UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2024

or

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

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**20-0057959**
(State or other jurisdiction of incorporation)	*(I.R.S. Employer Identification No.)*
333 Earle Ovington Boulevard, Suite 900, Uniondale, NY	**11553**
(Address of principal executive offices)	*(Zip Code)*

(Registrant's telephone number, including area code): **(516) 506-4200**

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, par value $0.01 per share	ABR	**New York Stock Exchange**
Preferred Stock, 6.375% Series D Cumulative Redeemable, par value $0.01 per share	ABR-PD	**New York Stock Exchange**
Preferred Stock, 6.25% Series E Cumulative Redeemable, par value $0.01 per share	ABR-PE	**New York Stock Exchange**
Preferred Stock, 6.25% Series F Fixed-to-Floating Rate Cumulative Redeemable, par value $0.01 per share	ABR-PF	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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 ☑

Issuer has 188,548,879 shares of common stock outstanding at July 29, 2024.

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Forward-Looking Statements

The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in Arbor Realty Trust, Inc. We urge you to carefully review and consider the various disclosures in this report, as well as information in our annual report on Form 10-K for the year ended December 31, 2023 (the “2023 Annual Report”) filed with the Securities and Exchange Commission (“SEC”) on February 20, 2024 and in our other reports and filings with the SEC.

This report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments and financing needs. We use words such as “anticipate,” “expect,” “believe,” “intend,” “should,” “could,” “will,” “may” and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic, macroeconomic and geopolitical conditions generally, and the real estate market specifically; adverse changes in our status with government-sponsored enterprises affecting our ability to originate loans through such programs; changes in interest rates; the quality and size of the investment pipeline and the rate at which we can invest our cash; impairments in the value of the collateral underlying our loans and investments; inflation; changes in federal and state laws and regulations, including changes in tax laws; the availability and cost of capital for future investments; and competition. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
($ in thousands, except share and per share data)

	June 30, 2024 (Unaudited)	December 31, 2023
Assets:		
Cash and cash equivalents	$ 737,485	$ 928,974
Restricted cash	218,228	608,233
Loans and investments, net (allowance for credit losses of $238,923 and $195,664)	11,603,944	12,377,806
Loans held-for-sale, net	342,870	551,707
Capitalized mortgage servicing rights, net	380,719	391,254
Securities held-to-maturity, net (allowance for credit losses of $9,132 and $6,256)	156,080	155,279
Investments in equity affiliates	72,872	79,303
Due from related party	105,097	64,421
Goodwill and other intangible assets	89,032	91,378
Other assets	490,885	490,281
Total assets	$ 14,197,212	$ 15,738,636
Liabilities and Equity:		
Credit and repurchase facilities	$ 3,160,384	$ 3,237,827
Securitized debt	5,716,513	6,935,010
Senior unsecured notes	1,245,956	1,333,968
Convertible senior unsecured notes	284,473	283,118
Junior subordinated notes to subsidiary trust issuing preferred securities	144,275	143,896
Due to related party	2,709	13,799
Due to borrowers	75,837	121,707
Allowance for loss-sharing obligations	76,561	71,634
Other liabilities	303,865	343,072
Total liabilities	11,010,573	12,484,031
Commitments and contingencies (Note 13)		
Equity:		
Arbor Realty Trust, Inc. stockholders' equity:		
Preferred stock, cumulative, redeemable, $0.01 par value: 100,000,000 shares authorized, shares issued and outstanding by period:	633,684	633,684
Special voting preferred shares - 16,293,589 shares		
6.375% Series D - 9,200,000 shares		
6.25% Series E - 5,750,000 shares		
6.25% Series F - 11,342,000 shares		
Common stock, $0.01 par value: 500,000,000 shares authorized - 188,548,879 and 188,505,264 shares issued and outstanding	1,885	1,885
Additional paid-in capital	2,361,466	2,367,188
Retained earnings	57,894	115,216
Total Arbor Realty Trust, Inc. stockholders' equity	3,054,929	3,117,973
Noncontrolling interest	131,710	136,632
Total equity	3,186,639	3,254,605
Total liabilities and equity	$ 14,197,212	$ 15,738,636

Note: Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities, or VIEs, as we are the primary beneficiary of these VIEs. At June 30, 2024 and December 31, 2023, assets of our consolidated VIEs totaled $7,154,753 and $8,614,571, respectively, and the liabilities of our consolidated VIEs totaled $5,733,813 and $6,967,877, respectively. See Note 14 for discussion of our VIEs.

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
($ in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest income	$ 297,188	$ 335,737	$ 618,480	$ 663,685
Interest expense	209,227	227,195	426,903	446,569
Net interest income	87,961	108,542	191,577	217,116
Other revenue:				
Gain on sales, including fee-based services, net	17,448	22,587	34,114	37,176
Mortgage servicing rights	14,534	16,201	24,733	34,659
Servicing revenue, net	29,910	32,347	61,436	61,913
Property operating income	1,444	1,430	3,014	2,811
Loss on derivative instruments, net	(275)	(7,384)	(5,533)	(3,161)
Other income, net	2,081	45	4,414	4,923
Total other revenue	65,142	65,226	122,178	138,321
Other expenses:				
Employee compensation and benefits	42,836	41,310	90,529	83,708
Selling and administrative	12,823	12,584	26,756	26,207
Property operating expenses	1,584	1,365	3,262	2,747
Depreciation and amortization	2,423	2,387	4,994	5,011
Provision for loss sharing (net of recoveries)	4,333	7,672	4,607	10,848
Provision for credit losses (net of recoveries)	29,564	13,878	48,682	36,395
Total other expenses	93,563	79,196	178,830	164,916
Income before extinguishment of debt, sale of real estate, income from equity affiliates and income taxes	59,540	94,572	134,925	190,521
Loss on extinguishment of debt	(412)	(1,247)	(412)	(1,247)
Gain on sale of real estate	3,813	—	3,813	—
Income from equity affiliates	2,793	5,560	4,211	19,886
Provision for income taxes	(3,901)	(5,553)	(7,493)	(13,582)
Net income	61,833	93,332	135,044	195,578
Preferred stock dividends	10,342	10,342	20,684	20,684
Net income attributable to noncontrolling interest	4,094	6,826	9,090	14,411
Net income attributable to common stockholders	$ 47,397	$ 76,164	$ 105,270	$ 160,483
Basic earnings per common share	$ 0.25	$ 0.42	$ 0.56	$ 0.88
Diluted earnings per common share	$ 0.25	$ 0.41	$ 0.56	$ 0.87
Weighted average shares outstanding:				
Basic	188,655,801	181,815,469	188,683,095	181,468,002
Diluted	205,487,711	216,061,876	205,499,619	215,489,604
Dividends declared per common share	$ 0.43	$ 0.42	$ 0.86	$ 0.82

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
($ in thousands, except shares)

Three Months Ended June 30, 2024

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance – April 1, 2024	42,585,589	$ 633,684	189,452,116	$ 1,895	$2,372,336	$ 91,770	$ 3,099,685	$ 134,623	$ 3,234,308
Repurchase - common stock	—	—	(935,739)	(9)	(11,399)	—	(11,408)	—	(11,408)
Stock-based compensation, net	—	—	32,502	(1)	529	—	528	—	528
Distributions - common stock	—	—	—	—	—	(81,273)	(81,273)	—	(81,273)
Distributions - preferred stock	—	—	—	—	—	(10,342)	(10,342)	—	(10,342)
Distributions - noncontrolling interest	—	—	—	—	—	—	—	(7,007)	(7,007)
Net income	—	—	—	—	—	57,739	57,739	4,094	61,833
Balance – June 30, 2024	42,585,589	$ 633,684	188,548,879	$ 1,885	$2,361,466	$ 57,894	$ 3,054,929	$ 131,710	$ 3,186,639

Six Months Ended June 30, 2024

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance – January 1, 2024	42,585,589	$ 633,684	188,505,264	$ 1,885	$2,367,188	$ 115,216	$ 3,117,973	$ 136,632	$ 3,254,605
Repurchase - common stock	—	—	(935,739)	(9)	(11,399)	—	(11,408)	—	(11,408)
Stock-based compensation, net	—	—	979,354	9	5,677	—	5,686	—	5,686
Distributions - common stock	—	—	—	—	—	(162,592)	(162,592)	—	(162,592)
Distributions - preferred stock	—	—	—	—	—	(20,684)	(20,684)	—	(20,684)
Distributions - noncontrolling interest	—	—	—	—	—	—	—	(14,012)	(14,012)
Net income	—	—	—	—	—	125,954	125,954	9,090	135,044
Balance – June 30, 2024	42,585,589	$ 633,684	188,548,879	$ 1,885	$2,361,466	$ 57,894	$ 3,054,929	$ 131,710	$ 3,186,639

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited) (Continued)
($ in thousands, except shares)

Three Months Ended June 30, 2023

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance – April 1, 2023	42,585,589	$ 633,684	183,821,003	$ 1,838	$2,278,287	$ 107,697	$ 3,021,506	$ 135,951	$ 3,157,457
Issuance - common stock	—	—	1,901,000	19	26,905	—	26,924	—	26,924
Repurchase - common stock	—	—	(2,659,172)	(27)	(27,734)	—	(27,761)	—	(27,761)
Stock-based compensation, net	—	—	4,557	1	3,174	—	3,175	—	3,175
Distributions - common stock	—	—	—	—	—	(76,300)	(76,300)	—	(76,300)
Distributions - preferred stock	—	—	—	—	—	(10,342)	(10,342)	—	(10,342)
Distributions - noncontrolling interest	—	—	—	—	—	—	—	(6,844)	(6,844)
Net income	—	—	—	—	—	86,506	86,506	6,826	93,332
Balance – June 30, 2023	42,585,589	$ 633,684	183,067,388	$ 1,831	$2,280,632	$ 107,561	$ 3,023,708	$ 135,933	$ 3,159,641

Six Months Ended June 30, 2023

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Total Arbor Realty Trust, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance – January 1, 2023	42,585,589	$ 633,684	178,230,522	$ 1,782	$2,204,481	$ 97,049	$ 2,936,996	$ 134,883	$ 3,071,879
Issuance - common stock	—	—	7,536,800	75	109,593	—	109,668	—	109,668
Repurchase - common stock	—	—	(3,545,604)	(36)	(37,396)	—	(37,432)	—	(37,432)
Stock-based compensation, net	—	—	845,670	10	3,954	—	3,964	—	3,964
Distributions - common stock	—	—	—	—	—	(149,971)	(149,971)	—	(149,971)
Distributions - preferred stock	—	—	—	—	—	(20,684)	(20,684)	—	(20,684)
Distributions - noncontrolling interest	—	—	—	—	—	—	—	(13,361)	(13,361)
Net income	—	—	—	—	—	181,167	181,167	14,411	195,578
Balance – June 30, 2023	42,585,589	$ 633,684	183,067,388	$ 1,831	$2,280,632	$ 107,561	$ 3,023,708	$ 135,933	$ 3,159,641

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net income	$ 135,044	$ 195,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,994	5,011
Stock-based compensation	8,772	9,094
Amortization and accretion of interest and fees, net	(1,928)	(1,857)
Amortization of capitalized mortgage servicing rights	33,518	31,020
Originations of loans held-for-sale	(2,017,127)	(2,460,869)
Proceeds from sales of loans held-for-sale, net of gain on sale	2,220,661	2,332,245
Mortgage servicing rights	(24,733)	(34,659)
Write-off of capitalized mortgage servicing rights from payoffs	4,418	8,907
Provision for loss sharing (net of recoveries)	4,607	10,848
Provision for credit losses (net of recoveries)	48,682	36,395
Net charge-offs for loss sharing obligations	320	(1,335)
Deferred tax benefit	(6,896)	(4,197)
Income from equity affiliates	(4,211)	(19,886)
Distributions from operations of equity affiliates	12,029	15,008
Change in fair value of held-for-sale loans	31	(2,220)
Loss on derivative instruments, net	5,533	3,161
Loss on extinguishment of debt	412	1,247
Payoffs and paydowns of loans held-for-sale	1,353	27
Gain on sale of real estate	(3,813)	—
Changes in operating assets and liabilities	(91,778)	(21,897)
Net cash provided by operating activities	329,888	101,621
Investing Activities:		
Loans and investments funded, originated and purchased	(615,518)	(867,804)
Payoffs and paydowns of loans and investments	1,345,861	1,873,578
Deferred fees	10,594	7,945
Proceeds from sale of real estate, net	13,928	—
Contributions to equity affiliates	(12,612)	(850)
Distributions from equity affiliates	11,224	12,052
Payoffs and paydowns of securities held-to-maturity	166	3,413
Due to borrowers and reserves	(35,650)	—
Net cash provided by investing activities	717,993	1,028,334
Financing activities:		
Proceeds from credit and repurchase facilities	4,554,034	4,449,564
Paydowns and payoffs of credit and repurchase facilities	(4,638,895)	(4,717,137)
Payoffs and paydowns of mortgage note payable	(8,900)	—
Payoffs and paydowns of securitized debt	(1,224,857)	(689,715)
Proceeds from issuance of common stock	—	109,668
Proceeds from issuance of senior unsecured notes	—	95,000
Payoffs and paydowns of senior unsecured notes	(90,000)	(149,600)
Payments of withholding taxes on net settlement of vested stock	(3,086)	(5,130)
Repurchase of common stock	(11,408)	(37,432)
Distributions to stockholders	(197,288)	(184,016)
Payment of deferred financing costs	(8,975)	(6,094)
Net cash used in financing activities	(1,629,375)	(1,134,892)
Net decrease in cash, cash equivalents and restricted cash	(581,494)	(4,937)
Cash, cash equivalents and restricted cash at beginning of period	1,537,207	1,248,165
Cash, cash equivalents and restricted cash at end of period	$ 955,713	$ 1,243,228

See Notes to Consolidated Financial Statements.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)
(in thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents at beginning of period	$ 928,974	$ 534,357
Restricted cash at beginning of period	608,233	713,808
Cash, cash equivalents and restricted cash at beginning of period	$ 1,537,207	$ 1,248,165
Cash and cash equivalents at end of period	$ 737,485	$ 846,362
Restricted cash at end of period	218,228	396,866
Cash, cash equivalents and restricted cash at end of period	$ 955,713	$ 1,243,228
Supplemental cash flow information:		
Cash used to pay interest	$ 413,554	$ 426,363
Cash used to pay taxes	16,132	11,141
Supplemental schedule of non-cash investing and financing activities:		
Real estate acquired in settlement of loans and investments, net	101,250	—
Settlement of loans and investments, net of real estate	(100,250)	—
Derecognition of real estate owned	95,250	—
Loan funded in conjunction with real estate sold	(95,250)	—
Distributions accrued on preferred stock	7,010	7,010

See Notes to Consolidated Financial Statements.

Note 1 — Description of Business

Arbor Realty Trust, Inc. ("we," "us," "our," or the "Company") is a Maryland corporation formed in 2003. We are a nationwide real estate investment trust ("REIT") and direct lender, providing loan origination and servicing for commercial real estate assets. We operate through two business segments: our Structured Loan Origination and Investment Business, or "Structured Business," and our Agency Loan Origination and Servicing Business, or "Agency Business."

Through our Structured Business, we invest in a diversified portfolio of structured finance assets in the multifamily, single-family rental ("SFR") and commercial real estate markets, primarily consisting of bridge loans, in addition to mezzanine loans, junior participating interests in first mortgages and preferred equity. We also invest in real estate-related joint ventures and may directly acquire real property and invest in real estate-related notes and certain mortgage-related securities.

Through our Agency Business, we originate, sell and service a range of multifamily finance products through the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac," and together with Fannie Mae, the government-sponsored enterprises, or "GSEs"), the Government National Mortgage Association ("Ginnie Mae"), Federal Housing Authority ("FHA") and the U.S. Department of Housing and Urban Development (together with Ginnie Mae and FHA, "HUD"). We retain the servicing rights and asset management responsibilities on substantially all loans we originate and sell under the GSE and HUD programs. We are an approved Fannie Mae Delegated Underwriting and Servicing ("DUS") lender nationally, a Freddie Mac Multifamily Conventional Loan lender, seller/servicer in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and small balance loan ("SBL") lender, seller/servicer nationally and a HUD MAP and LEAN senior housing/healthcare lender nationally. We also originate and retain the servicing rights on permanent financing loans underwritten using the guidelines of our existing agency loans sold to the GSEs, which we refer to as "Private Label" loans and originate and sell finance products through CMBS programs. We either sell the Private Label loans instantaneously or pool and securitize them and sell certificates in the securitizations to third party investors, while retaining the highest risk bottom tranche certificate of the securitization.

Substantially all of our operations are conducted through our operating partnership, Arbor Realty Limited Partnership ("ARLP"), for which we serve as the indirect general partner, and ARLP's subsidiaries. We are organized to qualify as a REIT for U.S. federal income tax purposes. A REIT is generally not subject to federal income tax on that portion of its REIT-taxable income that is distributed to its stockholders, provided that at least 90% of taxable income is distributed and provided that certain other requirements are met. Certain of our assets that produce non-qualifying REIT income, primarily within the Agency Business, are operated through taxable REIT subsidiaries ("TRS"), which are part of our TRS consolidated group (the "TRS Consolidated Group") and are subject to U.S. federal, state and local income taxes. In general, our TRS entities may hold assets that the REIT cannot hold directly and may engage in real estate or non-real estate-related business.

Note 2 — Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), for interim financial statements and the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared under GAAP have been condensed or omitted. In our opinion, all adjustments considered necessary for a fair presentation of our financial position, results of operations and cash flows have been included 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. These financial statements should be read in conjunction with our financial statements and notes thereto included in our 2023 Annual Report.

Principles of Consolidation

The consolidated financial statements include our financial statements and the financial statements of our wholly owned subsidiaries, partnerships and other entities in which we have a controlling interest, including variable interest entities ("VIEs") of which we are the primary beneficiary. Entities in which we have a significant influence are accounted for under the equity method. Our VIEs are described in Note 14. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that could materially affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The ultimate impact of inflation, currently high interest rate environment, bank failures, tightening of capital markets and reduced property values, both globally and to our business, makes any estimate or assumption at June 30, 2024 inherently less certain.

Recently Issued Accounting Pronouncements

In March 2024, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2024-01, Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards, effective in the first quarter of 2025. We currently do not have any transactions that fall under the scope of this ASU; therefore, the adoption is not expected to have an impact on our consolidated financial statements.

Significant Accounting Policies

See Item 8 – Financial Statements and Supplementary Data in our 2023 Annual Report for a description of our significant accounting policies. There have been no significant changes to our significant accounting policies since December 31, 2023.

Note 3 — Loans and Investments

Our Structured Business loan and investment portfolio consists of ($ in thousands):

	June 30, 2024	Percent of Total	Loan Count	Wtd. Avg. Pay Rate (1)	Wtd. Avg. Remaining Months to Maturity (2)	Wtd. Avg. First Dollar LTV Ratio (3)	Wtd. Avg. Last Dollar LTV Ratio (4)
Bridge loans (5)	$ 11,478,252	97 %	696	7.81 %	10.6	0 %	79 %
Mezzanine loans	272,550	2 %	59	7.87 %	52.8	51 %	83 %
Preferred equity investments	117,431	1 %	26	5.09 %	55.0	55 %	81 %
SFR permanent loans	4,975	<1%	2	10.02 %	10.9	0 %	47 %
Total UPB	11,873,208	100 %	783	7.79 %	12.0	2 %	79 %
Allowance for credit losses	(238,923)						
Unearned revenue	(30,341)						
Loans and investments, net	$ 11,603,944						
	December 31, 2023						
Bridge loans (5)	$ 12,273,244	97 %	679	8.45 %	12.0	0 %	78 %
Mezzanine loans	248,457	2 %	49	8.41 %	56.6	48 %	80 %
Preferred equity investments	85,741	1 %	17	3.95 %	60.3	53 %	82 %
SFR permanent loans	7,564	<1%	2	9.84 %	13.9	0 %	56 %
Total UPB	12,615,006	100 %	747	8.42 %	13.2	1 %	78 %
Allowance for credit losses	(195,664)						
Unearned revenue	(41,536)						
Loans and investments, net	$ 12,377,806						

(1) "Weighted Average Pay Rate" is a weighted average, based on the unpaid principal balance ("UPB") of each loan in our portfolio, of the interest rate required to be paid monthly as stated in the individual loan agreements. Certain loans and investments that require an accrual rate to be paid at maturity are not included in the weighted average pay rate as shown in the table.

(2) Including extension options, the weighted average remaining months to maturity at June 30, 2024 and December 31, 2023 was 25.6 and 29.4, respectively.

(3) The "First Dollar Loan-to-Value ("LTV") Ratio" is calculated by comparing the total of our senior most dollar and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which we will absorb a total loss of our position.

