in its normal course of business;

(b) use commercially reasonable efforts consistent with past practice, to keep each of the Properties free from damage, maintain each of the Properties in good physical condition and not permit waste to occur with respect any of the Properties;

(c) continue in the ordinary course of business to timely pay all bills and other payments due prior to the Closing with respect to the operation of the Property, subject to proration as set forth in <u>Section 6</u> of this Agreement;

(d) maintain its current insurance policies (or comparable substitutions thereof) in full force and effect through the Closing except for any modifications in the ordinary course of the Seller's business, which modifications are consistent with past practice;

(e) perform, when due, all material obligations under any and all agreements relating to the Property and otherwise in accordance with applicable laws, ordinances, rules, and regulations;

(f) not intentionally take any action which causes any of the representations or warranties in this Agreement to become untrue or be violated; and

(g) not take any action that would reasonably be expected to have a material adverse effect on a Property;

(h) not encumber any Real Property with any additional encumbrances without the prior written consent of Purchaser; and

(i) promptly notify Purchaser of the Seller's receipt of written notice of (x) any material casualty or condemnation affecting any Unit or threatened condemnation affecting any Real Property, (y) any violation of laws applicable to any Unit which violation would reasonably be expected to have a material adverse effect on such Unit, and (z) any litigation affecting the Property which litigation would reasonably be expected to have a material adverse effect on the Property.

(ii) **Leases**. Any new lease signed between the Effective Date and the Closing shall satisfy the requirements of an Eligible Lease (as defined below), and a copy thereof shall be delivered to Purchaser prior to the Closing. The Seller shall pay all brokerage commissions and finders' fees applicable to all Leases in effect as of the date of this Agreement and any commissions and finders' fees, to the extent consistent with such commissions and fees paid by the Seller prior to the Effective Date, with respect to any new leases entered into after the Effective Date shall be paid by the Purchaser.

For purposes of this Agreement, "Eligible Lease" shall mean a lease for a Property that satisfies all of the following:

(a) the form of lease reflects customary market standard terms;

(b) the lease is entered into on an arms-length basis without payment support by the Seller or its partners, representatives, employees, agents or affiliates; provided, that any incentives offered to tenants shall not be deemed to constitute such payment support;

(c) the lease is to a bona fide third-party tenant;

(d) the lease is in compliance with all applicable laws, ordinances, rules, and regulations in all material respects; and

(e) the lease is consistent with the Property Manager's internal leasing guidelines.

B. **Property Manager Covenants**.

(i) From the Effective Date until the Closing (or the earlier termination of this Agreement), the Property Manager shall:

(a) promptly notify Purchaser and Seller of the Property Manager's receipt of written notice of (x) any material casualty or condemnation affecting any Unit or threatened condemnation affecting any Real Property, (y) any violation of laws applicable to any Unit which violation would reasonably be expected to have a material adverse effect on such Unit, and (z) any litigation affecting the Property of which Property Manager receives written notice, which litigation would reasonably be expected to have a material adverse effect on the Property, and by its execution of this Agreement, Seller consents to all such disclosures; and

(b) prior to the Closing Date, market the Property for lease in the ordinary course of its business and subject to the terms of Section 9(A)(ii) above;

10. MISCELLANEOUS

A. **Condemnation**. If, before the Closing, all or a material part of any individual Unit is taken by condemnation, eminent domain or by agreement in lieu thereof or any proceeding to acquire, take or condemn all or a material part of a Unit is threatened or commenced against any Unit, the Seller shall, upon Knowledge by the Seller of such proceedings, give the Purchaser prompt written notice thereof. The Purchaser shall have no right to exclude such affected Property, but shall be entitled to (and the Seller shall irrevocably assign to the Purchaser at the Closing) all of the Seller's right, title and interest in and to any awards and proceeds of the taking, and the Purchaser shall receive a credit, at the Closing, for all awards and proceeds previously actually received by the Seller, after the reasonable, out-of-pocket costs and expenses of collection are deducted therefrom, but there shall be no adjustment to the Purchase Price.