(4) The "Last Dollar LTV Ratio" is calculated by comparing the total of the carrying value of our loan and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which we will initially absorb a loss.

(5) At June 30, 2024 and December 31, 2023, bridge loans included 403 and 354, respectively, of SFR loans with a total gross loan commitment of $3.42 billion and $2.86 billion, respectively, of which $1.62 billion and $1.32 billion, respectively, was funded.

Concentration of Credit Risk

We are subject to concentration risk in that, at June 30, 2024, the UPB related to 83 loans with five different borrowers represented 11% of total assets. At December 31, 2023, the UPB related to 31 loans with five different borrowers represented 11% of total assets. During both the three and six months ended June 30, 2024 and the year ended December 31, 2023, no single loan or investment represented more than 10% of our total assets and no single investor group generated over 10% of our revenue. See Note 17 for details on our concentration of related party loans and investments.

We assign a credit risk rating of pass, pass/watch, special mention, substandard or doubtful to each loan and investment, with a pass rating being the lowest risk and a doubtful rating being the highest risk. Each credit risk rating has benchmark guidelines that pertain to debt-service coverage ratios, LTV ratios, borrower strength, asset quality, and funded cash reserves. Other factors such as guarantees, market strength, and remaining loan term and borrower equity are also reviewed and factored into determining the credit risk rating assigned to each loan. This metric provides a helpful snapshot of portfolio quality and credit risk. All portfolio assets are subject to, at a minimum, a thorough quarterly financial evaluation in which historical operating performance and forward-looking projections are reviewed, however, we maintain a higher level of scrutiny and focus on loans that we consider “high risk” and that possess deteriorating credit quality.

Generally speaking, given our typical loan profile, risk ratings of pass, pass/watch and special mention suggest that we expect the loan to make both principal and interest payments according to the contractual terms of the loan agreement. A risk rating of substandard indicates we anticipate the loan may require a modification of some kind. A risk rating of doubtful indicates we expect the loan to underperform over its term, and there could be loss of interest and/or principal. Further, while the above are the primary guidelines used in determining a certain risk rating, subjective items such as borrower strength, market strength, asset quality, or a borrower's ability to perform under modified loan terms may result in a rating that is higher or lower than might be indicated by any risk rating matrix.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A summary of the loan portfolio's internal risk ratings and LTV ratios by asset class at June 30, 2024, and charge-offs recorded for the six months ended June 30, 2024 is as follows ($ in thousands):

	UPB by Origination Year								
Asset Class / Risk Rating	2024	2023	2022	2021	2020	Prior	Total	Wtd. Avg. First Dollar LTV Ratio	Wtd. Avg. Last Dollar LTV Ratio
Multifamily:									
Pass	$ 98,370	$ 90,179	$ 35,366	$ 30,304	$ 2,010	$ 24,860	$ 281,089		
Pass/Watch	137,775	159,636	1,762,948	1,210,592	119,860	114,600	3,505,411		
Special Mention	9,069	167,357	2,028,629	3,175,684	—	116,561	5,497,300		
Substandard	—	21,758	515,008	69,300	8,006	—	614,072		
Doubtful	9,460	—	—	111,060	14,800	9,764	145,084		
Total Multifamily	$ 254,674	$ 438,930	$ 4,341,951	$ 4,596,940	$ 144,676	$ 265,785	$ 10,042,956	2 %	82 %
						Percentage of portfolio	85 %		
Single-Family Rental:									
Pass	$ 25,507	$ 19,109	$ 810	$ —	$ —	$ —	$ 45,426		
Pass/Watch	227,241	338,968	461,269	146,738	116,364	—	1,290,580		
Special Mention	5,704	47,065	65,561	163,286	9,622	—	291,238		
Total Single-Family Rental	$ 258,452	$ 405,142	$ 527,640	$ 310,024	$ 125,986	$ —	$ 1,627,244	0 %	61 %
						Percentage of portfolio	14 %		
Land:									
Pass	$ 10,350	$ —	$ —	$ —	$ —	$ —	$ 10,350		
Pass/Watch	—	—	—	—	8,100	—	8,100		
Substandard	—	—	—	—	—	127,928	127,928		
Total Land	$ 10,350	$ —	$ —	$ —	$ 8,100	$ 127,928	$ 146,378	0 %	96 %
						Percentage of portfolio	1 %		
Office:									
Special Mention	$ —	$ —	$ —	$ —	$ 35,410	$ —	$ 35,410		
Total Office	$ —	$ —	$ —	$ —	$ 35,410	$ —	$ 35,410	0 %	80 %
						Percentage of portfolio	< 1%		
Retail:									
Substandard	$ —	$ —	$ —	$ —	$ —	$ 19,520	$ 19,520		
Total Retail	$ —	$ —	$ —	$ —	$ —	$ 19,520	$ 19,520	0 %	88 %
						Percentage of portfolio	< 1%		
Commercial:									
Doubtful	$ —	$ —	$ —	$ —	$ —	$ 1,700	$ 1,700		
Total Commercial	$ —	$ —	$ —	$ —	$ —	$ 1,700	$ 1,700	0 %	100 %
						Percentage of portfolio	< 1%		
Grand Total	$ 523,476	$ 844,072	$ 4,869,591	$ 4,906,964	$ 314,172	$ 414,933	$ 11,873,208	2 %	79 %
Charge-offs	$ —	$ —	$ —	$ 1,988	$ —	$ —	$ 1,988		

A summary of the loan portfolio's internal risk ratings and LTV ratios by asset class at December 31, 2023, and charge-offs recorded during 2023 is as follows ($ in thousands):

	UPB by Origination Year								
Asset Class / Risk Rating	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**	**Wtd. Avg. First Dollar LTV Ratio**	**Wtd. Avg. Last Dollar LTV Ratio**
Multifamily:									
Pass	$ 80,814	$ 53,316	$ 26,185	$ 2,010	$ 4,598	$ 20,300	$ 187,223		
Pass/Watch	317,358	2,561,938	2,223,155	119,860	84,600	58,044	5,364,955		
Special Mention	24,424	1,762,539	2,631,689	180,750	140,685	350	4,740,437		
Substandard	—	435,878	322,987	8,006	—	—	766,871		
Doubtful	—	—	13,930	14,800	9,765	—	38,495		
Total Multifamily	$ 422,596	$ 4,813,671	$ 5,217,946	$ 325,426	$ 239,648	$ 78,694	$ 11,097,981	1 %	80 %
						Percentage of portfolio	88 %		
Single-Family Rental:									
Pass	$ 9,709	$ 608	$ —	$ —	$ —	$ —	$ 10,317		
Pass/Watch	289,482	465,057	144,846	119,692	—	—	1,019,077		
Special Mention	31,131	45,145	218,697	—	—	—	294,973		
Total Single-Family Rental	$ 330,322	$ 510,810	$ 363,543	$ 119,692	$ —	$ —	$ 1,324,367	0 %	62 %
						Percentage of portfolio	10 %		
Land:									
Pass/Watch	$ —	$ —	$ —	$ 4,600	$ —	$ —	$ 4,600		
Special Mention	—	—	—	3,500	—	—	3,500		
Substandard	—	—	—	—	—	127,928	127,928		
Total Land	$ —	$ —	$ —	$ 8,100	$ —	$ 127,928	$ 136,028	0 %	97 %
						Percentage of portfolio	1 %		
Office:									
Special Mention	$ —	$ —	$ —	$ 35,410	$ —	$ —	$ 35,410		
Total Office	$ —	$ —	$ —	$ 35,410	$ —	$ —	$ 35,410	0 %	80 %
						Percentage of portfolio	< 1%		
Retail:									
Substandard	$ —	$ —	$ —	$ —	$ —	$ 19,520	$ 19,520		
Total Retail	$ —	$ —	$ —	$ —	$ —	$ 19,520	$ 19,520	0 %	88 %
						Percentage of portfolio	< 1%		
Commercial:									
Doubtful	$ —	$ —	$ —	$ —	$ —	$ 1,700	$ 1,700		
Total Commercial	$ —	$ —	$ —	$ —	$ —	$ 1,700	$ 1,700	63 %	66 %
						Percentage of portfolio	< 1%		
Grand Total	$ 752,918	$ 5,324,481	$ 5,581,489	$ 488,628	$ 239,648	$ 227,842	$ 12,615,006	1 %	78 %
Charge-offs	$ —	$ —	$ —	$ —	$ —	$ 5,700	$ 5,700		

Geographic Concentration Risk

At June 30, 2024, underlying properties in Texas and Florida represented 23% and 18%, respectively, of the outstanding balance of our loan and investment portfolio. At December 31, 2023, underlying properties in Texas and Florida represented 24% and 17%, respectively, of the outstanding balance of our loan and investment portfolio. No other states represented 10% or more of the total loan and investment portfolio.

Allowance for Credit Losses

A summary of the changes in the allowance for credit losses is as follows (in thousands):

	Three Months Ended June 30, 2024							
	Multifamily	Land	Retail	Single-Family Rental	Commercial	Office	Other	Total
Allowance for credit losses:								
Beginning balance	$ 125,999	$ 78,120	$ 3,293	$ 2,737	$ 1,700	$ 93	$ —	$ 211,942
Provision for credit losses (net of recoveries)	25,849	330	—	1,176	—	114	—	27,469
Charge-offs	(488)	—	—	—	—	—	—	(488)
Ending balance	$ 151,360	$ 78,450	$ 3,293	$ 3,913	$ 1,700	$ 207	$ —	$ 238,923

	Three Months Ended June 30, 2023							
Allowance for credit losses:								
Beginning balance	$ 58,348	$ 78,086	$ 5,819	$ 973	$ 1,700	$ 8,106	$ 45	$ 153,077
Provision for credit losses (net of recoveries)	15,947	(184)	—	104	—	140	(30)	15,977
Ending balance	$ 74,295	$ 77,902	$ 5,819	$ 1,077	$ 1,700	$ 8,246	$ 15	$ 169,054

	Six Months Ended June 30, 2024							
Allowance for credit losses:								
Beginning balance	$ 110,847	$ 78,058	$ 3,293	$ 1,624	$ 1,700	$ 142	$ —	$ 195,664
Provision for credit losses (net of recoveries)	42,501	392	—	2,289	—	65	—	45,247
Charge-offs	(1,988)	—	—	—	—	—	—	(1,988)
Ending balance	$ 151,360	$ 78,450	$ 3,293	$ 3,913	$ 1,700	$ 207	$ —	$ 238,923

	Six Months Ended June 30, 2023							
Allowance for credit losses:								
Beginning balance	$ 37,961	$ 78,068	$ 5,819	$ 781	$ 1,700	$ 8,162	$ 68	$ 132,559
Provision for credit losses (net of recoveries)	36,334	(166)	—	296	—	84	(53)	36,495
Ending balance	$ 74,295	$ 77,902	$ 5,819	$ 1,077	$ 1,700	$ 8,246	$ 15	$ 169,054

During the three and six months ended June 30, 2024, we recorded a $27.5 million and a $45.2 million provision for credit losses on our structured portfolio, respectively. The additional provision for credit losses during the three and six months ended June 30, 2024 was primarily attributable to specifically impaired multifamily loans and the impact from the macroeconomic outlook of the commercial real estate market. Our estimate of allowance for credit losses on our structured portfolio, including related unfunded loan commitments, was based on a reasonable and supportable forecast period that reflects recent observable data, including changes in interest rates, unemployment forecasts, inflationary pressures, real estate values and other market factors.

The expected credit losses over the contractual period of our loans also include the obligation to extend credit through our unfunded loan commitments. Our current expected credit loss ("CECL") allowance for unfunded loan commitments is adjusted quarterly and corresponds with the associated outstanding loans. At June 30, 2024 and December 31, 2023, we had outstanding unfunded commitments of $1.73 billion and $1.31 billion, respectively, that we are obligated to fund as borrowers meet certain requirements.

At June 30, 2024 and December 31, 2023, accrued interest receivable related to our loans totaling $130.4 million and $124.2 million, respectively, was excluded from the estimate of credit losses and is included in other assets on the consolidated balance sheets.

All of our structured loans and investments are secured by real estate assets or by interests in real estate assets, and, as such, the measurement of credit losses may be based on the difference between the fair value of the underlying collateral and the carrying value of the assets as of the period end. A summary of our specific loans considered impaired by asset class is as follows ($ in thousands):

	June 30, 2024				
Asset Class	UPB	Carrying Value (1)	Allowance for Credit Losses	Wtd. Avg. First Dollar LTV Ratio	Wtd. Avg. Last Dollar LTV Ratio
Multifamily	$ 437,108	$ 413,500	$ 57,513	0 %	97 %
Land	134,215	127,868	77,869	0 %	99 %
Retail	19,520	15,057	3,292	0 %	88 %
Commercial	1,700	1,700	1,700	0 %	100 %
Total	$ 592,543	$ 558,125	$ 140,374	0 %	97 %
	December 31, 2023				
Multifamily	$ 272,494	$ 260,291	$ 37,750	0 %	100 %
Land	134,215	127,868	77,869	0 %	99 %
Retail	19,520	15,037	3,292	0 %	88 %
Commercial	1,700	1,700	1,700	0 %	100 %
Total	$ 427,929	$ 404,896	$ 120,611	0 %	99 %

(1) Represents the UPB of twenty-five and nineteen impaired loans (less unearned revenue and other holdbacks and adjustments) by asset class at June 30, 2024 and December 31, 2023, respectively.

There were no loans for which the fair value of the collateral securing the loan was less than the carrying value of the loan for which we had not recorded a provision for credit loss at June 30, 2024 and December 31, 2023.

Non-performing Loans

Loans are classified as non-performing once the contractual payments exceed 60 days past due. Income from non-performing loans is generally recognized on a cash basis when it is received. Full income recognition will resume when the loan becomes contractually current, and performance has recommenced. At June 30, 2024, twenty-four loans with an aggregate net carrying value of $615.3 million, net of loan loss reserves of $28.1 million, were classified as non-performing and, at December 31, 2023, sixteen loans with an aggregate net carrying value of $235.6 million, net of related loan loss reserves of $27.1 million, were classified as non-performing.

A summary of our non-performing loans by asset class is as follows (in thousands):

	June 30, 2024		December 31, 2023	
	UPB	Greater Than 60 Days Past Due	UPB	Greater Than 60 Days Past Due
Multifamily	$ 673,630	$ 673,630	$ 271,532	$ 271,532
Commercial	1,700	1,700	1,700	1,700
Retail	920	920	920	920
Total	$ 676,250	$ 676,250	$ 274,152	$ 274,152

Other Non-accrued Loans

In this challenging economic environment, we began experiencing late and partial payments on certain loans in our structured portfolio. For loans that are 60 days past due or less, if we have determined there is reasonable doubt about collectability of all principal and interest, we may classify those loans as non-accrual and recognize interest income only when cash is received. The table below is a summary of those loans that are 60 days past due or less that we have classified as non-accrual, and changes to those loans for the period presented (in thousands).

	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024
Beginning balance (twelve and twenty-four multifamily bridge loans, respectively)	$ 489,438	$ 956,917
Loans that progressed to greater than 60 days past due	(263,990)	(174,860)
Loans modified or paid off (1)	(138,548)	(712,922)
Additional loans that are now less than 60 days past due experiencing late and partial payments	281,038	420,303
Ending balance (fourteen and twelve multifamily bridge loans, respectively)	$ 367,938	$ 489,438

(1) The modifications included bringing the loans current by paying past due interest owed (see Loan Modifications section below).

There were no other non-accrued loans that were 60 days or less past due during the six months ended June 30, 2023.

At both June 30, 2024 and December 31, 2023, we had no loans contractually past due greater than 60 days that are still accruing interest. During the six months ended June 30, 2024 and 2023, we recorded $16.6 million and $1.4 million, respectively, of interest income on non-accrual loans.

In addition, we have six loans with a carrying value totaling $121.4 million at June 30, 2024, that are collateralized by a land development project. The loans do not carry a current pay rate of interest, however, five of the loans with a carrying value totaling $112.1 million entitle us to a weighted average accrual rate of interest of 10.42%. In 2008, we suspended the recording of the accrual rate of interest on these loans, as they were impaired and we deemed the collection of this interest to be doubtful. At both June 30, 2024 and December 31, 2023, we had a cumulative allowance for credit losses of $71.4 million related to these loans. The loans are subject to certain risks associated with a development project including, but not limited to, availability of construction financing, increases in projected construction costs, demand for the development’s outputs upon completion of the project, and litigation risk. Additionally, these loans were not classified as non-performing as the borrower is compliant with all of the terms and conditions of the loans.

Loan Modifications

We may amend or modify loans that involve other-than-insignificant payment delays and provide interest rate reductions and/or extend the maturity dates for borrowers experiencing financial difficulty based on specific facts and circumstances.

During the second quarter of 2024, we modified fourteen multifamily bridge loans with a total UPB of $361.8 million. These loans contained interest rates with pricing over SOFR ranging from 3.25% to 5.25% and maturities between May 2024 to June 2025. As part of the modifications of each of these loans, borrowers invested additional capital to recapitalize their projects in exchange for temporary rate relief, which we provided through a pay and accrual feature. The capital invested by the borrowers was in the form of either, or a combination of: (1) additional deposits into interest and/or renovation reserves; (2) the purchase of a new rate cap; (3) a principal paydown of the loan and (4) bringing any delinquent loans current by paying past due interest owed. In each case, we reduced the pay rate and deferred the remaining portion of the interest payable until payoff. The pay rates were amended to either SOFR, a spread over SOFR or a fixed rate, with the balance of the interest due under the original loan terms being deferred. At June 30, 2024, these modified loans had a weighted average pay rate of 7.30% and a weighted average accrual rate of 2.04%. These modified loans included: (1) loans with a total UPB of $92.7 million and $12.2 million that were less than 60 days past due and greater than 60 days past due at March 31, 2024, respectively; and (2) twelve loans with a total UPB of $291.9 million that were extended between four and twenty-three months.

During the second quarter of 2024, we also modified twelve multifamily bridge loans with a total UPB of $321.7 million. The modification terms required each borrower to invest additional capital in the form of either, or a combination of: (1) additional deposits into interest and/or renovation reserves; (2) the purchase of a new rate cap; (3) a principal paydown of the loan; and (4) bringing any delinquent loans current by paying past due interest owed. The modifications on eight of these loans with a total UPB of $201.9 million included extensions between six and fifteen months.

During the second quarter of 2024, we modified a $36.4 million loan that was 60 days past due at March 31, 2024. In the fourth quarter of 2023, we recorded a specific reserve of $5.0 million reducing the carry value of this loan to $31.4 million. The second quarter modification bifurcated the loan into a $32.0 million senior position with a pay rate of SOFR plus 0.50%, a floor of 6.00% and an accrual rate of SOFR plus 3.25%, and a subordinated loan of $4.4 million with a zero pay rate and an accrual rate of SOFR plus 3.75%. Both of these loans were extended to a maturity date of April 2027. In accordance with the modified loan terms, the borrower agreed to invest $4.9 million of equity to fund interest, renovation and operating reserves. The $4.4 million loan and the accrual rates on both loans, are subordinate to the new borrower equity plus a return on that capital, and, as such, we decided not to accrue interest on these loans.

In the first quarter of 2024, a borrower of a $13.5 million multifamily bridge loan, with an interest rate of SOFR plus 4.15% and a maturity date in December 2024, defaulted on its interest payments and, as a result, this loan was classified as a non-performing loan. We recorded a specific reserve of $1.5 million on this loan in the first quarter of 2024. In June 2024, the borrower sold the underlying property to a third party who assumed our loan. At the time of the property sale, we entered into a loan modification agreement with the new borrower to reduce the loan amount to $12.5 million, extend the maturity to June 2027 and modify the interest rate to a fixed rate of 8.25% for the first twenty four months and 8.50% for the last twelve months. The new borrower contributed $2.0 million of capital towards a renovation reserve and interest reserve as part of this modification.

During the first quarter of 2024, we modified twenty-three multifamily bridge loans with a total UPB of $1.07 billion. These loans contained interest rates with pricing over SOFR ranging from 3.25% to 4.25% and maturities between April 2024 to August 2025. As part of the modifications of each of these loans, borrowers invested additional capital to recapitalize their projects in exchange for temporary rate relief, which we provided through a pay and accrual feature. The capital invested by the borrowers was in the form of either, or a combination of: (1) additional deposits into interest and/or renovation reserves; (2) the purchase of a new rate cap; (3) a principal paydown of the loan and (4) bringing any delinquent loans current by paying past due interest owed. In each case, we reduced the pay rate and deferred the remaining portion of the interest payable until payoff. The pay rates were amended to either SOFR, a spread over SOFR or a fixed rate, with the balance of the interest due under the original loan terms being deferred. At March 31, 2024, these modified loans had a weighted average pay rate of 6.95% and a weighted average accrual rate of 1.86%. These modified loans included: (1) loans totaling $712.9 million that were less than 60 days past due at December 31, 2023; (2) two specifically impaired loans with a total loan loss reserve of $7.0 million and a total UPB of $49.6 million; and (3) fifteen loans with a total UPB of $671.0 million that were extended between twelve and thirty months.