B. **Damage or Destruction**. If before the Closing any individual Property becomes subject to a casualty, the Seller shall, upon Knowledge by the Seller of such casualty, give the Purchaser prompt written notice thereof. The Purchaser shall have no right to exclude such affected Property, but shall be entitled to (and the Seller shall irrevocably assign to the Purchaser at the Closing) the Seller shall assign to Purchaser all rights of Seller in and to any insurance proceeds payable thereafter with respect to such affected Property and the Purchaser shall receive a credit against the Purchase Price in an amount of (i) any deductible related to the insurance for such affected Property and (ii) the amount of any uninsured loss or other loss under insurance which is not accessible to Purchaser.

Subject to Section 10(A) and (B), the risk of loss, damage or destruction to the Property by fire or other casualty or the taking of all or part of the Property by condemnation or eminent domain or by an agreement in lieu thereof until the Closing is assumed by Seller.

C. **Notice**. All notices herein required shall be in writing and shall be served on the parties at the addresses or email addresses set forth below. Notices shall be deemed to have been properly delivered: (a) upon receipt when hand delivered during normal business hours, or the following business day if hand delivered after normal business hours or on a day which is not a business day; (b) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested; provided, that, the sender has in its possession the return receipt to prove actual delivery; (c) one (1) business day after the notice has been deposited with either Federal Express or United Parcel Service or similar nationally recognized overnight carrier to be delivered by overnight delivery; provided, that, the sending party receives a confirmation of actual delivery from the courier; or (d) upon delivery when sent by email transmission to the email address set forth herein.

If to the Purchaser:

c/o Connorex-Lucinda, LLC
1505 King Street Ext., Suite 100
Charleston, South Carolina 29405
Attention: Ralph Nacey
Email address: rnacey@con-rex.com

And to:

[***]

With a copy to:

King & Spalding LLP
1180 Peachtree Street
Atlanta, Georgia 30309
Attention: Joshua M. Kamin
Email address: jkamin@kslaw.com

And to:

Bryan Cave Leighton Paisner, LLP
1201 West Peachtree Street, Suite 1400
Atlanta, Georgia 30309
Attention: Todd Wade
Email address: todd.wade@bclplaw.com

If to the Seller:

SFR MT LLC
245 Park Avenue, 26th Fl.
New York, New York 10167
Attention: Raul E. Moreno
Email address: rmoreno@angelogordon.com

With a copy to:

Hunton Andrews Kurth LLP
Bank of America Plaza, Suite 3500
Charlotte, North Carolina 28280
Attention: Robert J. Hahn
Email address: rhahn@hunton.com

If to the Property Manager:

c/o Connorex-Lucinda, LLC
1505 King Street Ext., Suite 100
Charleston, South Carolina 29405
Attention: Eric Phillipps
Email address: ephillipps@con-rex.com

With a copy to:

Bryan Cave Leighton Paisner, LLP
1201 West Peachtree Street, Suite 1400
Atlanta, Georgia 30309
Attention: Todd Wade
Email address: todd.wade@bclplaw.com

D. **Time is of the Essence**. Time is of the essence of this contract. If the time period by which any right, option or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or legal or bank holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day. Unless otherwise specified in this Agreement, any reference to "days" shall mean "calendar days".

E. **Counterpart Execution**. This Agreement may be executed in several counterparts, each of which shall be fully effective as an original and all of which together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile or PDF shall be valid and effective to bind the party so signing.

F. **Effective Date**. The Effective Date of this Agreement shall be the date that this Agreement is last signed by all of the parties hereto.

G. **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, without giving effect to any conflict of laws principles other than those contained in Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York.

H. **Integration; Modification; Waiver**. This Agreement constitutes the complete and final expression of the agreement of the parties relating to the Property, and supersedes all previous contracts, agreements, and understandings of the parties, either oral or written, relating to the Property. This Agreement cannot be modified, or any of the terms hereof waived, except by an instrument in writing (referring specifically to this Agreement) executed by the party against whom enforcement of the modification or waiver is sought.

I. **Headings; Construction**. The headings which have been used throughout this Agreement have been inserted for convenience of reference only and do not constitute matter to be construed in interpreting this Agreement. Words of any gender used in this Agreement shall be held and construed to include any other gender and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise. The words "herein," "hereof," "hereunder" and other similar compounds of the words "here" when used in this Agreement shall refer to the entire Agreement and not to any particular provision or section. The Seller and the Purchaser acknowledge that each party and its counsel have taken the opportunity to review and revise this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or exhibits to this Agreement.

J. **Invalid Provisions**. If any one or more of the provisions of this Agreement, or the applicability of any such provision to a specific situation, shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of this Agreement and all other applications of any such provision shall not be affected thereby.

K. **Binding Effect; Successors and Assignment**. This Agreement shall be binding upon and inure to the benefit of the Seller and the Purchaser, and their respective heirs, personal representatives, successors and assigns; provided, however, that neither party hereto shall assign this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld. Furthermore, any permitted assignee of the Purchaser hereunder shall re-affirm the representations, warranties and indemnifications set forth in Section 5 of this Agreement.

L. **No Lien**. This Agreement is not and shall not be deemed or considered to convey or be an interest in or lien against the Property.

M. **No Recording**. In no event shall this Agreement or any memorandum or affidavit hereof be recorded by the Purchaser in any public records. Any such recordation or attempted recordation shall constitute a breach of this Agreement by the Purchaser, and, in addition to the other remedies provided for herein, the Seller shall have the express right to terminate this Agreement by filing a notice of said termination in the real estate records of the jurisdiction where each Property is located.

N. **Exhibits**. All references to Exhibits contained herein are references to Exhibits attached hereto, all of which are made a part hereof for all purposes the same as if set forth herein verbatim, it being expressly understood that if any Exhibit attached hereto which is to be executed and delivered at Closing contains blanks, the same shall be completed correctly and in accordance with the terms and provisions contained herein and as contemplated herein prior to or at the time of execution and delivery thereof.

O. **Brokers**. All negotiations relative to this Agreement and the purchase and sale of the Property as contemplated by and provided for in this Agreement have been conducted by and between the Seller and the Purchaser without the intervention of any person or other party as agent or broker. The Seller and the Purchaser shall and do each hereby indemnify, defend and hold harmless each other from and against the claims, demands, actions and judgments (including reasonable attorneys' fees) of any and all brokers, agents and other intermediaries alleging a commission, fee or other payment to be owing by reason of their respective dealings, negotiations or communications in connection with this Agreement or the purchase and sale of the Property.

P. **Waiver of Jury Trial**. The Purchaser, the Seller and Escrow Agent hereby unconditionally and irrevocably waive, to the fullest extent permitted by law, the right to trial by jury in any action, proceeding or counterclaim, whether in contract, tort or otherwise, relating directly or indirectly to this Agreement.

Q. **Confidentiality**. Each of the parties hereto agrees that it will not use, or permit the use of, any of the information relating to the Seller or the Property, or the Purchaser respectively furnished to each other in connection with the Letter of Intent, dated September 24, 2019 (the "Letter of Intent"). by and among the Purchaser, [***] and Connorex-Lucinda, LLC, this Agreement or the Contemplated Transaction (as defined in the Letter of Intent) (collectively, the "Confidential Information"), except publicly available information. None of the parties hereto will, and neither will the Purchaser's directors, officers, employees, agents, affiliates, members, managers, partners, shareholders and other representatives, disclose, divulge, provide or make accessible any of the

Confidential Information to any person or entity, other than their responsible officers, employees, advisors or attorneys that need to know or otherwise as required by law or regulation. The provisions of this Section 10(Q) shall survive any termination of this Agreement.