During the first quarter of 2024, we also modified sixteen multifamily bridge loans with a total UPB of $692.8 million. The modification terms required each borrower to invest additional capital in the form of either, or a combination of: (1) additional deposits into interest and/or renovation reserves; (2) the purchase of a new rate cap; (3) a principal paydown of the loan; and (4) bringing any delinquent loans current by paying past due interest owed. The modifications on eleven of these loans with a total UPB of $456.5 million included extensions between two and nineteen months.

In the fourth quarter of 2023, we modified an $86.9 million multifamily bridge loan with an interest rate of SOFR plus 4.25% and a maturity in November 2023 to: (1) change the pay rate of interest to SOFR plus available cash flow which has approximated $0.5 million per month, and (2) extend the maturity one year. The remaining interest will be deferred to payoff.

In the fourth quarter of 2023, we modified three multifamily bridge loans with a total UPB of $241.0 million, interest rates over SOFR ranging from 4.00% to 4.30% and maturities between October 2024 to January 2025 to: (1) defer a portion of the foregoing interest ranging from 2.00% to 2.15% to payoff; and (2) extend the maturity of each loan by one year. We also agreed to waive 25% of the deferred interest if the loans are paid off by the extended maturity dates.

In the fourth quarter of 2023, we converted a first mortgage loan and a preferred equity investment in an office building to a common equity investment, which is classified as real estate owned and included in other assets in our consolidated balance sheets. On the date of the conversion, the investment had a net carrying value of $37.1 million, net of an $8.0 million reserve. Upon conversion, we recognized a $2.3 million loan loss recovery as a result of the fair value of the property exceeding the carrying value of our loan and preferred equity investment. We intend to convert the building to residential condominiums.

In the second quarter of 2023, a borrower of a $70.5 million multifamily bridge loan, with an interest rate of SOFR plus 3.40% and a maturity date in September 2024, defaulted on its interest payments and, as a result, this loan was classified as a non-performing loan. In September 2023, the borrower sold the underlying property to a third party who assumed our loan. At the time of the property sale, we entered into a loan modification agreement with the new borrower to extend the maturity to September 2025 and reduce the interest rate to a fixed pay rate of 3.00% and an accrual rate of 3.00% for a total fixed rate of 6.00% for a period of eighteen months, after which the interest rate resumes to the original rate for the duration of the loan. The new borrower was also required to fund $10.5 million over time: $2.5 million in interest reserves, which was funded at the closing of the loan assumption, and $8.0 million in capital improvements within fifteen months. If the new borrower fails to timely complete the required capital improvements, it will be required to fund a renovation reserve at the lesser of: (1) $2.5 million and (2) the difference between the $8.0 million capital commitment and the costs actually incurred for such capital improvements. The key principal is also personally guaranteeing the $8.0 million capital improvement.

As of June 30, 2024, we had future funding commitments on modified loans with borrowers experiencing financial difficulty of $43.8 million, which are generally subject to performance covenants that must be met by the borrower to receive funding.

All of the above modified loans were performing pursuant to their contractual terms at June 30, 2024, except for four loans, with an aggregate UPB of $122.3 million, that were modified in the first quarter of 2024. These loans were modified to provide temporary rate relief through a pay and accrual feature. In the second quarter of 2024, these loans did not make all of their required interest payments and were classified as non-accrual loans. Two of these loans with a UPB of $55.5 million have a specific loan loss reserve of $14.0 million that was recorded in 2023. The remaining two loans with an aggregate UPB of $66.8 million do not have specific reserves as the estimated fair value of the properties exceeded our carrying value as of June 30, 2024.

There were no other material loan modifications, refinancings and/or extensions during the three and six months ended June 30, 2024 or year ended December 31, 2023 for borrowers experiencing financial difficulty.

Loan Sales

In April 2024, we exercised our right to foreclose on a group of properties in Houston, Texas that were the underlying collateral for a bridge loan with a UPB of $100.3 million**.** We simultaneously sold the properties for $101.3 million to a newly formed entity, which was capitalized with $15.0 million of equity and a new $95.3 million bridge loan that we provided at SOFR plus 300 basis points. The $15.0 million of equity is made up of $6.3 million from AWC Real Estate Opportunity Partners I LP ("AWC"), a fund in which we have a 49% non-controlling limited partnership interest (see Note 8 for details) and $8.8 million from two independent ownership groups. AWC and one of the other equity members are the co-managing members of the entity that owns the real estate. We did not record a loss on the original bridge loan and received all past due interest owed.

In April 2023, we exercised our right to foreclose on a group of properties in Houston, Texas that are the underlying collateral for four bridge loans with a total UPB of $217.4 million. We simultaneously sold these properties to a significant equity investor in the original bridge loans and provided new bridge loan financing as part of the sale. We did not record a loss on the original bridge loans and recovered all the outstanding interest owed to us as part of this restructuring.

Interest Reserves

Given the transitional nature of some of our real estate loans, we may require funds to be placed into an interest reserve, based on contractual requirements, to cover debt service costs. At June 30, 2024 and December 31, 2023, we had total interest reserves of $185.4 million and $156.1 million, respectively, on 586 loans and 537 loans, respectively, with a total UPB of $8.69 billion and $8.44 billion, respectively.

Note 4 — Loans Held-for-Sale, Net

Our GSE loans held-for-sale are typically sold within 60 days of loan origination, while our non-GSE loans are generally expected to be sold to third parties or securitized within 180 days of loan origination. Loans held-for-sale, net consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Fannie Mae	$ 221,230	$ 477,212
Freddie Mac	104,558	50,235
Private Label	11,345	11,350
SFR - Fixed Rate	7,349	8,696
FHA	2,957	4,832
	347,439	552,325
Fair value of future MSR	4,475	7,784
Unrealized impairment loss	(2,020)	(1,989)
Unearned discount	(7,024)	(6,413)
Loans held-for-sale, net	$ 342,870	$ 551,707

During the three and six months ended June 30, 2024, we sold $1.14 billion and $2.22 billion, respectively, of loans held-for-sale. During the three and six months ended June 30, 2023, we sold $1.41 billion and $2.34 billion, respectively, of loans held-for-sale.

During 2022, we recorded a net impairment loss of $5.2 million on seven Private Label loans with a UPB of $129.9 million and a net carrying value of $116.4 million. During the first quarter of 2023, we sold these impaired loans above the net carrying value and recorded a gain of $0.9 million.

At June 30, 2024 and December 31, 2023, there were no loans held-for-sale that were 90 days or more past due, and there were no loans held-for-sale that were placed on a non-accrual status.

Note 5 — Capitalized Mortgage Servicing Rights

Our capitalized mortgage servicing rights ("MSRs") reflect commercial real estate MSRs derived primarily from loans sold in our Agency Business or acquired MSRs. The discount rates used to determine the present value of all our MSRs throughout the periods presented were between 8% - 14% (representing a weighted average discount rate of 12%) based on our best estimate of market discount rates. The weighted average estimated life remaining of our MSRs was 7.5 years and 8.0 years at June 30, 2024 and December 31, 2023, respectively.

A summary of our capitalized MSR activity is as follows (in thousands):

	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
	Originated	Acquired	Total	Originated	Acquired	Total
Beginning balance	$ 377,747	$ 7,773	$ 385,520	$ 382,582	$ 8,672	$ 391,254
Additions	14,717	—	14,717	27,401	—	27,401
Amortization	(16,151)	(736)	(16,887)	(31,972)	(1,546)	(33,518)
Write-downs and payoffs	(2,154)	(477)	(2,631)	(3,852)	(566)	(4,418)
Ending balance	$ 374,159	$ 6,560	$ 380,719	$ 374,159	$ 6,560	$ 380,719

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
Beginning balance	$ 383,636	$ 12,998	$ 396,634	$ 386,878	$ 14,593	$ 401,471
Additions	18,980	—	18,980	32,866	—	32,866
Amortization	(14,592)	(1,013)	(15,605)	(28,878)	(2,142)	(31,020)
Write-downs and payoffs	(4,757)	(842)	(5,599)	(7,599)	(1,308)	(8,907)
Ending balance	$ 383,267	$ 11,143	$ 394,410	$ 383,267	$ 11,143	$ 394,410

We collected prepayment fees totaling $0.4 million and $0.8 million during the three and six months ended June 30, 2024, respectively, and $3.0 million and $5.0 million during the three and six months ended June 30, 2023, respectively, which are included as a component of servicing revenue, net on the consolidated statements of income. At June 30, 2024 and December 31, 2023, we had no valuation allowance recorded on any of our MSRs.

The expected amortization of capitalized MSRs recorded at June 30, 2024 is as follows (in thousands):

Year	Amortization
2024 (six months ending 12/31/2024)	$ 34,199
2025	65,880
2026	60,425
2027	55,923
2028	48,630
Thereafter	115,662
Total	$ 380,719

Based on scheduled maturities, actual amortization may vary from these estimates.

Note 6 — Mortgage Servicing

Product and geographic concentrations that impact our servicing revenue are as follows ($ in thousands):

June 30, 2024				
Product Concentrations			**Geographic Concentrations**	
Product	**UPB (1)**	**% of Total**	**State**	**UPB % of Total**
Fannie Mae	$ 22,114,193	69 %	New York	11 %
Freddie Mac	5,587,178	17 %	Texas	11 %
Private Label	2,547,308	8 %	North Carolina	8 %
FHA	1,369,507	4 %	California	7 %
Bridge (2)	380,547	1 %	Georgia	7 %
SFR - Fixed Rate	279,962	1 %	Florida	6 %
Total	$ 32,278,695	100 %	New Jersey	5 %
			Illinois	4 %
			Other (3)	41 %
			Total	100 %
December 31, 2023				
Fannie Mae	$ 21,264,578	69 %	Texas	11 %
Freddie Mac	5,181,933	17 %	New York	11 %
Private Label	2,510,449	8 %	California	8 %
FHA	1,359,624	4 %	North Carolina	8 %
Bridge (2)	379,425	1 %	Georgia	6 %
SFR - Fixed Rate	287,446	1 %	Florida	6 %
Total	$ 30,983,455	100 %	New Jersey	5 %
			Illinois	4 %
			Other (3)	41 %
			Total	100 %

(1) Excludes loans which we are not collecting a servicing fee.
(2) Represents four bridge loans sold by our Structured Business that we are servicing, see Note 3 for details.
(3) No other individual state represented 4% or more of the total.

At June 30, 2024 and December 31, 2023, our weighted average servicing fee was 38.4 basis points and 39.1 basis points, respectively. At June 30, 2024 and December 31, 2023, we held total escrow balances (including unfunded collateralized loan obligation holdbacks) of approximately $1.52 billion and $1.60 billion, respectively, of which approximately $1.46 billion and $1.54 billion, respectively, is not included in our consolidated balance sheets. These escrows are maintained in separate accounts at several federally insured depository institutions, which may exceed FDIC insured limits. We earn interest income on the total escrow deposits, which is generally based on a market rate of interest negotiated with the financial institutions that hold the escrow deposits. Interest earned on total escrows, net of interest paid to the borrower, is included as a component of servicing revenue, net in the consolidated statements of income as noted in the following table.

The components of servicing revenue, net are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Servicing fees	$ 31,149	$ 31,081	$ 62,930	$ 60,288
Interest earned on escrows	17,896	19,509	35,650	36,516
Prepayment fees	383	2,961	792	5,036
Write-downs and payoffs of MSRs	(2,631)	(5,599)	(4,418)	(8,907)
Amortization of MSRs	(16,887)	(15,605)	(33,518)	(31,020)
Servicing revenue, net	$ 29,910	$ 32,347	$ 61,436	$ 61,913

Note 7 — Securities Held-to-Maturity

Agency Private Label Certificates ("APL certificates"). In connection with our Private Label securitizations, we retain the most subordinate class of the APL certificates in satisfaction of credit risk retention requirements. At June 30, 2024, we held APL certificates with an initial face value of $192.8 million, which were purchased at a discount for $119.0 million. These certificates are collateralized by 5-year to 10-year fixed rate first mortgage loans on multifamily properties, bear interest at an initial weighted average variable rate of 3.94% and have an estimated weighted average remaining maturity of 6.8 years. The weighted average effective interest rate was 8.84% at June 30, 2024 and 8.85% at December 31, 2023, including the accretion of a portion of the discount deemed collectible. At June 30, 2024, $192.8 million is maturing within five years through 10 years.

Agency B Piece Bonds. Freddie Mac may choose to hold, sell or securitize loans we sell to them under the Freddie Mac SBL program. As part of the securitizations under the SBL program, we have the ability to purchase the B Piece bond through a bidding process, which represents the bottom 10%, or highest risk, of the securitization. At June 30, 2024, we held 49%, or $106.2 million initial face value, of seven B Piece bonds, which were previously purchased at a discount for $74.7 million, and sold the remaining 51% to a third party. These securities are collateralized by a pool of multifamily mortgage loans, bear interest at an initial weighted average variable rate of 3.74% and have an estimated weighted average remaining maturity of 13.6 years. The weighted average effective interest rate was 11.55% at June 30, 2024 and 11.28% at December 31, 2023, including the accretion of a portion of the discount deemed collectible. At June 30, 2024, $37.5 million is maturing after ten years.

A summary of our securities held-to-maturity is as follows (in thousands):

	Face Value	Net Carrying Value	Unrealized Gain (Loss)	Estimated Fair Value	Allowance for Credit Losses
June 30, 2024					
APL certificates	$ 192,791	$ 131,476	$ (28,669)	$ 102,807	$ 2,290
B Piece bonds	37,539	24,604	7,580	32,184	6,842
Total	$ 230,330	$ 156,080	$ (21,089)	$ 134,991	$ 9,132
December 31, 2023					
APL certificates	$ 192,791	$ 128,865	$ (31,331)	$ 97,534	$ 2,272
B Piece bonds	37,704	26,414	5,442	31,856	3,984
Total	$ 230,495	$ 155,279	$ (25,889)	$ 129,390	$ 6,256

A summary of the changes in the allowance for credit losses for our securities held-to-maturity is as follows (in thousands):

	Three Months Ended June 30, 2024			Three Months Ended June 30, 2023		
	APL Certificates	B Piece Bonds	Total	APL Certificates	B Piece Bonds	Total
Beginning balance	$ 2,157	$ 5,440	$ 7,597	$ 3,330	$ 1,695	$ 5,025
Provision for credit loss expense/(reversal)	133	1,402	1,535	45	(536)	(491)
Ending balance	$ 2,290	$ 6,842	$ 9,132	$ 3,375	$ 1,159	$ 4,534

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
Beginning balance	$ 2,272	$ 3,984	$ 6,256	$ 2,783	$ 370	$ 3,153
Provision for credit loss expense/(reversal)	18	2,858	2,876	592	789	1,381
Ending balance	$ 2,290	$ 6,842	$ 9,132	$ 3,375	$ 1,159	$ 4,534

The allowance for credit losses on our held-to-maturity securities was estimated on a collective basis by major security type and was based on a reasonable and supportable forecast period and a historical loss reversion for similar securities. The issuers continue to make timely principal and interest payments and we continue to accrue interest on all our securities.

We recorded interest income (including the amortization of discount) related to these investments of $4.6 million and $8.3 million during the three and six months ended June 30, 2024, respectively, and $3.9 million and $7.1 million during the three and six months ended June 30, 2023, respectively.

Note 8 — Investments in Equity Affiliates

We account for all investments in equity affiliates under the equity method. A summary of these investments is as follows (in thousands):

	Investments in Equity Affiliates at		UPB of Loans to Equity Affiliates at
Equity Affiliates	June 30, 2024	December 31, 2023	June 30, 2024
Arbor Residential Investor LLC	$ 25,914	$ 32,743	$ —
AMAC Holdings III LLC	15,041	13,591	—
Fifth Wall Ventures	14,446	13,365	—
AWC Real Estate Opportunity Partners I LP	8,702	11,671	13,200
ARSR DPREF I LLC	5,379	5,163	—
Lightstone Value Plus REIT L.P.	1,895	1,895	—
The Park at Via Terrossa	620	—	—
Docsumo Pte. Ltd.	450	450	—
JT Prime	425	425	—
West Shore Café	—	—	1,688
Lexford Portfolio	—	—	—
East River Portfolio	—	—	—
Total	$ 72,872	$ 79,303	$ 14,888

Arbor Residential Investor LLC. During the three and six months ended June 30, 2024, we recorded a loss of $0.8 million and income of $0.8 million, respectively, and during the three and six months ended June 30, 2023, we recorded income of $3.5 million and $2.6 million, respectively, to income from equity affiliates in our consolidated statements of income. Additionally, during both the three and six months ended June 30, 2024, we received cash distributions of $7.7 million, and during both the three and six months ended June 30, 2023, we received cash distributions of $7.5 million, which were classified as returns of capital. At both June 30, 2024 and December 31, 2023, our indirect interest in this business was 12.3%. The allocation of income is based on the underlying agreements, which may be different than our indirect interest, and was 9.2% at both June 30, 2024 and December 31, 2023.

AMAC Holdings III LLC ("AMAC III"). During both the three and six months ended June 30, 2024, we made contributions of $2.6 million, and recorded losses of $0.7 million and $1.2 million, respectively. During the three and six months ended June 30, 2023, we received cash distributions of $0.5 million and $1.1 million, respectively, which were classified as returns of capital, and recorded losses of $0.5 million and $0.9 million, respectively.

Fifth Wall Ventures. During the three and six months ended June 30, 2024, we made contributions of $0.2 million and $0.7 million, respectively, and recorded income of $0.1 million and $0.4 million, respectively. During the three and six months ended June 30, 2023, we made contributions of $0.3 million and $0.6 million, respectively, and recorded a loss of $0.2 million for both periods.

AWC Real Estate Opportunity Partners I LP. In the fourth quarter of 2023, we committed to a $24.0 million investment (of which $13.0 million was funded at December 31, 2023) for an initial 99.0% noncontrolling limited partnership interest in a fund whose objective is to make investments in sustainable affordable housing structures to minority owners, with the intention to bring in additional partners. In addition, we may acquire an economic interest in the general partner and entered into an agreement with the general partner to provide a loan, up to a maximum of $0.9 million, to fund a portion of their 1.0% general partnership interest, of which $0.2 million was funded at June 30, 2024. In the second quarter of 2024, in accordance with the fund's objectives, AWC brought in an additional capital partner who committed to a $25.0 million investment (of which $11.0 million was funded at June 30, 2024) in exchange for a 51.0% non-controlling limited partnership interest and 17.5% of the general partners interest in the fund. This new equity partner diluted our limited partnership interest in the fund to a 49.0% non-controlling limited partnership interest. Additionally, in the second quarter, AWC invested $6.3 million for a 42.0% interest in a newly formed entity, which purchased a group of properties in Houston, Texas that were the collateral for a $100.3 million bridge loan that we foreclosed on simultaneously with the sale. We sold the Houston properties for $101.3 million, which was primarily financed with a new $95.3 million bridge loan we provided at SOFR plus 300 basis points. See Note 3 for details. In the fourth quarter of 2023, this fund also purchased our equity interest in North Vermont Avenue at a discount for $1.3 million, which was recorded as a reduction to our investment in AWC. The remaining $14.3 million of capital invested in the fund was used to purchase four additional qualified investments and to pay for legal and administrative expenses primarily related to the formation of the fund. We provided a $13.0 million Fannie Mae DUS loan and a $13.2 million bridge loan to the owners of the real estate on two of these investments. During the three months ended June 30, 2024, we received net capital distributions of $11.2 million, which were classified as returns of capital, and recorded a loss of $0.2 million, from our investment in AWC to income from equity affiliates in our consolidated statement of income. We also made $0.1 million and $8.5 million of additional contributions to the fund during the three and six months ended June 30, 2024, respectively.

The Park at Via Terrossa. During the six months ended June 30, 2024, we contributed $0.6 million, for a 4.96% interest in a multifamily property.

Lexford Portfolio. During both the three and six months ended June 30, 2024, we received distributions of $4.2 million and during the three and six months ended June 30, 2023, we received distributions of $2.5 million and $7.2 million, respectively, which were classified as returns on capital and recognized as income from equity affiliates.

Equity Participation Interest. During the six months ended June 30, 2023 we received $11.0 million from an equity participation interest on a property that was sold and which we had a loan that previously paid-off, which was recognized as income from equity affiliates.