R. **Disclosure**. Without the prior written consent of the other party hereto, neither party hereto will, and each party hereto will cause its directors, officers, employees, agents, other representatives, members, managers, partners and affiliates not to, disclose to any person the fact that discussions or negotiations are taking place concerning the Letter of Intent, this Agreement or the Contemplated Transactions, the status thereof, or the existence of this Agreement and the terms hereof, unless in the opinion of such party disclosure is required to be made by applicable law, regulation or court order, and such disclosure is made after prior consultation with the other party. Neither party will issue any public announcement concerning the Contemplated Transaction without the approval of the other party, except as may be required by law.

S. **Limitation on Liability**. Notwithstanding anything to the contrary contained herein (other than with respect to the Waiver), no direct or indirect member, partner, manager or other entity having a direct or indirect interest in, or management responsibility for, the affiliate of [***] which is a member of Purchaser (a "Purchaser ML Parent"), and no officer, director, trustee, shareholder, employee or other representative of the affiliate of [***] which is a member of Purchaser or of a Purchaser ML Parent (collectively, inclusive of Purchaser ML Parents, the "Purchaser ML Exculpated Parties"), shall have any liability under this Agreement whatsoever, and no Purchaser ML Exculpated Party shall now or hereafter be deemed to have any liability for, or have otherwise guaranteed, any obligations or other actions of Purchaser hereunder or otherwise relating to the transaction contemplated hereby (other than with respect to the Waiver). For the avoidance of doubt, each of the Purchaser ML Parent and the Purchaser ML Exculpated Parties shall exclude the Property Manager or any affiliate thereof. Seller, together with its successors and assigns, hereby irrevocably and unconditionally, now and forever (i) releases, remises, acquits and discharges each Purchaser ML Exculpated Party from and against any and all claims for relief, controversies, suits, actions, causes of action, liabilities, obligations, judgments, damages, expenses, claims, counterclaims, cross-claims or demands, in law or in equity, asserted or unasserted, express or implied, foreseen or unforeseen, real or imaginary, suspected or unsuspected, known or unknown, liquidated or non-liquidated, of any kind or nature or description whatsoever relating to this Agreement and transactions relating thereto (other than with respect to the Waiver), and (ii) covenants not to sue any Purchaser ML Exculpated Party on account of this Agreement or transactions relating thereto (other than with respect to the Waiver).

T. **State Specific Provisions**. Purchaser and Seller shall reasonably cooperate with each other to attach state specific Riders to this Agreement on or prior to the Closing Date. Such Riders attached to this Agreement will be a part of this Agreement, and in the event of any conflict between the terms of this Agreement and the Riders, the terms of the applicable Rider shall control.

[SIGNATURES COMMENCE ON FOLLOW PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

"**SELLER**"

SFR MT LLC, a Delaware limited liability company

By: /s/ Raul E. Moreno
Name: Raul E. Moreno
Title: Secretary

Date of Execution: 11/4/2019

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

[Signature Page to Purchase and Sale Agreement]

[Signature Page to Purchase and Sale Agreement]

"**PURCHASER**":

CONREX ML PORTFOLIO 2019-01 OPERATING COMPANY, LLC, a Delaware limited liability company

By: /s/ Whit Bundy
Name: Whit Bundy
Title: Executive Vice President

Date of Execution: 11/4/2019

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

[Signature Page to Purchase and Sale Agreement]

Agreed, with respect to the provisions of
Sections 5(C) and 5(E):

CONREX PROPERTY MANAGEMENT, LLC, a Delaware limited liability company

By: /s/ Whit Bundy
Name: Whit Bundy
Title: Chief Operating Officer

[Signature Page to Purchase and Sale Agreement]

Exhibit 31.1

I, David N. Roberts, certify that:

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

Date: November 5, 2019

/s/ David N. Roberts

David N. Roberts

Chief Executive Officer

Exhibit 31.2

I, Brian C. Sigman, certify that:

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

Date: November 5, 2019

/s/ Brian C. Sigman

Brian C. Sigman
Chief Financial Officer and
Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Roberts, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ David N. Roberts

David N. Roberts
Chief Executive Officer
November 5, 2019

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian C. Sigman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Brian C. Sigman

Brian C. Sigman
Chief Financial Officer and
Treasurer
November 5, 2019