See Note 17 for details of certain investments described above.

Note 9 — Debt Obligations

Credit and Repurchase Facilities

Borrowings under our credit and repurchase facilities are as follows ($ in thousands):

				June 30, 2024			December 31, 2023	
	Current Maturity	Extended Maturity	Note Rate Type	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate	Debt Carrying Value (1)	Collateral Carrying Value
Structured Business								
$1.9B joint repurchase facility (2)(3)	Jul. 2025	Jul. 2026	V	$ 668,522	$ 1,097,067	7.85 %	$ 868,077	$ 1,371,436
$1B repurchase facility (2)	Aug. 2025	N/A	V	291,605	465,061	7.83 %	385,779	589,533
$1B repurchase facility	(6)	N/A	V	668,484	912,135	8.29 %	447,490	597,205
$649M repurchase facility (2)(4)	Oct. 2025	N/A	V	454,926	620,340	7.81 %	355,328	506,753
$350M repurchase facility	Mar. 2025	Mar. 2026	V	151,611	228,535	7.53 %	262,820	362,465
$250M credit facility (2)	Mar. 2026	(7)	V	112,647	217,110	8.70 %	—	—
$250M repurchase facility	Aug. 2024	N/A	V	13,922	23,088	7.30 %	17,964	23,088
$250M credit facility	Oct. 2025	Oct. 2026	V	—	—	—	—	—
$200M repurchase facility	Mar. 2025	N/A	V	92,144	133,503	7.99 %	45,969	68,762
$200M repurchase facility	Jan. 2025	N/A	V	73,338	95,568	7.35 %	107,324	141,130
$166M loan specific credit facilities	Aug. 2024 to Sept. 2025	Aug. 2024 to Aug. 2027	V	138,010	188,562	7.16 %	120,328	161,700
$150M repurchase facility	Oct. 2025	N/A	V	112,076	149,727	8.45 %	120,610	162,068
$100M credit facility	Oct. 2024	N/A	V	6,775	13,692	7.13 %	32,579	41,522
$50M credit facility	(8)	N/A	V	—	—	—	29,200	36,500
$40M credit facility	Apr. 2026	Apr. 2027	V	15,518	24,610	7.79 %	—	—
$35M working capital facility	Aug. 2024	N/A	V	—	—	—	—	—
Repurchase facility - securities (2)(5)	N/A	N/A	V	25,635	—	7.13 %	31,033	—
Structured Business total				$ 2,825,213	$ 4,168,998	7.96 %	$ 2,824,501	$ 4,062,162
Agency Business								
$750M ASAP agreement	N/A	N/A	V	$ 53,516	$ 54,095	6.48 %	$ 73,011	$ 73,781
$500M repurchase facility	Nov. 2024	N/A	V	140,797	141,410	6.82 %	115,730	241,895
$200M credit facility	Mar. 2025	N/A	V	96,237	97,064	6.73 %	187,138	187,185
$100M joint repurchase facility (2)(3)	Jul. 2025	Jul. 2026	V	7,920	11,345	7.74 %	7,833	11,350
$100M credit facility	Aug. 2024	N/A	V	30,005	30,010	6.79 %	—	—
$50M credit facility	Sept. 2024	N/A	V	6,165	6,166	6.68 %	29,083	29,418
$1M repurchase facility (2)(4)	Oct. 2025	N/A	V	531	838	7.80 %	531	866
Agency Business total				$ 335,171	$ 340,928	6.76 %	$ 413,326	$ 544,495
Consolidated total				$ 3,160,384	$ 4,509,926	7.83 %	$ 3,237,827	$ 4,606,657

V = variable note rate

(1) At June 30, 2024 and December 31, 2023, debt carrying value for the Structured Business was net of unamortized deferred finance costs of $6.5 million and $4.8 million, respectively, and for the Agency Business was net of unamortized deferred finance costs of $0.2 million and $0.3 million, respectively.
(2) These facilities are subject to margin call provisions associated with changes in interest spreads.
(3) In March 2024, this joint repurchase facility was reduced from $3.00 billion to $2.00 billion.
(4) A portion of this facility was used to finance a fixed-rate SFR permanent loan reported through our Agency Business.
(5) At June 30, 2024 and December 31, 2023, this facility was collateralized by certificates retained by us from our Freddie Mac Q Series securitization (“Q Series securitization”) with a principal balance of $36.7 million and $43.1 million, respectively.

(6) The commitment amount under this repurchase facility expires six months after the lender provides written notice. We then have an additional six months to repurchase the underlying loans.
(7) We have the ability to extend the maturity of this credit facility in one-year increments, subject to lender approval.
(8) In June 2024, we terminated this credit facility.

Structured Business

At June 30, 2024 and December 31, 2023, the weighted average interest rate for the credit and repurchase facilities of our Structured Business, including certain fees and costs, such as structuring, commitment, non-use and warehousing fees, was 8.40% and 8.26%, respectively. The leverage on our loan and investment portfolio financed through our credit and repurchase facilities, excluding the securities repurchase facility and the working capital facility, was 67% and 69% at June 30, 2024 and December 31, 2023, respectively.

In June 2024, we amended a $500.0 million repurchase facility to increase the facility size to $650.0 million and extend the maturity to October 2025. The interest rate range for new loans under this facility was also adjusted to SOFR plus 2.61% to 3.11%, with a 0.25% SOFR floor.

In April 2024, we amended a $200.0 million credit facility to decrease the facility size to $100.0 million.

In March 2024, we amended a $500.0 million repurchase facility to increase the facility size to $1.00 billion.

In March 2024, we amended a $450.0 million repurchase facility to decrease the facility size to $350.0 million and exercised one of two remaining one-year extension options to extend maturity to March 2025.

In March 2024, we entered into a $250.0 million repurchase facility to finance non-performing loans that matures in March 2026, with the ability to extend the maturity in one-year increments, subject to lender approval. The facility has an interest rate of SOFR plus 3.25%, with a SOFR floor of 2.50%.

In January 2024, we consolidated two credit facilities of $225.0 million and $25.0 million into one facility totaling $150.0 million. This facility bears interest at SOFR plus 3.00% with an all-in floor of 5.50% and matures in October 2025.

Agency Business

In June 2024, we amended our letter of credit securing our obligations under the Fannie Mae DUS and the Freddie Mac SBL programs by increasing the outstanding letter of credit amount for our Fannie Mae DUS obligations to $70.0 million from $64.0 million. We have no remaining letter of credit capacity available under this facility.

Securitized Debt

We account for securitized debt transactions on our consolidated balance sheet as financing facilities. These transactions are considered VIEs for which we are the primary beneficiary and are consolidated in our financial statements. The investment grade notes and guaranteed certificates issued to third parties are treated as secured financings and are non-recourse to us.

Borrowings and the corresponding collateral under our securitized debt transactions are as follows ($ in thousands):

	Debt			Collateral (3)		
				Loans		Cash
June 30, 2024	Face Value	Carrying Value (1)	Wtd. Avg. Rate (2)	UPB	Carrying Value	Restricted Cash (4)
CLO 19 (5)	$ 872,512	$ 868,964	7.79 %	$ 1,028,780	$ 1,026,925	$ —
CLO 18	1,652,812	1,648,992	7.24 %	1,872,391	1,870,372	132,906
CLO 17 (5)	1,714,125	1,710,879	7.12 %	2,075,322	2,072,577	9,914
CLO 16 (5)	938,740	935,958	6.82 %	1,178,271	1,176,416	—
CLO 14 (5)	369,790	369,274	7.04 %	495,951	495,282	—
Total CLOs	5,547,979	5,534,067	7.20 %	6,650,715	6,641,572	142,820
Q Series securitization	183,448	182,446	7.33 %	209,598	209,174	—
Total securitized debt	$ 5,731,427	$ 5,716,513	7.20 %	$ 6,860,313	$ 6,850,746	$ 142,820
December 31, 2023						
CLO 19	$ 872,812	$ 868,359	7.84 %	$ 1,031,772	$ 1,028,669	$ 4,527
CLO 18	1,652,812	1,647,885	7.29 %	1,784,921	1,780,930	244,629
CLO 17	1,714,125	1,709,800	7.14 %	1,870,388	1,865,878	203,938
CLO 16	1,237,500	1,233,769	6.76 %	1,456,872	1,453,297	847
CLO 15 (5)	674,412	673,367	6.82 %	734,120	732,498	42,600
CLO 14 (5)	589,345	588,176	6.82 %	680,814	679,469	33,271
Total CLOs	6,741,006	6,721,356	7.14 %	7,558,887	7,540,741	529,812
Q Series securitization	215,278	213,654	7.38 %	287,038	286,053	—
Total securitized debt	$ 6,956,284	$ 6,935,010	7.15 %	$ 7,845,925	$ 7,826,794	$ 529,812

(1) Debt carrying value is net of $13.9 million and $21.3 million of deferred financing fees at June 30, 2024 and December 31, 2023, respectively.
(2) At June 30, 2024 and December 31, 2023, the aggregate weighted average note rate for our collateralized loan obligations ("CLO"), including certain fees and costs, was 7.42% and 7.37%, respectively, and the Q Series securitization was 8.04% and 7.99%, respectively.
(3) At June 30, 2024 and December 31, 2023, eighteen and twelve loans, respectively, with a total UPB of $541.6 million and $308.3 million, respectively, were deemed a "credit risk" as defined by the CLO indentures. A credit risk asset is generally defined as one that, in the CLO collateral manager's reasonable business judgment, has a significant risk of becoming a defaulted asset.
(4) Represents restricted cash held for principal repayments as well as for reinvestment in the CLOs. Excludes restricted cash related to interest payments, delayed fundings and expenses totaling $59.4 million and $63.9 million at June 30, 2024 and December 31, 2023, respectively.
(5) The replenishment periods of CLO 14, CLO 15, CLO 16, CLO 19, and CLO 17 ended in September 2023, December 2023, March 2024, May 2024 and June 2024, respectively.

CLO 15. In June 2024, we unwound CLO 15, redeeming the remaining outstanding notes, which were paid primarily from the refinancing of the remaining assets within our other CLO vehicles and credit and repurchase facilities.

Securitization Paydowns. During the six months ended June 30, 2024, outstanding notes totaling $518.6 million on CLO 14, CLO 16 and CLO 19 and $31.8 million on the Q Series securitization have been paid down.

Senior Unsecured Notes

A summary of our senior unsecured notes is as follows ($ in thousands):

			June 30, 2024			December 31, 2023		
Senior Unsecured Notes	Issuance Date	Maturity	UPB	Carrying Value (1)	Wtd. Avg. Rate (2)	UPB	Carrying Value (1)	Wtd. Avg. Rate (2)
7.75% Notes (3)	Mar. 2023	Mar. 2026	$ 95,000	$ 93,985	7.75 %	$ 95,000	$ 93,697	7.75 %
8.50% Notes (3)	Oct. 2022	Oct. 2027	150,000	148,281	8.50 %	150,000	148,023	8.50 %
5.00% Notes (3)	Dec. 2021	Dec. 2028	180,000	178,088	5.00 %	180,000	177,875	5.00 %
4.50% Notes (3)	Aug. 2021	Sept. 2026	270,000	268,183	4.50 %	270,000	267,763	4.50 %
5.00% Notes (3)	Apr. 2021	Apr. 2026	175,000	173,846	5.00 %	175,000	173,542	5.00 %
4.50% Notes (3)	Mar. 2020	Mar. 2027	275,000	273,685	4.50 %	275,000	273,444	4.50 %
4.75% Notes (4)	Oct. 2019	Oct. 2024	110,000	109,888	4.75 %	110,000	109,721	4.75 %
5.75% Notes (5)	Mar. 2019	Apr. 2024	—	—	—	90,000	89,903	5.75 %
			$ 1,255,000	$ 1,245,956	5.39 %	$ 1,345,000	$ 1,333,968	5.41 %

(1) At June 30, 2024 and December 31, 2023, the carrying value is net of deferred financing fees of $9.0 million and $11.0 million, respectively.
(2) At June 30, 2024 and December 31, 2023, the aggregate weighted average note rate, including certain fees and costs, was 5.67% and 5.70%, respectively.
(3) These notes can be redeemed by us prior to three months before the maturity date, at a redemption price equal to 100% of the aggregate principal amount, plus a "make-whole" premium and accrued and unpaid interest. We have the right to redeem the notes within three months prior to the maturity date at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest.
(4) These notes can be redeemed by us at any time prior to the maturity date, at a redemption price equal to 100% of the aggregate principal amount, plus a "make-whole" premium and accrued and unpaid interest. We have the right to redeem the notes on the maturity date at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest.
(5) In April 2024, these notes matured and were redeemed for cash.

Convertible Senior Unsecured Notes

Our 7.50% convertible senior unsecured notes are not redeemable by us prior to maturity (August 2025) and are convertible by the holder into, at our election, cash, shares of our common stock, or a combination of both, subject to the satisfaction of certain conditions and during specified periods. The conversion rates are subject to adjustment upon the occurrence of certain specified events and the holders may require us to repurchase all, or any portion, of their notes for cash equal to 100% of the principal amount, plus accrued and unpaid interest, if we undergo a fundamental change specified in the agreements.

The UPB and net carrying value of our convertible notes are as follows (in thousands):

Period	UPB	Unamortized Deferred Financing Fees	Net Carrying Value
June 30, 2024	$ 287,500	$ 3,027	$ 284,473
December 31, 2023	$ 287,500	$ 4,382	$ 283,118

During the three months ended June 30, 2024, we incurred interest expense on the notes totaling $6.1 million, of which $5.4 million and $0.7 million related to the cash coupon and deferred financing fees, respectively. During the six months ended June 30, 2024, we incurred interest expense on the notes totaling $12.2 million, of which $10.8 million and $1.4 million related to the cash coupon and deferred financing fees, respectively. During the three months ended June 30, 2023, we incurred interest expense on the notes totaling $6.1 million, of which $5.4 million and $0.7 million related to the cash coupon and deferred financing fees, respectively. During the six months ended June 30, 2023, we incurred interest expense on the notes totaling $12.2 million, of which $10.8 million and $1.4 million related to the cash coupon and deferred financing fees, respectively. Including the amortization of the deferred financing fees, our weighted average total cost of the notes was 8.43% and 8.42% at June 30, 2024 and December 31, 2023, respectively. At June 30, 2024, the 7.50%

convertible senior notes had a conversion rate of 60.7378 shares of common stock per $1,000 of principal, which represented a conversion price of $16.46 per share of common stock.

Junior Subordinated Notes

The carrying values of borrowings under our junior subordinated notes were $144.3 million and $143.9 million at June 30, 2024 and December 31, 2023, respectively, which is net of a deferred amount of $8.6 million and $9.0 million, respectively, (which is amortized into interest expense over the life of the notes) and deferred financing fees of $1.4 million and $1.5 million, respectively. These notes have maturities ranging from March 2034 through April 2037 and pay interest quarterly at a floating rate. The weighted average note rate was 8.21% and 8.48% at June 30, 2024 and December 31, 2023, respectively. Including certain fees and costs, the weighted average note rate was 8.30% and 8.56% at June 30, 2024 and December 31, 2023, respectively.

Debt Covenants

Credit and Repurchase Facilities and Unsecured Debt. The credit and repurchase facilities and unsecured debt (senior and convertible notes) contain various financial covenants, including, but not limited to, minimum liquidity requirements, minimum net worth requirements, minimum unencumbered asset requirements, as well as certain other debt service coverage ratios, debt to equity ratios and minimum servicing portfolio tests. We were in compliance with all financial covenants and restrictions at June 30, 2024.

CLOs. Our CLO vehicles contain interest coverage and asset overcollateralization covenants that must be met as of the waterfall distribution date in order for us to receive such payments. If we fail these covenants in any of our CLOs, all cash flows from the applicable CLO would be diverted to repay principal and interest on the outstanding CLO bonds and we would not receive any residual payments until that CLO regained compliance with such tests. Our CLOs were in compliance with all such covenants at June 30, 2024, as well as on the most recent determination dates in July 2024. In the event of a breach of the CLO covenants that could not be cured in the near-term, we would be required to fund our non-CLO expenses, including employee costs, distributions required to maintain our REIT status, debt costs, and other expenses with (1) cash on hand, (2) income from any CLO not in breach of a covenant test, (3) income from real property and loan assets, (4) sale of assets, or (5) accessing the equity or debt capital markets, if available. We have the right to cure covenant breaches which would resume normal residual payments to us by purchasing non-performing loans out of the CLOs. However, we may not have sufficient liquidity available to do so at such time.

Our CLO compliance tests as of the most recent determination dates in July 2024 are as follows:

Cash Flow Triggers	CLO 14	CLO 16	CLO 17	CLO 18	CLO 19
Overcollateralization (1)					
Current	132.91 %	127.64 %	121.78 %	123.67 %	119.98 %
Limit	118.76 %	120.21 %	121.51 %	123.03 %	119.30 %
Pass / Fail	Pass	Pass	Pass	Pass	Pass
Interest Coverage (2)					
Current	178.52 %	176.03 %	165.14 %	155.45 %	141.61 %
Limit	120.00 %	120.00 %	120.00 %	120.00 %	120.00 %
Pass / Fail	Pass	Pass	Pass	Pass	Pass

(1) The overcollateralization ratio divides the total principal balance of all collateral in the CLO by the total principal balance of the bonds associated with the applicable ratio. To the extent an asset is considered a defaulted security, the asset's principal balance for purposes of the overcollateralization test is the lesser of the asset's market value or the principal balance of the defaulted asset multiplied by the asset's recovery rate which is determined by the rating agencies. Rating downgrades of CLO collateral will generally not have a direct impact on the principal balance of a CLO asset for purposes of calculating the CLO overcollateralization test unless the rating downgrade is below a significantly low threshold (e.g. CCC-) as defined in each CLO vehicle.

(2) The interest coverage ratio divides interest income by interest expense for the classes senior to those retained by us.

Our CLO overcollateralization ratios as of the determination dates subsequent to each quarter are as follows:

Determination (1)	CLO 14	CLO 16	CLO 17	CLO 18	CLO 19
July 2024	132.91 %	127.64 %	121.78 %	123.67 %	119.98 %
April 2024	125.22 %	120.81 %	121.71 %	123.87 %	119.30 %
January 2024	120.00 %	120.81 %	121.71 %	123.87 %	120.30 %
October 2023	119.76 %	121.21 %	122.51 %	124.03 %	120.30 %
July 2023	119.76 %	121.21 %	122.51 %	124.03 %	120.30 %

(1) This table represents the quarterly trend of our overcollateralization ratio, however, the CLO determination dates are monthly and we were in compliance with this test for all periods presented.

The ratio will fluctuate based on the performance of the underlying assets, transfers of assets into the CLOs prior to the expiration of their respective replenishment dates, purchase or disposal of other investments, and loan payoffs. No payment due under the junior subordinated indentures may be paid if there is a default under any senior debt and the senior lender has sent notice to the trustee. The junior subordinated indentures are also cross-defaulted with each other.

Note 10 — Allowance for Loss-Sharing Obligations

Our allowance for loss-sharing obligations related to the Fannie Mae DUS program is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	$ 72,790	$ 59,757	$ 71,634	$ 57,168
Provisions for loss sharing	4,714	7,724	5,773	12,290
Provisions reversal for loan repayments	(381)	(52)	(394)	(1,442)
Recoveries (charge-offs), net	(562)	(748)	(452)	(1,335)
Ending balance	$ 76,561	$ 66,681	$ 76,561	$ 66,681

When a loan is sold under the Fannie Mae DUS program, we undertake an obligation to partially guarantee the performance of the loan. A liability is recognized for the fair value of the guarantee obligation undertaken for the non-contingent aspect of the guarantee and is removed only upon either the expiration or settlement of the guarantee. At June 30, 2024 and December 31, 2023, we had $34.8 million and $34.6 million, respectively, of guarantee obligations included in the allowance for loss-sharing obligations.

In addition to and separately from the fair value of the guarantee, we estimate our allowance for loss-sharing under CECL over the contractual period in which we are exposed to credit risk. The current expected loss related to loss-sharing was based on a collective pooling basis with similar risk characteristics, a reasonable and supportable forecast and a reversion period based on our average historical losses through the remaining contractual term of the portfolio.

When we settle a loss under the DUS loss-sharing model, the net loss is charged-off against the previously recorded loss-sharing obligation. The settled loss is often net of any previously advanced principal and interest payments in accordance with the DUS program, which are reflected as reductions to the proceeds needed to settle losses. At June 30, 2024 and December 31, 2023, we had outstanding advances of $1.3 million and $1.1 million, respectively, which were netted against the allowance for loss-sharing obligations.

At June 30, 2024 and December 31, 2023, our allowance for loss-sharing obligations, associated with expected losses under CECL, was $41.8 million and $37.0 million, respectively, and represented 0.19% and 0.17%, respectively, of our Fannie Mae servicing portfolio. During the three and six months ended June 30, 2024, we recorded an increase in CECL reserves of $3.8 million and $4.9 million, respectively. During the three and six months ended June 30, 2023, we recorded an increase in CECL reserves of $6.9 million and $9.4 million, respectively.

At June 30, 2024 and December 31, 2023, the maximum quantifiable liability associated with our guarantees under the Fannie Mae DUS agreement was $4.12 billion and $3.95 billion, respectively. The maximum quantifiable liability is not representative of the actual loss we would incur. We would be liable for this amount only if all of the loans we service for Fannie Mae, for which we retain some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

Note 11 — Derivative Financial Instruments

We enter into derivative financial instruments to manage exposures that arise from business activities resulting in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates and credit risk. We do not use these derivatives for speculative purposes, but are instead using them to manage our interest rate and credit risk exposure.

Agency Rate Lock and Forward Sale Commitments. We enter into contractual commitments to originate and sell mortgage loans at fixed prices with fixed expiration dates. The commitments become effective when the borrower “rate locks” a specified interest rate within time frames established by us. All potential borrowers are evaluated for creditworthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the rate lock by the borrower and the sale date of the loan to an investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers under the GSE programs, we enter into a forward sale commitment with the investor simultaneously with the rate lock commitment with the borrower. The forward sale contract locks in an interest rate and price for the sale of the loan. The terms of the contract with the investor and the rate lock with the borrower are matched in substantially all respects, with the objective of eliminating interest rate risk to the extent practical. Sale commitments with the investors have an expiration date that is longer than our related commitments to the borrower to allow, among other things, for closing of the loan and processing of paperwork to deliver the loan into the sale commitment.

These commitments meet the definition of a derivative and are recorded at fair value, including the effects of interest rate movements which are reflected as a component of gain (loss) on derivative instruments, net in the consolidated statements of income. The estimated fair value of rate lock commitments also includes the fair value of the expected net cash flows associated with the servicing of the loan which is recorded as income from MSRs in the consolidated statements of income. During the three and six months ended June 30, 2024, we recorded net losses of $0.4 million and $0.3 million, respectively, from changes in the fair value of these derivatives and income from MSRs of $14.5 million and $24.7 million, respectively. During the three and six months ended June 30, 2023, we recorded net losses of $8.1 million and $1.0 million, respectively, from changes in the fair value of these derivatives and income from MSRs of $16.2 million and $34.7 million, respectively. See Note 12 for details.

Treasury Futures and Credit Default Swaps. We enter into over-the-counter treasury futures and credit default swaps to hedge our interest rate and credit risk exposure inherent in (1) our held-for-sale Agency Business Private Label loans from the time the loans are rate locked until sale or securitization, and (2) our Agency Business SFR – fixed rate loans from the time the loans are originated until the time they can be financed with match term fixed rate securitized debt. Our treasury futures typically have a three-month maturity and are tied to the five-year and ten-year treasury rates. Our credit default swaps typically have a five-year maturity, are tied to the credit spreads of the underlying bond issuers and we typically hold our position until we price our Private Label loan securitizations. These instruments do not meet the criteria for hedge accounting, are cleared by a central clearing house and variation margin payments made in cash are treated as a legal settlement of the derivative itself. Our agreements with the counterparties provide for bilateral collateral pledging based on the counterparties' market value. The counterparties have the right to re-pledge the collateral posted, but have the obligation to return the pledged collateral as the market value of the treasury futures change. Our policy is to record the asset and liability positions on a net basis. At June 30, 2024 and December 31, 2023, we had $1.9 million and $1.5 million, respectively, included in others assets, which was comprised of cash posted as collateral of $2.0 million and $1.9 million, respectively, and net liability positions of $0.1 million and $0.4 million, respectively, from the fair value of our treasury futures.

During the three months ended June 30, 2024, we recorded realized gains of $0.2 million and unrealized losses of $0.1 million to our Agency Business related to our swaps. During the six months ended June 30, 2024, we recorded realized and unrealized gains of $0.1 million and $0.3 million, respectively, to our Agency Business related to our swaps. During the three months ended June 30, 2023, we recorded realized losses of $0.6 million and unrealized gains of $1.3 million to our Agency Business related to our swaps. During the six months ended June 30, 2023, we recorded realized gains of $1.0 million and unrealized losses of $3.1 million to our Agency Business related to our swaps. The realized and unrealized gains and losses are recorded in gain (loss) on derivative instruments, net.

A summary of our non-qualifying derivative financial instruments in our Agency Business is as follows ($ in thousands):

	June 30, 2024				
				Fair Value	
Derivative	Count	Notional Value	Balance Sheet Location	Derivative Assets	Derivative Liabilities
Rate lock commitments	6	$ 65,242	Other assets/other liabilities	$ 1,066	$ (377)
Forward sale commitments	31	393,987	Other assets/other liabilities	768	(1,187)
Treasury futures	82	8,200		—	—
		$ 467,429		$ 1,834	$ (1,564)
	December 31, 2023				
Rate lock commitments	3	$ 26,800	Other assets/other liabilities	$ 428	$ (759)
Forward sale commitments	33	559,079	Other assets/other liabilities	6,119	(262)
Treasury futures	82	8,200		—	—
		$ 594,079		$ 6,547	$ (1,021)

Note 12 — Fair Value

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The following table summarizes the principal amounts, carrying values and the estimated fair values of our financial instruments (in thousands):

	June 30, 2024			December 31, 2023		
	Principal / Notional Amount	Carrying Value	Estimated Fair Value	Principal / Notional Amount	Carrying Value	Estimated Fair Value
Financial assets:						
Loans and investments, net	$ 11,873,208	$ 11,603,944	$ 11,555,363	$ 12,615,006	$ 12,377,806	$ 12,452,563
Loans held-for-sale, net	347,439	342,870	354,818	552,325	551,707	566,451
Capitalized mortgage servicing rights, net	n/a	380,719	520,994	n/a	391,254	510,472
Securities held-to-maturity, net	230,330	156,080	134,991	230,495	155,279	129,390
Derivative financial instruments	152,484	1,834	1,834	447,609	6,547	6,547
Financial liabilities:						
Credit and repurchase facilities	$ 3,167,067	$ 3,160,384	$ 3,154,002	$ 3,242,939	$ 3,237,827	$ 3,228,324
Securitized debt	5,731,427	5,716,513	5,674,069	6,956,284	6,935,010	6,864,557
Senior unsecured notes	1,255,000	1,245,956	1,112,206	1,345,000	1,333,968	1,214,331
Convertible senior unsecured notes	287,500	284,473	287,859	287,500	283,118	301,156
Junior subordinated notes	154,336	144,275	107,761	154,336	143,896	106,444
Derivative financial instruments	306,745	1,564	1,564	138,270	1,021	1,021

Assets and liabilities disclosed at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Determining which category an asset or liability falls within the hierarchy requires judgment and we evaluate our hierarchy disclosures each quarter. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1—Inputs are unadjusted and quoted prices exist in active markets for identical assets or liabilities, such as government, agency and equity securities.

Level 2—Inputs (other than quoted prices included in Level 1) are observable for the asset or liability through correlation with market data. Level 2 inputs may include quoted market prices for a similar asset or liability, interest rates and credit risk. Examples include non-government securities, certain mortgage and asset-backed securities, certain corporate debt and certain derivative instruments.

Level 3—Inputs reflect our best estimate of what market participants would use in pricing the asset or liability and are based on significant unobservable inputs that require a considerable amount of judgment and assumptions. Examples include certain mortgage and asset-backed securities, certain corporate debt and certain derivative instruments.

The following is a description of the valuation techniques used to measure fair value and the general classification of these instruments pursuant to the fair value hierarchy.

Loans and investments, net. Fair values of loans and investments that are not impaired are estimated using inputs based on direct capitalization rate and discounted cash flow methodology using discount rates, which, in our opinion, best reflect current market interest rates that would be offered for loans with similar characteristics and credit quality (Level 3). Fair values of impaired loans and investments are estimated using inputs that require significant judgments, which include assumptions regarding discount rates, capitalization rates, creditworthiness of major tenants, occupancy rates, availability of financing, exit plans and other factors (Level 3).

Loans held-for-sale, net. Consists of originated loans that are generally expected to be transferred or sold within 60 days to 180 days of loan funding, and are valued using pricing models that incorporate observable inputs from current market assumptions or a hypothetical securitization model utilizing observable market data from recent securitization spreads and observable pricing of loans with similar characteristics (Level 2). Fair value includes the fair value allocated to the associated future MSRs and is calculated pursuant to the valuation techniques described below for capitalized mortgage servicing rights, net (Level 3).

Capitalized mortgage servicing rights, net. Fair values are estimated using inputs based on discounted future net cash flow methodology (Level 3). MSRs are initially recorded at fair value and are carried at amortized cost. The fair value of MSRs is estimated using a process that involves the use of independent third-party valuation experts, supported by commercially available discounted cash flow models and analysis of current market data. The key inputs used in estimating fair value include the contractually specified servicing fees, prepayment speed of the underlying loans, discount rate, annual per loan cost to service loans, delinquency rates, late charges and other economic factors.

Securities held-to-maturity, net. Fair values are approximated using inputs based on current market quotes received from financial sources that trade such securities and are based on prevailing market data and, in some cases, are derived from third-party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions (Level 3).

Derivative financial instruments. Fair values of rate lock and forward sale commitments are estimated using valuation techniques, which include internally-developed models based on changes in the U.S. Treasury rate and other observable market data (Level 2). The fair value of rate lock commitments includes the fair value of the expected net cash flows associated with the servicing of the loans, see capitalized mortgage servicing rights, net above for details on the applicable valuation technique (Level 3). We also consider the impact of counterparty non-performance risk when measuring the fair value of these derivatives.

Credit and repurchase facilities. Fair values for credit and repurchase facilities of the Structured Business are estimated using discounted cash flow methodology, using discount rates, which, in our opinion, best reflect current market interest rates for financing with similar characteristics and credit quality (Level 3). The majority of our credit and repurchase facilities for the Agency Business bear interest at rates that are similar to those available in the market currently and fair values are estimated using Level 2 inputs. For these facilities, the fair values approximate their carrying values.

Securitized debt and junior subordinated notes. Fair values are estimated based on broker quotations, representing the discounted expected future cash flows at a yield that reflects current market interest rates and credit spreads (Level 3).

Senior unsecured notes. Fair values are estimated at current market quotes received from active markets when available (Level 1). If quotes from active markets are unavailable, then the fair values are estimated utilizing current market quotes received from inactive markets (Level 2).

Convertible senior unsecured notes. Fair values are estimated using current market quotes received from inactive markets (Level 2).

We measure certain financial assets and financial liabilities at fair value on a recurring basis. The fair values of these financial assets and liabilities are determined using the following input levels at June 30, 2024 (in thousands):

			Fair Value Measurements Using Fair Value Hierarchy		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Derivative financial instruments	$ 1,834	$ 1,834	$ —	$ 768	$ 1,066
Financial liabilities:					
Derivative financial instruments	$ 1,564	$ 1,564	$ —	$ 1,564	$ —

We measure certain financial and non-financial assets at fair value on a nonrecurring basis. The fair values of these financial and non-financial assets, if applicable, are determined using the following input levels at June 30, 2024 (in thousands):

			Fair Value Measurements Using Fair Value Hierarchy		
	Net Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Impaired loans, net					
Loans held-for-investment (1)	$ 417,751	$ 417,751	$ —	$ —	$ 417,751
Loans held-for-sale (2)	16,672	16,672	—	16,672	—
	$ 434,423	$ 434,423	$ —	$ 16,672	$ 417,751

(1) We had an allowance for credit losses of $140.4 million related to twenty-five impaired loans with a total carrying value, before loan loss reserves, of $558.1 million at June 30, 2024.
(2) We had unrealized impairment losses of $2.0 million related to five held-for-sale loans with a total carrying value, before unrealized impairment losses, of $18.7 million.

Loan impairment assessments. Loans held-for-investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, loan purchase discounts, and net of the allowance for credit losses, when such loan or investment is deemed to be impaired. We consider a loan impaired when, based upon current information, it is probable that all amounts due for both principal and interest will not be collected according to the contractual terms of the loan agreement. We evaluate our loans to determine if the value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, which may result in an allowance, and corresponding charge to the provision for credit losses, or an impairment loss. These valuations require significant judgments, which include assumptions regarding capitalization and discount rates, revenue growth rates, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan and other factors.

Loans held-for-sale are generally expected to be transferred or sold within 60 days to 180 days of loan origination and are reported at lower of cost or market. We consider a loan classified as held-for-sale impaired if, based on current information, it is probable that we will sell the loan below par, or not be able to collect all principal and interest in accordance with the contractual terms of the loan agreement. These loans are valued using pricing models that incorporate observable inputs from current market assumptions or a hypothetical securitization model utilizing observable market data from recent securitization spreads and observable pricing of loans with similar characteristics.

The tables above and below include all impaired loans, regardless of the period in which the impairment was recognized.

Quantitative information about Level 3 fair value measurements at June 30, 2024 is as follows ($ in thousands):

	Fair Value	Valuation Techniques	Significant Unobservable Inputs		
Financial assets:					
Impaired loans:				Weighted Average	Minimum / Maximum
Multifamily	$ 355,987	Discounted cash flows	Capitalization rate	6.27%	5.75% - 7.00%
Land	49,999	Discounted cash flows	Discount rate	21.50%	21.50%
			Revenue growth rate	3.00%	3.00%
Retail	11,765	Sales comparative	Price per acre	$165,128	$165,128
Derivative financial instruments:					
Rate lock commitments	1,066	Discounted cash flows	W/A discount rate	11.41%	11.41%

The derivative financial instruments using Level 3 inputs are outstanding for short periods of time (generally less than 60 days). A roll-forward of Level 3 derivative instruments is as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Derivative assets and liabilities, net				
Beginning balance	$ 1,071	$ 3,097	$ 428	$ 354
Settlements	(14,006)	(17,688)	(23,442)	(32,754)
Realized gains recorded in earnings	12,935	14,591	23,014	32,400
Unrealized gains recorded in earnings	1,066	757	1,066	757
Ending balance	$ 1,066	$ 757	$ 1,066	$ 757

The components of fair value and other relevant information associated with our rate lock commitments, forward sales commitments and the estimated fair value of cash flows from servicing on loans held-for-sale are as follows (in thousands):

June 30, 2024	Notional/ Principal Amount	Fair Value of Servicing Rights	Interest Rate Movement Effect	Unrealized Impairment Loss	Total Fair Value Adjustment
Rate lock commitments	$ 65,242	$ 1,066	$ 377	$ —	$ 1,443
Forward sale commitments	393,987	—	(377)	—	(377)
Loans held-for-sale, net (1)	347,439	4,475	—	(2,020)	2,455
Total		$ 5,541	$ —	$ (2,020)	$ 3,521

(1) Loans held-for-sale, net are recorded at the lower of cost or market on an aggregate basis and includes fair value adjustments related to estimated cash flows from MSRs.

We measure certain assets and liabilities for which fair value is only disclosed. The fair value of these assets and liabilities are determined using the following input levels at June 30, 2024 (in thousands):

			Fair Value Measurements Using Fair Value Hierarchy		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Loans and investments, net	$ 11,603,944	$ 11,555,363	$ —	$ —	$ 11,555,363
Loans held-for-sale, net	342,870	354,818	—	350,343	4,475
Capitalized mortgage servicing rights, net	380,719	520,994	—	—	520,994
Securities held-to-maturity, net	156,080	134,991	—	—	134,991
Financial liabilities:					
Credit and repurchase facilities	$ 3,160,384	$ 3,154,002	$ —	$ 335,171	$ 2,818,831
Securitized debt	5,716,513	5,674,069	—	—	5,674,069
Senior unsecured notes	1,245,956	1,112,206	1,112,206	—	—
Convertible senior unsecured notes	284,473	287,859	—	287,859	—
Junior subordinated notes	144,275	107,761	—	—	107,761

Note 13 — Commitments and Contingencies

Agency Business Commitments. Our Agency Business is subject to supervision by certain regulatory agencies. Among other things, these agencies require us to meet certain minimum net worth, operational liquidity and restricted liquidity collateral requirements, and compliance with reporting requirements. Our adjusted net worth and liquidity required by the agencies for all periods presented exceeded these requirements.

At June 30, 2024, we were required to maintain at least $21.6 million of liquid assets in one of our subsidiaries to meet our operational liquidity requirements for Fannie Mae and we had operational liquidity in excess of this requirement.

We are generally required to share the risk of any losses associated with loans sold under the Fannie Mae DUS program and are required to secure this obligation by assigning restricted cash balances and/or a letter of credit to Fannie Mae. The amount of collateral required by Fannie Mae is a formulaic calculation at the loan level by a Fannie Mae assigned tier, which considers the loan balance, risk level of the loan, age of the loan and level of risk-sharing. Fannie Mae requires restricted liquidity for Tier 2 loans of 75 basis points, 15 basis points for Tier 3 loans and 5 basis points for Tier 4 loans, which is funded over a 48-month period that begins upon delivery of the loan to Fannie Mae. A significant portion of our Fannie Mae DUS serviced loans for which we have risk sharing are Tier 2 loans. At June 30, 2024, the restricted liquidity requirement totaled $83.5 million and was satisfied with a $70.0 million letter of credit and cash issued to Fannie Mae.

At June 30, 2024, reserve requirements for the Fannie Mae DUS loan portfolio will require us to fund $37.8 million in additional restricted liquidity over the next 48 months, assuming no further principal paydowns, prepayments, or defaults within our at-risk portfolio. Fannie Mae periodically reassesses these collateral requirements and may make changes to these requirements in the future. We generate sufficient cash flow from our operations to meet these capital standards and do not expect any changes to have a material impact on our future operations; however, future changes to collateral requirements may adversely impact our available cash.

We are subject to various capital requirements in connection with seller/servicer agreements that we have entered into with secondary market investors. Failure to maintain minimum capital requirements could result in our inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on our consolidated financial statements. At June 30, 2024, we met all of Fannie Mae’s quarterly capital requirements and our Fannie Mae adjusted net worth was in excess of the required net worth. We are not subject to capital requirements on a quarterly basis for Ginnie Mae and FHA, as requirements for these investors are only required on an annual basis.

As an approved designated seller/servicer under Freddie Mac’s SBL program, we are required to post collateral to ensure that we are able to meet certain purchase and loss obligations required by this program. Under the SBL program, we are required to post collateral equal to $5.0 million, which is satisfied with a $5.0 million letter of credit.

We enter into contractual commitments with borrowers providing rate lock commitments while simultaneously entering into forward sale commitments with investors. These commitments are outstanding for short periods of time (generally less than 60 days) and are described in more detail in Note 11 and Note 12.

Debt Obligations and Operating Leases. At June 30, 2024, the maturities of our debt obligations and the minimum annual operating lease payments under leases with a term in excess of one year are as follows (in thousands):

Year	Debt Obligations	Minimum Annual Operating Lease Payments	Total
2024 (six months ending December 31, 2024)	$ 808,418	$ 5,434	$ 813,852
2025	4,103,439	11,081	4,114,520
2026	4,231,879	11,297	4,243,176
2027	1,117,258	9,782	1,127,040
2028	180,000	9,093	189,093
2029	—	8,576	8,576
Thereafter	154,336	19,308	173,644
Total	$ 10,595,330	$ 74,571	$ 10,669,901

During the three and six months ended June 30, 2024, we recorded lease expense of $2.8 million and $5.5 million, respectively, and during the three and six months ended June 30, 2023, we recorded lease expense of $2.6 million and $5.2 million, respectively.

Unfunded Commitments. In accordance with certain structured loans and investments, we have outstanding unfunded commitments of $1.73 billion at June 30, 2024 that we are obligated to fund as borrowers meet certain requirements. Specific requirements include, but are not limited to, property renovations, building construction and conversions based on criteria met by the borrower in accordance with the loan agreements.

Litigation. We are subject to a variety of claims and suits that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact in our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

Due to Borrowers. Due to borrowers represents borrowers' funds held by us to fund certain expenditures or to be released at our discretion upon the occurrence of certain pre-specified events, and to serve as additional collateral for borrowers' loans. While retained, these balances earn interest in accordance with the specific loan terms they are associated with.

Note 14 — Variable Interest Entities

Our involvement with VIEs primarily affects our financial performance and cash flows through amounts recorded in interest income, interest expense, provision for loan losses and through activity associated with our derivative instruments.

Consolidated VIEs. We have determined that our operating partnership, ARLP, and our CLO and Q Series securitization entities ("Securitization Entities") are VIEs, which we consolidate.

Our Securitization Entities invest in real estate and real estate-related securities and are financed by the issuance of debt securities. We believe we hold the power necessary to direct the most significant economic activities of those entities. We also have exposure to losses to the extent of our equity interests and rights to waterfall payments in excess of required payments to bond investors. As a result of consolidation, equity interests have been eliminated, and the consolidated balance sheets reflect both the assets held and debt issued to third parties by the Securitization Entities, prior to the unwind. Our operating results and cash flows include the gross asset and liability amounts related to the Securitization Entities as opposed to our net economic interests in those entities.

The assets and liabilities related to these consolidated Securitization Entities are as follows (in thousands):

	June 30, 2024	December 31, 2023
Assets:		
Restricted cash	$ 202,210	$ 593,956
Loans and investments, net	6,850,746	7,826,793
Other assets	101,797	193,822
Total assets	$ 7,154,753	$ 8,614,571
Liabilities:		
Securitized debt	$ 5,716,513	$ 6,935,010
Other liabilities	17,300	32,867
Total liabilities	$ 5,733,813	$ 6,967,877

Assets held by the Securitization Entities are restricted and can only be used to settle obligations of those entities. The liabilities of the Securitization Entities are non-recourse to us and can only be satisfied from each respective asset pool. See Note 9 for details. We are not obligated to provide, have not provided, and do not intend to provide financial support to any of the Securitization Entities.

Unconsolidated VIEs. We determined that we are not the primary beneficiary of 38 VIEs in which we have a variable interest at June 30, 2024 because we do not have the ability to direct the activities of the VIEs that most significantly impact each entity's economic performance or substantially all of the activities do not involve, or are not conducted on behalf of, the Company.

A summary of our variable interests in identified VIEs, of which we are not the primary beneficiary, at June 30, 2024 is as follows (in thousands):

Type	Carrying Amount (1)
Loans	$ 816,004
APL certificates	133,766
Equity investments	28,359
B Piece bonds	31,446
Agency interest only strips	117
Total	$ 1,009,692

(1) Represents the carrying amount of loans and investments before reserves. At June 30, 2024, $186.8 million of loans to VIEs had corresponding specific loan loss reserves of $88.1 million. The maximum loss exposure at June 30, 2024 would not exceed the carrying amount of our investment.

These unconsolidated VIEs have exposure to real estate debt of approximately $4.16 billion at June 30, 2024.

Note 15 — Equity

Common Stock. In May 2024, we entered into a new equity distribution agreement with JMP Securities LLC ("JMP"). In accordance with the terms of the agreement, we may offer and sell up to 30,000,000 shares of our common stock in "At-The-Market" equity offerings through JMP by means of ordinary brokers' transactions or otherwise at market prices prevailing at the time of sale, or at negotiated prices. At June 30, 2024, no shares were sold under the agreement.

During 2023, the Board of Directors authorized a share repurchase program providing for the repurchase of up to $150.0 million of our outstanding common stock. The repurchase of our common stock may be made from time to time in the open market, through privately negotiated transactions, or otherwise in compliance with Rule 10b-18 and Rule 10b5-1 under the Exchange Act, based on our stock price, general market conditions, applicable legal requirements and other factors. The program may be discontinued or modified at any time. During April 2024, we repurchased 935,739 shares of our common stock under the share repurchase program at a total cost of $11.4 million and an average cost of $12.19 per share. At June 30, 2024, there was $138.6 million available for repurchase under this program.

Noncontrolling Interest. Noncontrolling interest relates to the operating partnership units (“OP Units”) issued to satisfy a portion of the purchase price in connection with the acquisition of the agency platform of Arbor Commercial Mortgage, LLC (“ACM”) in 2016. Each of these OP Units are paired with one share of our special voting preferred shares having a par value of $0.01 per share and is entitled to one vote each on any matter submitted for stockholder approval. The OP Units are entitled to receive distributions if and when our Board of Directors authorizes and declares common stock distributions. The OP Units are also redeemable for cash, or at our option, for shares of our common stock on a one-for-one basis. At June 30, 2024, there were 16,293,589 OP Units outstanding, which represented 8.00% of the voting power of our outstanding stock.

Distributions. Dividends declared (on a per share basis) during the six months ended June 30, 2024 are as follows:

Common Stock		Preferred Stock			
			Dividend		
Declaration Date	Dividend	Declaration Date	Series D	Series E	Series F
February 14, 2024	$ 0.43	March 29, 2024	$ 0.3984375	$ 0.390625	$ 0.390625
May 1, 2024	$ 0.43	June 28, 2024	$ 0.3984375	$ 0.390625	$ 0.390625

Common Stock – On July 31, 2024, the Board of Directors declared a cash dividend of $0.43 per share of common stock. The dividend is payable on August 30, 2024 to common stockholders of record as of the close of business on August 16, 2024.

Deferred Compensation. During 2024, we issued 644,869 shares of restricted common stock to certain employees and Board of Directors members under the Amended Omnibus Stock Incentive Plan with a total grant date fair value of $8.2 million, of which: (1) 228,416 shares with a grant date fair value of $2.9 million vested on the grant date in 2024; (2) 200,900 shares with a grant date fair value of $2.6 million will vest in 2025; (3) 201,105 shares with a grant date fair value of $2.6 million will vest in 2026; (4) 7,226 shares with a grant date fair value of $0.1 million will vest in 2027; and (5) 7,222 shares with a grant date fair value of $0.1 million will vest in 2028.

During 2024, we issued our chief executive officer 309,775 shares of restricted common stock with a grant date fair value of $3.9 million that vest in full in the first quarter of 2027.

We also issued 36,688 fully-vested restricted stock units (“RSUs”) with a grant date fair value of $0.5 million to certain members of our Board of Directors, who have decided to defer the receipt of the common stock, into which the RSUs are converted, to a future date pursuant to a pre-established deferral election.

During 2024, 275,569 shares of performance-based RSUs and 184,729 shares of restricted common stock previously granted to our chief executive officer fully vested.

During 2024, we withheld 247,396 shares from the net settlement of restricted common stock by employees for payment of withholding taxes on shares that vested.

Earnings Per Share (“EPS”). Basic EPS is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during each period inclusive of unvested restricted stock with full dividend participation rights. Diluted EPS is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding, plus the additional dilutive effect of common stock equivalents during each period. Our common stock equivalents include the weighted average dilutive effect of RSUs, OP Units and convertible senior unsecured notes.

A reconciliation of the numerator and denominator of our basic and diluted EPS computations is as follows ($ in thousands, except share and per share data):

	Three Months Ended June 30,			
	2024		2023	
	Basic	Diluted	Basic	Diluted
Net income attributable to common stockholders (1)	$ 47,397	$ 47,397	$ 76,164	$ 76,164
Net income attributable to noncontrolling interest (2)	—	4,094	—	6,826
Interest expense on convertible notes	—	—	—	6,081
Net income attributable to common stockholders and noncontrolling interest	$ 47,397	$ 51,491	$ 76,164	$ 89,071
Weighted average shares outstanding	188,655,801	188,655,801	181,815,469	181,815,469
Dilutive effect of OP Units (2)	—	16,293,589	—	16,293,589
Dilutive effect of convertible notes (3)	—	—	—	17,270,615
Dilutive effect of RSUs (4)	—	538,321	—	682,203
Weighted average shares outstanding	188,655,801	205,487,711	181,815,469	216,061,876
Net income per common share (1)	$ 0.25	$ 0.25	$ 0.42	$ 0.41

	Six Months Ended June 30,			
	2024		2023	
Net income attributable to common stockholders (1)	$ 105,270	$ 105,270	$ 160,483	$ 160,483
Net income attributable to noncontrolling interest (2)	—	9,090	—	14,411
Interest expense on convertible notes	—	—	—	12,163
Net income attributable to common stockholders and noncontrolling interest	$ 105,270	$ 114,360	$ 160,483	$ 187,057
Weighted average shares outstanding	188,683,095	188,683,095	181,468,002	181,468,002
Dilutive effect of OP Units (2)	—	16,293,589	—	16,293,589
Dilutive effect of convertible notes (3)	—	—	—	17,250,598
Dilutive effect of RSUs (4)	—	522,935	—	477,415
Weighted average shares outstanding	188,683,095	205,499,619	181,468,002	215,489,604
Net income per common share (1)	$ 0.56	$ 0.56	$ 0.88	$ 0.87

(1) Net of preferred stock dividends.
(2) We consider OP Units to be common stock equivalents as the holders have voting rights, the right to distributions and the right to redeem the OP Units for the cash value of a corresponding number of shares of common stock or a corresponding number of shares of common stock, at our election.
(3) The convertible senior unsecured notes were antidilutive for the three and six months ended June 30, 2024.
(4) Our chief executive officer was granted RSUs, which vest at the end of a 4-year performance period based upon our achievement of total stockholder return objectives.

Note 16 — Income Taxes

As a REIT, we are generally not subject to U.S. federal income tax to the extent of our distributions to stockholders and as long as certain asset, income, distribution, ownership and administrative tests are met. To maintain our qualification as a REIT, we must annually distribute at least 90% of our REIT-taxable income to our stockholders and meet certain other requirements. We may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on our undistributed taxable income. If we were to fail to meet these requirements, we would be subject to U.S. federal income tax, which could have a material adverse impact on our results of operations and amounts available for distributions to our stockholders. We believe that all of the criteria to maintain our REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

The Agency Business is operated through our TRS Consolidated Group and is subject to U.S. federal, state and local income taxes. In general, our TRS entities may hold assets that the REIT cannot hold directly and may engage in real estate or non-real estate-related business.

In the three and six months ended June 30, 2024, we recorded a tax provision of $3.9 million and $7.5 million, respectively. In the three and six months ended June 30, 2023, we recorded a tax provision of $5.6 million and $13.6 million, respectively. The tax provision recorded in the three months ended June 30, 2024 consisted of a current tax provision of $6.8 million and a deferred tax benefit of $2.9 million. The tax provision recorded in the six months ended June 30, 2024 consisted of a current tax provision of $14.4 million and a deferred tax benefit of $6.9 million. The tax provision recorded in the three months ended June 30, 2023 consisted of a current tax provision of $13.0 million and a deferred tax benefit of $7.4 million. The tax provision recorded in the six months ended June 30, 2023 consisted of a current tax provision of $17.8 million and deferred tax benefit of $4.2 million. Current and deferred taxes are primarily recorded on the portion of earnings (losses) recognized by us with respect to our interest in the TRS's. Deferred income tax assets and liabilities are calculated based on temporary differences between our U.S. GAAP consolidated financial statements and the federal, state, local tax basis of assets and liabilities as of the consolidated balance sheets.

Note 17 — Agreements and Transactions with Related Parties

Support Agreement and Employee Secondment Agreement. We have a support agreement and a secondment agreement with ACM and certain of its affiliates and certain affiliates of a relative of our chief executive officer ("Service Recipients") where we provide support services and seconded employees to the Service Recipients. The Service Recipients reimburse us for the costs of performing such services and the cost of the seconded employees. During the three and six months ended June 30, 2024, we incurred $0.9 million and $1.8 million, respectively, and, during the three and six months ended June 30, 2023, we incurred $0.8 million and $1.5 million, respectively, of costs for services provided and employees seconded to the Service Recipients, all of which are reimbursable to us and included in due from related party on the consolidated balance sheets.

Other Related Party Transactions. Due from related party was $105.1 million and $64.4 million at June 30, 2024 and December 31, 2023, respectively, which consisted primarily of amounts due from our affiliated servicing operations related to real estate transactions closing at the end of the quarter and amounts due from ACM for costs incurred in connection with the support and secondment agreements described above.

Due to related party was $2.7 million and $13.8 million at June 30, 2024 and December 31, 2023, respectively, and consisted of loan settlements, holdbacks and escrows to be remitted to our affiliated servicing operations related to real estate transactions.

Our investments in equity affiliates, which represent related parties under GAAP, along with the related disclosures, are included in Note 8.

In certain instances, our business requires our executives to charter privately owned aircraft in furtherance of our business. We have an aircraft time-sharing agreement with an entity controlled by our chief executive officer that owns a private aircraft. Pursuant to the agreement, we reimburse the aircraft owner for the required costs under Federal Aviation Administration regulations for the flights our executives' charter. During the six months ended June 30, 2024 and 2023, we reimbursed the aircraft owner $0.3 million and $0.4 million, respectively, for the flights chartered by our executives pursuant the agreement.

In May 2024, we committed to fund a $42.5 million bridge loan (none of which was funded at June 30, 2024) in an SFR build-to-rent construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.28% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.25% with a SOFR floor of 3.50% and matures in May 2027. Interest income recorded from this loan was less than $0.1 million for both the three and six months ended June 30, 2024.

In May 2023, we committed to fund a $56.9 million bridge loan ($27.9 million was funded at June 30, 2024) for an SFR build-to-rent construction project. Two of our officers made minority equity investments totaling $0.5 million, representing approximately 4% of the total equity invested in the project. The loan has an interest rate of SOFR plus 5.50% with a SOFR floor of 3.25% and matures in December 2025, with two six-month extension options. Interest income recorded from this loan was $0.6 million and $1.0 million for the three and six months ended June 30, 2024, respectively, and was less than $0.1 million for both the three and six months ended June 30, 2023.

In 2022, we purchased a $46.2 million bridge loan originated by ACM at par ($6.7 million was funded at June 30, 2024) for an SFR build-to-rent construction project. A consortium of investors (which includes, among other unaffiliated investors, certain of our officers with a minority ownership interest) owns 70% of the borrowing entity and an entity indirectly owned and controlled by an immediate family member of our chief executive officer owns 10% of the borrowing entity. The loan has an interest rate of SOFR plus 5.50% and matures in March 2025. Interest income recorded from this loan was $0.2 million and $0.4 million for the three and six months ended June 30, 2024, respectively, and less than $0.1 million for both the three and six months ended June 30, 2023.

In 2022, we committed to fund a $67.1 million bridge loan ($10.6 million was funded at June 30, 2024) in an SFR build-to-rent construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.25% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.63% with a SOFR floor of 0.25% and matures in May 2025. Interest income recorded from this loan was $0.3 million and $0.4 million for the three and six months ended June 30, 2024, respectively, and $0.1 million for both the three and six months ended June 30, 2023.

In 2022, we committed to fund a $39.4 million bridge loan ($18.0 million was funded at June 30, 2024) in an SFR build-to-rent construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 2.25% equity interest in the borrowing entity. The loan has an interest rate of SOFR plus 4.00% with a SOFR floor of 0.25% and matures in March 2025. Interest income recorded from this loan was $0.4 million and $0.7 million for the three and six months ended June 30, 2024, respectively, and less than $0.1 million and $0.1 million for the three and six months ended June 30, 2023, respectively.

In 2021, we invested $4.2 million for 49.3% interest in a limited liability company ("LLC") which purchased a retail property for $32.5 million and assumed an existing $26.0 million CMBS loan. A portion of the property can potentially be converted to office space, of which we have the right to occupy, in part. An entity owned by an immediate family member of our chief executive officer also made an investment in the LLC for a 10% ownership, is the managing member and holds the right to purchase our interest in the LLC.

In 2021, we originated a $63.4 million bridge loan to a third party to purchase a multifamily property from a multifamily-focused commercial real estate investment fund sponsored and managed by our chief executive officer and one of his immediate family members, which fund has no continued involvement with the property following the purchase. The loan had an interest rate of SOFR plus 3.75% with a SOFR floor of 0.25% and was scheduled to mature in March 2024. In December 2023, the loan was paid off in full. Interest income recorded from this loan was $1.5 million and $2.8 million for the three and six months ended June 30, 2023, respectively.

In 2020, we committed to fund a $32.5 million bridge loan, and made a $3.5 million preferred equity investment in an SFR build-to-rent construction project. An entity owned by an immediate family member of our chief executive officer also made an equity investment in the project and owns a 21.8% equity interest in the borrowing entity. The bridge loan has an interest rate of SOFR plus 3.75% with a SOFR floor of 0.75% and the preferred equity investment has a 12.00% fixed rate. Both loans were scheduled to mature in December 2023. In November 2023, the bridge loan was upsized to a maximum of $39.9 million ($38.9 million was funded at June 30, 2024) and the maturity on the bridge loan and preferred equity investment were extended to May 2025 and October 2024, respectively. Interest income recorded from these loans was $1.1 million and $2.1 million for the three and six months ended June 30, 2024, respectively, and $0.6 million and $1.2 million for the three and six months ended June 30, 2023, respectively.

In 2020, we committed to fund a $30.5 million bridge loan and we made a $4.6 million preferred equity investment in a SFR build-to-rent construction project. ACM and an entity owned by an immediate family member of our chief executive officer also made equity investments in the project and own an 18.9% equity interest in the borrowing entity. The bridge loan has an interest rate of SOFR plus 4.25% with a SOFR floor of 1.00% and was scheduled to mature in May 2023 and the preferred equity investment has a 12.00% fixed rate and was scheduled to mature in April 2023. In April 2023, the bridge loan was upsized to a maximum of $38.9 million ($35.2 million was funded at June 30, 2024), and the maturity on both loans was extended to May 2025. Interest income recorded from these loans was $1.1 million and $2.3 million for the three and six months ended June 30, 2024, respectively, and $0.8 million and $1.5 million for the three and six months ended June 30, 2023, respectively.

In 2020, we originated a $14.8 million Private Label loan and a $3.4 million mezzanine loan on two multifamily properties owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns a 50% interest in the borrowing entity. In 2020, we sold the Private Label loan to an unconsolidated affiliate of ours. The mezzanine loan bears interest at a 9.00% fixed rate and matures in April 2030. Interest income recorded from the mezzanine loan was less than $0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively, and $0.1 million for both the three and six months ended June 30, 2023.

We had a $35.0 million bridge loan and a $10.0 million preferred equity interest on an office building. The bridge loan was scheduled to mature in October 2023 and the preferred equity investment was scheduled to mature in June 2027. The day-to-day operations were managed by an affiliated entity of an immediate family member of our chief executive officer. In September 2021, we entered into a forbearance agreement with the borrower on the outstanding bridge loan to defer all interest owed until maturity or early payoff. In the fourth quarter of 2023, we converted these loans in the building to a common equity investment.

In 2019, we, along with ACM, certain executives of ours and a consortium of independent outside investors, formed AMAC III, a multifamily-focused commercial real estate investment fund sponsored and managed by our chief executive officer and one of his immediate family members. We committed to a $30.0 million investment ($28.5 million was funded at June 30, 2024) for an 18% interest in AMAC III. During the three and six months ended June 30, 2024, we recorded losses associated with this investment of $0.7 million and $1.2 million, respectively, and $0.5 million and $0.9 million for the three and six months ended June 30, 2023, respectively. We received cash distributions of $0.5 million and $1.1 million during the three and six months ended June 30, 2023, respectively. In 2019, AMAC III originated a $7.0 million mezzanine loan to a borrower with which we have an outstanding $34.0 million bridge loan. In 2020, for full satisfaction of the mezzanine loan, AMAC III became the owner of the property. Also in 2020, for full satisfaction of the mezzanine loan, AMAC III became the owner of the property. Also in 2020, the $34.0 million bridge loan was refinanced with a $35.4 million bridge loan, which bears interest at a rate of SOFR plus 3.50%, and matures in August 2024. Interest income recorded from the bridge loan was $0.8 million and $1.6 million for the three and six months ended June 30, 2024, respectively, and $0.8 million and $1.5 million for the three and six months ended June 30, 2023, respectively.

In 2019, we converted an existing bridge loan into a $2.0 million mezzanine loan with a fixed interest rate of 10.00% and a January 2024 maturity. The underlying multifamily property is owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns interests ranging from 10.5% to 12.0% in the borrowing entities. In January 2024, the maturity was extended to January 2025. Interest income recorded from this loan was less than $0.1 million and $0.1 million for the three and six months ended June 30, 2024, respectively, and $0.1 million for both the three and six months ended June 30, 2023.

In 2018, we originated a $21.7 million bridge loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers and our chief executive officer) which owns 75% in the borrowing entity. The loan has an interest rate of SOFR plus 4.75% with a SOFR floor of 0.25%, and matures in August 2024. Interest income recorded from the bridge loan was $0.6 million and $1.1 million for the three and six months ended June 30, 2024, respectively, and $0.5 million and $1.0 million for the three and six months ended June 30, 2023, respectively.

In 2017, we originated a $46.9 million Fannie Mae loan on a multifamily property owned in part by a consortium of investors (which includes, among other unaffiliated investors, certain of our officers) which owns a 17.6% interest in the borrowing entity. We carry a maximum loss-sharing obligation with Fannie Mae on this loan of up to 5% of the original UPB. Servicing revenue recorded from this loan was less than $0.1 million for all periods presented.

In 2017, Ginkgo Investment Company LLC ("Ginkgo"), of which one of our directors is a 33% managing member, purchased a multifamily apartment complex which assumed an existing $8.3 million Fannie Mae loan that we service. Ginkgo subsequently sold the majority of its interest in this property and owned a 3.6% interest at June 30, 2024. In July 2023, the Fannie Mae loan was paid off in full. Servicing revenue recorded from this loan was less than $0.1 million for both the three and six months ended June 30, 2023.

In 2015, we invested $9.6 million for 50% of ACM's indirect interest in a joint venture with a third party that was formed to invest in a residential mortgage banking business. At June 30, 2024, we had an indirect interest of 12.3% in this entity. We recorded a loss of $0.8 million and income of $0.8 million related to this investment for the three and six months ended June 30, 2024, respectively, and income of $3.5 million and $2.6 million for the three and six months ended June 30, 2023, respectively. During both the three and six months ended June 30, 2024, we received cash distributions of $7.7 million, and during both the three and six months ended June 30, 2023, we received cash distributions of $7.5 million, which were classified as returns of capital.

We, along with an executive officer of ours and a consortium of independent outside investors, hold equity investments in a portfolio of multifamily properties referred to as the "Lexford" portfolio, which is managed by an entity owned primarily by a consortium of affiliated investors, including our chief executive officer and an executive officer of ours. Based on the terms of the management contract, the management company is entitled to 4.75% of gross revenues of the underlying properties, along with the potential to share in the proceeds of a sale or restructuring of the debt. In 2018, the owners of Lexford restructured part of its debt and we originated 12 bridge loans totaling $280.5 million, which were used to repay in full certain existing mortgage debt and to renovate 72 multifamily properties included in the portfolio. The loans were originated in 2018, had interest rates of LIBOR plus 4.00% and were scheduled to mature in June 2021. During 2019, the borrower made payoffs and partial paydowns of principal totaling $250.0 million and in 2020, the remaining balance of the loans were refinanced with a $34.6 million Private Label loan, which bears interest at a fixed rate of 3.30% and matures in March 2030. In 2020, we sold the Private Label loan to an unconsolidated affiliate of ours. Further, as part of this 2018 restructuring, $50.0 million in unsecured financing was provided by an unsecured lender to certain parent entities of the property owners. ACM owns slightly less than half of the unsecured lender entity and, therefore, provided slightly less than half of the unsecured lender financing. In addition, in connection with our equity investment, we received distributions totaling $4.2 million for both the three and six months ended June 30, 2024, and $2.5 million and $7.2 million for the three and six months ended June 30, 2023, respectively, which were recorded as income from equity affiliates. Separate from the loans we originated in 2018, we provide limited ("bad boy") guarantees for certain other debt controlled by Lexford. The bad boy guarantees may become a liability for us upon standard "bad" acts such as fraud or a material misrepresentation by Lexford or us. At June 30, 2024, this debt had an aggregate outstanding balance of approximately $500.0 million and is scheduled to mature through 2029.

Several of our executives, including our chief financial officer, corporate secretary and our chairman, chief executive officer and president, hold similar positions for ACM. Our chief executive officer and his affiliated entities ("the Kaufman Entities") together beneficially own approximately 35% of the outstanding membership interests of ACM and certain of our employees and directors also hold an ownership interest in ACM. Furthermore, one of our directors serves as the trustee and co-trustee of two of the Kaufman Entities that hold membership interests in ACM. At June 30, 2024, ACM holds 2,535,870 shares of our common stock and 10,597,566 OP Units, which represents 6.4% of the voting power of our outstanding stock. Our Board of Directors approved a resolution under our charter allowing our chief executive officer and ACM, (which our chief executive officer has a controlling equity interest in), to own more than the 5% ownership interest limit of our common stock as stated in our amended charter.

Note 18 — Segment Information

The summarized statements of income and balance sheet data, as well as certain other data, by segment are included in the following tables ($ in thousands). Specifically identifiable costs are recorded directly to each business segment. For items not specifically identifiable, costs have been allocated between the business segments using the most meaningful allocation methodologies, which was predominately direct labor costs (i.e., time spent working on each business segment). Such costs include, but are not limited to, compensation and employee related costs, selling and administrative expenses and stock-based compensation.

	Three Months Ended June 30, 2024			
	Structured Business	Agency Business	Other (1)	Consolidated
Interest income	$ 282,077	$ 15,111	$ —	$ 297,188
Interest expense	203,062	6,165	—	209,227
Net interest income	79,015	8,946	—	87,961
Other revenue:				
Gain on sales, including fee-based services, net	—	17,448	—	17,448
Mortgage servicing rights	—	14,534	—	14,534
Servicing revenue	—	46,797	—	46,797
Amortization of MSRs	—	(16,887)	—	(16,887)
Property operating income	1,444	—	—	1,444
Loss on derivative instruments, net	—	(275)	—	(275)
Other income, net	1,975	106	—	2,081
Total other revenue	3,419	61,723	—	65,142
Other expenses:				
Employee compensation and benefits	15,805	27,031	—	42,836
Selling and administrative	5,828	6,995	—	12,823
Property operating expenses	1,584	—	—	1,584
Depreciation and amortization	1,250	1,173	—	2,423
Provision for loss sharing (net of recoveries)	—	4,333	—	4,333
Provision for credit losses (net of recoveries)	28,030	1,534	—	29,564
Total other expenses	52,497	41,066	—	93,563
Income before extinguishment of debt, sale of real estate, income from equity affiliates and income taxes	29,937	29,603	—	59,540
Loss on extinguishment of debt	(412)	—	—	(412)
Gain on sale of real estate	3,813	—	—	3,813
Income from equity affiliates	2,793	—	—	2,793
Benefit from (provision for) income taxes	865	(4,766)	—	(3,901)
Net income	36,996	24,837	—	61,833
Preferred stock dividends	10,342	—	—	10,342
Net income attributable to noncontrolling interest	—	—	4,094	4,094
Net income attributable to common stockholders	$ 26,654	$ 24,837	$ (4,094)	$ 47,397

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	Three Months Ended June 30, 2023			
	Structured Business	Agency Business	Other (1)	Consolidated
Interest income	$ 322,105	$ 13,632	$ —	$ 335,737
Interest expense	220,966	6,229	—	227,195
Net interest income	101,139	7,403	—	108,542
Other revenue:				
Gain on sales, including fee-based services, net	—	22,587	—	22,587
Mortgage servicing rights	—	16,201	—	16,201
Servicing revenue	—	47,952	—	47,952
Amortization of MSRs	—	(15,605)	—	(15,605)
Property operating income	1,430	—	—	1,430
Loss on derivative instruments, net	—	(7,384)	—	(7,384)
Other income (loss), net	760	(715)	—	45
Total other revenue	2,190	63,036	—	65,226
Other expenses:				
Employee compensation and benefits	13,438	27,872	—	41,310
Selling and administrative	5,833	6,751	—	12,584
Property operating expenses	1,365	—	—	1,365
Depreciation and amortization	1,214	1,173	—	2,387
Provision for loss sharing (net of recoveries)	—	7,672	—	7,672
Provision for credit losses (net of recoveries)	14,369	(491)	—	13,878
Total other expenses	36,219	42,977	—	79,196
Income before extinguishment of debt, income from equity affiliates and income taxes	67,110	27,462	—	94,572
Loss on extinguishment of debt	(1,247)	—	—	(1,247)
Income from equity affiliates	5,560	—	—	5,560
Provision for income taxes	(1,200)	(4,353)	—	(5,553)
Net income	70,223	23,109	—	93,332
Preferred stock dividends	10,342	—	—	10,342
Net income attributable to noncontrolling interest	—	—	6,826	6,826
Net income attributable to common stockholders	$ 59,881	$ 23,109	$ (6,826)	$ 76,164

	Six Months Ended June 30, 2024			
	Structured Business	Agency Business	Other (1)	Consolidated
Interest income	$ 589,965	$ 28,515	$ —	$ 618,480
Interest expense	415,661	11,242	—	426,903
Net interest income	174,304	17,273	—	191,577
Other revenue:				
Gain on sales, including fee-based services, net	—	34,114	—	34,114
Mortgage servicing rights	—	24,733	—	24,733
Servicing revenue	—	94,954	—	94,954
Amortization of MSRs	—	(33,518)	—	(33,518)
Property operating income	3,014	—	—	3,014
Loss on derivative instruments, net	—	(5,533)	—	(5,533)
Other income, net	4,275	139	—	4,414
Total other revenue	7,289	114,889	—	122,178
Other expenses:				
Employee compensation and benefits	34,352	56,177	—	90,529
Selling and administrative	12,624	14,132	—	26,756
Property operating expenses	3,262	—	—	3,262
Depreciation and amortization	2,648	2,346	—	4,994
Provision for loss sharing (net of recoveries)	—	4,607	—	4,607
Provision for credit losses (net of recoveries)	45,806	2,876	—	48,682
Total other expenses	98,692	80,138	—	178,830
Income before extinguishment of debt, sale of real estate, income from equity affiliates and income taxes	82,901	52,024	—	134,925
Loss on extinguishment of debt	(412)	—	—	(412)
Gain on sale of real estate	3,813	—	—	3,813
Income from equity affiliates	4,211	—	—	4,211
Benefit from (provision for) income taxes	784	(8,277)	—	(7,493)
Net income	91,297	43,747	—	135,044
Preferred stock dividends	20,684	—	—	20,684
Net income attributable to noncontrolling interest	—	—	9,090	9,090
Net income attributable to common stockholders	$ 70,613	$ 43,747	$ (9,090)	$ 105,270

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	Six Months Ended June 30, 2023			
	Structured Business	Agency Business	Other (1)	Consolidated
Interest income	$ 639,481	$ 24,204	$ —	$ 663,685
Interest expense	435,860	10,709	—	446,569
Net interest income	203,621	13,495	—	217,116
Other revenue:				
Gain on sales, including fee-based services, net	—	37,176	—	37,176
Mortgage servicing rights	—	34,659	—	34,659
Servicing revenue	—	92,933	—	92,933
Amortization of MSRs	—	(31,020)	—	(31,020)
Property operating income	2,811	—	—	2,811
Loss on derivative instruments, net	—	(3,161)	—	(3,161)
Other income, net	2,667	2,256	—	4,923
Total other revenue	5,478	132,843	—	138,321
Other expenses:				
Employee compensation and benefits	29,079	54,629	—	83,708
Selling and administrative	12,544	13,663	—	26,207
Property operating expenses	2,747	—	—	2,747
Depreciation and amortization	2,665	2,346	—	5,011
Provision for loss sharing (net of recoveries)	—	10,848	—	10,848
Provision for credit losses (net of recoveries)	35,014	1,381	—	36,395
Total other expenses	82,049	82,867	—	164,916
Income before extinguishment of debt, income from equity affiliates and income taxes	127,050	63,471	—	190,521
Loss on extinguishment of debt	(1,247)	—	—	(1,247)
Income from equity affiliates	19,886	—	—	19,886
Provision for income taxes	(771)	(12,811)	—	(13,582)
Net income	144,918	50,660	—	195,578
Preferred stock dividends	20,684	—	—	20,684
Net income attributable to noncontrolling interest	—	—	14,411	14,411
Net income attributable to common stockholders	$ 124,234	$ 50,660	$ (14,411)	$ 160,483

(1) Includes income allocated to the noncontrolling interest holders not allocated to the two reportable segments.

	June 30, 2024		
	Structured Business	Agency Business	Consolidated
Assets:			
Cash and cash equivalents	$ 272,614	$ 464,871	$ 737,485
Restricted cash	203,223	15,005	218,228
Loans and investments, net	11,603,944	—	11,603,944
Loans held-for-sale, net	—	342,870	342,870
Capitalized mortgage servicing rights, net	—	380,719	380,719
Securities held-to-maturity, net	—	156,080	156,080
Investments in equity affiliates	72,872	—	72,872
Goodwill and other intangible assets	12,500	76,532	89,032
Other assets and due from related party	521,039	74,943	595,982
Total assets	$ 12,686,192	$ 1,511,020	$ 14,197,212
Liabilities:			
Debt obligations	$ 10,216,430	$ 335,171	$ 10,551,601
Allowance for loss-sharing obligations	—	76,561	76,561
Other liabilities and due to related parties	305,813	76,598	382,411
Total liabilities	$ 10,522,243	$ 488,330	$ 11,010,573

	December 31, 2023		
Assets:			
Cash and cash equivalents	$ 619,487	$ 309,487	$ 928,974
Restricted cash	595,342	12,891	608,233
Loans and investments, net	12,377,806	—	12,377,806
Loans held-for-sale, net	—	551,707	551,707
Capitalized mortgage servicing rights, net	—	391,254	391,254
Securities held-to-maturity, net	—	155,279	155,279
Investments in equity affiliates	79,303	—	79,303
Goodwill and other intangible assets	12,500	78,878	91,378
Other assets and due from related party	453,073	101,629	554,702
Total assets	$ 14,137,511	$ 1,601,125	$ 15,738,636
Liabilities:			
Debt obligations	$ 11,520,492	$ 413,327	$ 11,933,819
Allowance for loss-sharing obligations	—	71,634	71,634
Other liabilities and due to related parties	369,588	108,990	478,578
Total liabilities	$ 11,890,080	$ 593,951	$ 12,484,031

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Origination Data:				
Structured Business				
Bridge:				
Multifamily	$ 19,650	$ 98,530	$ 58,885	$ 284,630
SFR	185,500	108,964	356,990	185,053
Land	10,350	—	10,350	—
	215,500	207,494	426,225	469,683
Mezzanine / Preferred Equity	11,684	1,500	56,813	7,345
Total New Loan Originations	$ 227,184	$ 208,994	$ 483,038	$ 477,028
Number of Loans Originated	45	26	104	50
SFR Commitments	$ 277,260	$ 200,182	$ 688,877	$ 254,532
Loan Runoff	$ 629,641	$ 685,220	$ 1,269,659	$ 1,871,869
Agency Business				
Origination Volumes by Investor:				
Fannie Mae	$ 742,724	$ 1,079,910	$ 1,201,153	$ 1,874,931
Freddie Mac	346,821	217,884	716,923	319,216
Private Label	34,714	50,256	50,124	91,363
SFR - Fixed Rate	24,996	11,837	27,314	17,298
FHA	—	62,552	—	211,492
Total New Loan Originations	$ 1,149,255	$ 1,422,439	$ 1,995,514	$ 2,514,300
Total Loan Commitment Volume	$ 1,099,713	$ 1,133,312	$ 2,033,956	$ 2,633,422
Agency Business Loan Sales Data:				
Fannie Mae	$ 731,237	$ 1,023,088	$ 1,457,135	$ 1,674,846
Freddie Mac	332,921	175,342	662,600	243,799
Private Label	34,714	72,803	50,124	232,748
FHA	11,419	134,383	23,488	177,858
SFR - Fixed Rate	24,996	5,108	27,314	14,172
Total Loan Sales	$ 1,135,287	$ 1,410,724	$ 2,220,661	$ 2,343,423
Sales Margin (fee-based services as a % of loan sales)	1.54 %	1.60 %	1.54 %	1.59 %
MSR Rate (MSR income as a % of loan commitments) (1)	1.32 %	1.43 %	1.22 %	1.32 %

(1) Excluding $160.2 million of loan commitments not serviced for a fee from the first quarter of 2024, the MSR rate was 1.32% for the six months ended June 30, 2024.

	June 30, 2024		
Key Servicing Metrics for Agency Business:	**Servicing Portfolio UPB**	**Wtd. Avg. Servicing Fee Rate (basis points)**	**Wtd. Avg. Life of Portfolio (years)**
Fannie Mae	$ 22,114,193	46.7	7.0
Freddie Mac	5,587,178	22.7	7.4
Private Label	2,547,308	18.9	6.0
FHA	1,369,507	14.4	18.9
Bridge	380,547	10.9	3.4
SFR - Fixed Rate	279,962	20.1	4.9
Total	$ 32,278,695	38.4	7.5
	December 31, 2023		
Fannie Mae	$ 21,264,578	47.4	7.4
Freddie Mac	5,181,933	24.0	8.5
Private Label	2,510,449	19.5	6.7
FHA	1,359,624	14.4	19.2
Bridge	379,425	10.9	3.2
SFR - Fixed Rate	287,446	20.1	5.1
Total	$ 30,983,455	39.1	8.0

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

You should read the following discussion in conjunction with the unaudited consolidated interim financial statements, and related notes and the section entitled "Forward-Looking Statements" included herein.

Overview

Through our Structured Business, we invest in a diversified portfolio of structured finance assets in the multifamily, SFR and commercial real estate markets, primarily consisting of bridge loans, in addition to mezzanine loans, junior participating interests in first mortgages and preferred equity. We also invest in real estate-related joint ventures and may directly acquire real property and invest in real estate-related notes and certain mortgage-related securities.

Through our Agency Business, we originate, sell and service a range of multifamily finance products through Fannie Mae and Freddie Mac, Ginnie Mae, FHA and HUD. We retain the servicing rights and asset management responsibilities on substantially all loans we originate and sell under the GSE and HUD programs. We are an approved Fannie Mae DUS lender nationally, a Freddie Mac Multifamily Conventional Loan lender, seller/servicer, in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and SBL lender, seller/servicer, nationally and a HUD MAP and LEAN senior housing/healthcare lender nationally. We also originate and retain the servicing rights on permanent financing loans underwritten using the guidelines of our existing agency loans sold to the GSEs, which we refer to as "Private Label" loans and originate and sell finance products through CMBS programs. We either sell the Private Label loans instantaneously or pool and securitize them and sell certificates in the securitizations to third-party investors, while retaining the highest risk bottom tranche certificate of the securitization.

We conduct our operations to qualify as a REIT. A REIT is generally not subject to federal income tax on its REIT—taxable income that is distributed to its stockholders, provided that at least 90% of its REIT—taxable income is distributed and provided that certain other requirements are met.

Our operating performance is primarily driven by the following factors:

Net interest income earned on our investments. Net interest income represents the amount by which the interest income earned on our assets exceeds the interest expense incurred on our borrowings. If the yield on our assets increases or the cost of borrowings decreases, this will have a positive impact on earnings. However, if the yield earned on our assets decreases or the cost of borrowings increases, this will have a negative impact on earnings. Net interest income is also directly impacted by the size and performance of our asset portfolio. We recognize the bulk of our net interest income from our Structured Business. Additionally, we recognize net interest income from loans originated through our Agency Business, which are generally sold within 60 days of origination.

Fees and other revenues recognized from originating, selling and servicing mortgage loans through the GSE and HUD programs. Revenue recognized from the origination and sale of mortgage loans consists of gains on sale of loans (net of any direct loan origination costs incurred), commitment fees, broker fees, loan assumption fees and loan origination fees. These gains and fees are collectively referred to as gain on sales, including fee-based services, net. We record income from MSRs at the time of commitment to the borrower, which represents the fair value of the expected net future cash flows associated with the rights to service mortgage loans that we originate, with the recognition of a corresponding asset upon sale. We also record servicing revenue which consists of fees received for servicing mortgage loans, net of amortization on the MSR assets recorded. Although we have long-established relationships with the GSE and HUD agencies, our operating performance would be negatively impacted if our business relationships with these agencies deteriorate. Additionally, we also recognize revenue from originating, selling and servicing our Private Label loans.

One of our core business strategies is to generate additional agency lending opportunities by refinancing our multifamily balance sheet bridge loan portfolio when it is practical and appropriate to do so. We execute this strategy by underwriting the multifamily bridge loans we originate to a potential future agency financing. We then continue to work with our borrowers on this execution through the life cycle of the multifamily bridge loan. When effective, this strategy allows us to recapture refinancing opportunities, delever our balance sheet, and generate additional income streams through our capital-light Agency Business.

Income earned from our structured transactions. Our structured transactions are primarily comprised of investments in equity affiliates, which represent unconsolidated joint venture investments formed to acquire, develop and/or sell real estate-related assets. Operating results from these investments can be difficult to predict and can vary significantly period-to-period. When interest rates rise, the income from these investments can be significantly and negatively impacted, particularly from our investment in a residential mortgage banking business, since rising interest rates generally decrease the demand for residential real estate loans. In addition, we periodically receive distributions from our equity investments. It is difficult to forecast the timing of such payments, which can be substantial in any given quarter. We account for structured transactions within our Structured Business.

Credit quality of our loans and investments, including our servicing portfolio. Effective portfolio management is essential to maximize the performance and value of our loan and investment and servicing portfolios. Maintaining the credit quality of the loans in our portfolios is of critical importance. Loans that do not perform in accordance with their terms may have a negative impact on earnings and liquidity.

Significant Developments During the Second Quarter of 2024

Financing and Capital Markets Activity.

- We repurchased $11.4 million of our common stock at an average price of $12.19 per share;
- We entered into a new equity distribution agreement with JMP and may offer and sell up to 30,000,000 shares of our common stock;
- We unwound CLO 15 redeeming the remaining outstanding notes, which were repaid primarily from the refinancing of the remaining assets within our other CLO vehicles and credit and repurchase facilities; and
- Our 5.75% senior unsecured notes, totaling $90.0 million, matured and were repaid for cash.

Structured Business Activity.

- We reduced our balance sheet portfolio by 3% to $11.87 billion, as loan runoff of $629.6 million outpaced loan originations totaling $227.2 million;
- We modified twenty-eight loans with a total UPB of $733.3 million. For fifteen of these loans with a total UPB of $398.1 million, borrowers invested additional capital to recapitalize their deals in exchange for temporary rate relief, which we provided through a pay and accrual feature. See Note 3 for details; and
- We sold a real estate owned asset for $14.2 million and recognized a $3.8 million gain.

Agency Business Activity.

- Loan originations totaled $1.15 billion and includes $489.9 million of new agency loans that were recaptured from our Structured Business runoff; and
- Grew our fee-based servicing portfolio approximately 3%, or $893.7 million, to $32.28 billion.

Current Market Conditions, Risks and Recent Trends

We are currently in a high interest rate environment, as the Federal Reserve has raised interest rates several times over the past two years to combat inflation and restore price stability. Based on the latest comments from the Federal Reserve in June 2024, we expect they may begin to lower interest rates at some point during 2024. Interest rates could remain higher for longer than expected if inflation and other economic indicators do not meet the Federal Reserve’s expectations.

Inflation, rising interest rates, bank failures, and geopolitical uncertainty has caused significant disruptions in many market segments, including the financial services, real estate and credit markets, which has, and may continue, to result in a further dislocation in capital markets and a continual reduction of available liquidity. Despite these periodic disruptions, we have been successful in raising capital through various vehicles, when needed, to grow our business.

Recent instability in the banking sector, such as the multiple regional bank failures and consolidations, further contributed to the tightening liquidity conditions in the equity and capital markets and has affected the availability and increased the cost of capital. The increased cost of credit, or degradation in debt financing terms, may impact our ability to identify and execute investments on attractive terms, or at all. Additionally, although the majority of our cash is currently on deposit with major financial institutions, our balances often exceed insured limits. We limit the exposure relating to these balances by diversifying them among various counterparties. Generally, deposits may be redeemed upon demand and are maintained at financial institutions with reputable credit and therefore we believe bear minimal credit risk.

These current market conditions may continue to limit our ability to grow our Structured Business since this business is more reliant on the capital markets to grow, but can also present us with options to build on existing relationships or create new relationships with lenders. Runoff in our Structured Business also provides an opportunity to refinance these loans with new Agency loans, when practical and appropriate to do so. Since our Agency Business requires limited capital to grow, as originations are financed through warehouse facilities for generally up to 60 days before the loans are sold, tightening liquidity conditions in equity and capital markets should not have a substantial impact on our ability to sustain this business.

These adverse economic conditions have resulted in, and may continue to result in, a dislocation in capital markets, declining real estate values of certain asset classes, increased payment delinquencies and defaults and increased loan modifications and foreclosures, all of which could have a significant impact on our future results of operations, financial condition, business prospects and our ability to make distributions to our stockholders.

As a result of the current high interest rate environment, some of our borrowers have experienced, and may continue to experience, financial stress that has resulted in an increase in payment delinquencies, loan loss reserves and realized losses on certain loans within our portfolio. We employ rigorous risk management and underwriting practices to proactively maintain the quality of our loan portfolio and work very closely with borrowers to mitigate potential losses while safeguarding the integrity of our portfolio. Given the current elevated interest rate environment, we cannot guarantee that our loan portfolio will perform under the terms originally established.

Currently, the high interest rate environment positively impacts our net interest income since our structured loan portfolio exceeds our corresponding debt balances and the vast majority of our loan portfolio is floating rate based on SOFR. In addition, a greater portion of our debt is fixed rate (convertible and senior unsecured notes), as compared to our structured loan portfolio, and does not reset as interest rates rise. Therefore, increases in interest income due to rising interest rates is likely to be greater than the corresponding increase in interest expense on our variable rate debt. Additionally, we earn interest on our escrow and cash balances, so a high interest rate environment will increase our earnings on such balances. See “Quantitative and Qualitative Disclosures about Market Risk” below for additional details. Conversely, such rising interest rates have negatively impacted real estate values and have limited certain borrowers abilities to make debt service payments, which may limit new mortgage loan originations and increase the likelihood of additional delinquencies and losses incurred on defaulted loans if the reduction in the collateral value is insufficient to repay their loans in full.

We are a national originator with Fannie Mae and Freddie Mac, and the GSEs remain the most significant providers of capital to the multifamily market. In November 2023, FHFA set its 2024 Caps for Fannie Mae and Freddie Mac at $70 billion for each enterprise for a total opportunity of $140 billion, which is a decrease from its 2023 Caps of $75 billion for each enterprise. FHFA stated they will continue to monitor the market and reserves the right to increase the 2024 Caps if warranted, however, they will not reduce the 2024 Caps if the market is smaller than initially projected. To promote affordable housing preservation, loans classified as supporting workforce housing properties will be exempt from the 2024 Caps. Workforce housing loans preserve rents at affordable levels in multifamily properties, typically without the use of public subsidies. The 2024 Caps will continue to mandate that at least 50% be directed towards mission driven, affordable housing, with affordability levels corresponding to 80%-120% of area median income, depending on the market. Our originations with the GSEs are highly profitable executions as they provide significant gains from the sale of our loans, non-cash gains related to MSRs, and servicing revenues. The current high interest rate environment could lead to a decline in our GSE originations, which could negatively impact our financial results. We are unsure whether FHFA will impose stricter limitations on GSE multifamily production volume in the future.

Changes in Financial Condition

Assets — Comparison of balances at June 30, 2024 to December 31, 2023:

Our Structured loan and investment portfolio balance was $11.87 billion and $12.62 billion at June 30, 2024 and December 31, 2023, respectively. This decrease was primarily due to loan runoff exceeding loan originations by $786.6 million. See below for details.

Our portfolio had a weighted average current interest pay rate of 7.79% and 8.42% at June 30, 2024 and December 31, 2023, respectively. Including certain fees earned and costs associated with the structured portfolio, the weighted average current interest rate was 8.60% and 8.98% at June 30, 2024 and December 31, 2023, respectively. Our debt that finances our loans and investment portfolio totaled $10.26 billion and $11.57 billion at June 30, 2024 and December 31, 2023, respectively, with a weighted average funding cost of 7.22% and 7.14%, respectively, which excludes financing costs. Including financing costs, the weighted average funding rate was 7.53% and 7.45% at June 30, 2024 and December 31, 2023, respectively.

Activity from our Structured Business portfolio is comprised of the following ($ in thousands):

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Loans originated	$ 227,184	$ 483,038
Number of loans	45	104
Weighted average interest rate	10.47 %	10.60 %
Loan runoff	$ 629,641	$ 1,269,659
Number of loans	28	69
Weighted average interest rate	8.92 %	9.06 %

Loans held-for-sale from the Agency Business decreased $208.8 million, primarily from loan sales exceeding loan originations by $225.1 million as noted in the following table. Activity from our Agency Business portfolio is comprised of the following (in thousands):

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Loan Originations	Loan Sales	Loan Originations	Loan Sales
Fannie Mae	$ 742,724	$ 731,237	$ 1,201,153	$ 1,457,135
Freddie Mac	346,821	332,921	716,923	662,600
Private Label	34,714	34,714	50,124	50,124
SFR - Fixed Rate	24,996	24,996	27,314	27,314
FHA	—	11,419	—	23,488
Total	$ 1,149,255	$ 1,135,287	$ 1,995,514	$ 2,220,661

Investments in equity affiliates decreased $6.4 million, primarily due to distributions received from our investments in AWC and a residential mortgage banking business totaling $19.0 million, partially offset by contributions made in our investments in AWC and AMAC III totaling $11.1 million.

Due from related party increased $40.7 million, due to an increase in funds from payoffs to be remitted by our affiliated servicing operations related to real estate transactions at the end of the reporting period, which were remitted to us subsequent to quarter end.

Liabilities – Comparison of balances at June 30, 2024 to December 31, 2023:

Credit and repurchase facilities decreased $77.4 million, primarily due to loan runoff in our Structured Business portfolio as well as loan sales exceeding originations in our Agency Business.

Securitized debt decreased $1.22 billion, primarily due to the unwind of CLO 15 and paydowns on certain remaining securitizations.

Senior unsecured notes decreased $88.0 million, due to the repayment at maturity of our 5.75% notes.

Due to related party decreased $11.1 million, due to the timing of loan payoffs, holdbacks and escrows to be remitted to our affiliated servicing operations.

Due to borrowers decreased $45.9 million, primarily due to the funding of previously committed originations in our Structured Business.

Other liabilities decreased $39.2 million, primarily due to payments of accrued incentive compensation and commissions during the first half of 2024, related to 2023 performance and a decrease in deferred tax liabilities.

Equity

See Note 15 for details of our share repurchases, dividends declared and deferred compensation transactions.

Agency Servicing Portfolio

The following table sets forth the characteristics of our loan servicing portfolio collateralizing our mortgage servicing rights and servicing revenue ($ in thousands):

	June 30, 2024								
Product	Portfolio UPB	Loan Count	Wtd. Avg. Age of Portfolio (years)	Wtd. Avg. Life of Portfolio (years)	Interest Rate Type Fixed	Interest Rate Type Adjustable	Wtd. Avg. Note Rate	Annualized Prepayments as a % of Portfolio (1)	Delinquencies as a % of Portfolio (2)
Fannie Mae	$ 22,114,193	2,611	3.6	7.0	96 %	4 %	4.57 %	1.64 %	0.90 %
Freddie Mac	5,587,178	1,153	3.3	7.4	85 %	15 %	4.86 %	5.02 %	3.56 %
Private Label	2,547,308	162	2.9	6.0	100 %	— %	4.08 %	— %	— %
FHA	1,369,507	105	3.5	18.9	100 %	— %	3.56 %	— %	— %
Bridge	380,547	4	1.7	3.4	62 %	38 %	7.14 %	— %	— %
SFR - Fixed Rate	279,962	56	2.3	4.9	100 %	— %	5.51 %	13.04 %	1.58 %
Total	$ 32,278,695	4,091	3.5	7.5	94 %	6 %	4.57 %	2.11 %	1.26 %
	December 31, 2023								
Fannie Mae	$ 21,264,578	2,559	3.4	7.4	96 %	4 %	4.50 %	5.09 %	0.86 %
Freddie Mac	5,181,933	1,148	3.2	8.5	83 %	17 %	4.72 %	7.92 %	4.39 %
Private Label	2,510,449	160	2.5	6.7	100 %	—	4.02 %	—	—
FHA	1,359,624	105	3.0	19.2	100 %	—	3.52 %	—	—
Bridge	379,425	4	1.2	3.2	63 %	37 %	7.14 %	—	—
SFR - Fixed Rate	287,446	59	2.3	5.1	100 %	—	5.20 %	1.18 %	—
Total	$ 30,983,455	4,035	3.2	8.0	94 %	6 %	4.49 %	4.83 %	1.33 %

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(1) Prepayments reflect loans repaid prior to six months from the loan maturity. The majority of our loan servicing portfolio has a prepayment protection term and therefore, we may collect a prepayment fee which is included as a component of servicing revenue, net. See Note 5 for details.
(2) Delinquent loans reflect loans that are contractually 60 days or more past due. At June 30, 2024 and December 31, 2023, delinquent loans totaled $413.7 million and $411.1 million, respectively. At June 30, 2024, there were two loans totaling $4.8 million in bankruptcy and three loans totaling $5.4 million in foreclosure. At December 31, 2023, there were two loans totaling $4.8 million in bankruptcy and no loans in foreclosure.

Our Agency Business servicing portfolio represents commercial real estate loans, which are generally transferred or sold within 60 days from the date the loan is funded. Primarily all loans in our servicing portfolio are collateralized by multifamily properties. In addition, we are generally required to share in the risk of any losses associated with loans sold under the Fannie Mae DUS program, see Note 10.

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Comparison of Results of Operations for the Three Months Ended June 30, 2024 and 2023

The following table provides our consolidated operating results ($ in thousands):

	Three Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Amount	Percent
Interest income	$ 297,188	$ 335,737	$ (38,549)	(11) %
Interest expense	209,227	227,195	(17,968)	(8) %
Net interest income	87,961	108,542	(20,581)	(19) %
Other revenue:				
Gain on sales, including fee-based services, net	17,448	22,587	(5,139)	(23) %
Mortgage servicing rights	14,534	16,201	(1,667)	(10) %
Servicing revenue, net	29,910	32,347	(2,437)	(8) %
Property operating income	1,444	1,430	14	1
Loss on derivative instruments, net	(275)	(7,384)	7,109	(96) %
Other income, net	2,081	45	2,036	nm
Total other revenue	65,142	65,226	(84)	0 %
Other expenses:				
Employee compensation and benefits	42,836	41,310	1,526	4 %
Selling and administrative	12,823	12,584	239	2 %
Property operating expenses	1,584	1,365	219	16
Depreciation and amortization	2,423	2,387	36	2 %
Provision for loss sharing (net of recoveries)	4,333	7,672	(3,339)	(44)
Provision for credit losses (net of recoveries)	29,564	13,878	15,686	113
Total other expenses	93,563	79,196	14,367	18 %
Income before extinguishment of debt, sale of real estate, income from equity affiliates and income taxes	59,540	94,572	(35,032)	(37) %
Loss on extinguishment of debt	(412)	(1,247)	835	(67) %
Gain on sale of real estate	3,813	—	3,813	nm %
Income from equity affiliates	2,793	5,560	(2,767)	(50) %
Provision for income taxes	(3,901)	(5,553)	1,652	(30)
Net income	61,833	93,332	(31,499)	(34) %
Preferred stock dividends	10,342	10,342	—	—
Net income attributable to noncontrolling interest	4,094	6,826	(2,732)	(40) %
Net income attributable to common stockholders	$ 47,397	$ 76,164	$ (28,767)	(38) %

nm — not meaningful

The following table presents the average balance of our Structured Business interest-earning assets and interest-bearing liabilities, associated interest income (expense) and the corresponding weighted average yields ($ in thousands):

	Three Months Ended June 30,					
	2024			2023		
	Average Carrying Value (1)	Interest Income / Expense	W/A Yield / Financing Cost (2)	Average Carrying Value (1)	Interest Income / Expense	W/A Yield / Financing Cost (2)
Structured Business interest-earning assets:						
Bridge loans	$ 11,764,635	$ 263,356	8.98 %	$ 13,316,883	$ 305,396	9.20 %
Mezzanine / junior participation loans	264,014	6,736	10.23 %	221,970	5,585	10.09 %
Preferred equity investments	117,035	2,138	7.33 %	89,725	1,395	6.24 %
Other	5,326	137	10.32 %	30,297	697	9.23 %
Core interest-earning assets	12,151,010	272,367	8.99 %	13,658,875	313,073	9.19 %
Cash equivalents	795,376	9,710	4.90 %	918,432	9,032	3.94 %
Total interest-earning assets	$ 12,946,386	$ 282,077	8.74 %	$ 14,577,307	$ 322,105	8.86 %
Structured Business interest-bearing liabilities:						
CLO	$ 6,242,504	$ 115,545	7.42 %	$ 7,193,764	$ 124,960	6.97 %
Credit and repurchase facilities	2,683,532	56,518	8.45 %	3,220,202	62,839	7.83 %
Unsecured debt	1,542,500	23,941	6.23 %	1,658,495	25,710	6.22 %
Q Series securitization	183,448	3,711	8.11 %	236,878	4,325	7.32 %
Trust preferred	154,336	3,347	8.70 %	154,336	3,132	8.14 %
Total interest-bearing liabilities	$ 10,806,320	203,062	7.54 %	$ 12,463,675	220,966	7.11 %
Net interest income		$ 79,015			$ 101,139	

(1) Based on UPB for loans, amortized cost for securities and principal amount of debt.
(2) Weighted average yield calculated based on annualized interest income or expense divided by average carrying value.

Net Interest Income

The decrease in interest income was mainly due to a $40.0 million decrease from our Structured Business. The Structured Business decline was primarily from a decrease in the average balance of our core interest-earning assets as a result of loan runoff exceeding loan originations and a decrease in the average yield on core interest-earning assets from a rise in non-performing and other non-accrued loans, partially offset by increases in SOFR.

The decrease in interest expense was mainly due to a $17.9 million decrease from our Structured Business, primarily due to a decline in the average balance of our interest-bearing liabilities, primarily due to loan runoff and note paydowns in our securitizations and senior unsecured notes, substantially offset by an increase in the average cost of interest-bearing liabilities, mainly from increases in SOFR.

Agency Business Revenue

The decrease in gain on sales, including fee-based services, net was primarily due to a 20% decrease in loan sales volume ($275.4 million).

The decrease in income from MSRs was primarily due to an 8% decrease in the MSR rate from 1.43% to 1.32% and a 3% decrease in loan commitment volume ($33.6 million). The decrease in the MSR rate was primarily due to a higher percentage of Fannie Mae loan commitments in the prior year period, which contain higher servicing fees.

The decrease in servicing revenue, net was primarily due to a decrease in the average escrow balances, partially offset by an increase in interest rates.

Other Income (Loss)

The losses on derivative instruments in 2024 and 2023 were related to changes in the fair values of our forward sale commitments and swaps held by our Agency Business as a result of changes in market interest rates as well as from the timing of GSE Agency loan sales.

Other income, net in 2024 primarily reflects loan origination and modification fees from our Structured Business.

Other Expenses

The increase in employee compensation and benefits expense was primarily due to increases in incentive compensation from increases in headcount and annual merit increases, partially offset by a decrease in commissions as a result of lower GSE/Agency loan sales volume.

The decrease in the provision for loss sharing (net of recoveries) primarily reflects less specific loan impairment reserves taken in the current year period.

The increase in the provision for credit losses (net of recoveries) substantially reflects greater stress in general economic and market conditions, and to a lesser extent, an increase in reserves on specifically impaired loans.

Loss on Extinguishment of Debt

The loss on extinguishment of debt in both 2024 and 2023 reflect deferred financing fees recognized in connection with the unwind of CLOs.

Gain on Sale of Real Estate

In 2024, we sold a real estate owned asset for $14.2 million and recognized a $3.8 million gain.

Income from Equity Affiliates

Income from equity affiliates in 2024 primarily reflects a $4.2 million distribution received from our Lexford joint venture, partially offset by losses from our investments in a residential mortgage banking business and our AMAC III investment totaling $1.5 million, while income in 2023 primarily reflects income from our investment in a residential mortgage banking business of $3.5 million and a $2.5 million distribution received from our Lexford joint venture.

Provision for Income Taxes

In the three months ended June 30, 2024, we recorded a tax provision of $3.9 million, which consisted of a current tax provision of $6.8 million and a deferred tax benefit of $2.9 million. In the three months ended June 30, 2023, we recorded a tax provision of $5.6 million, which consisted of a current tax provision of $13.0 million and a deferred tax benefit of $7.4 million.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest relates to the outstanding OP Units (see Note 15). There were 16,293,589 OP Units outstanding at both June 30, 2024 and 2023, which represented 8.0% and 8.2% of our outstanding stock at June 30, 2024 and 2023, respectively.

Comparison of Results of Operations for the Six Months Ended June 30, 2024 and 2023

The following table provides our consolidated operating results ($ in thousands):

	Six Months Ended June 30,		Increase / (Decrease)	
	2024	2023	Amount	Percent
Interest income	$ 618,480	$ 663,685	$ (45,205)	(7) %
Interest expense	426,903	446,569	(19,666)	(4) %
Net interest income	191,577	217,116	(25,539)	(12) %
Other revenue:				
Gain on sales, including fee-based services, net	34,114	37,176	(3,062)	(8) %
Mortgage servicing rights	24,733	34,659	(9,926)	(29) %
Servicing revenue, net	61,436	61,913	(477)	(1) %
Property operating income	3,014	2,811	203	7 %
Loss on derivative instruments, net	(5,533)	(3,161)	(2,372)	75 %
Other income, net	4,414	4,923	(509)	(10) %
Total other revenue	122,178	138,321	(16,143)	(12) %
Other expenses:				
Employee compensation and benefits	90,529	83,708	6,821	8 %
Selling and administrative	26,756	26,207	549	2 %
Property operating expenses	3,262	2,747	515	19 %
Depreciation and amortization	4,994	5,011	(17)	0 %
Provision for loss sharing (net of recoveries)	4,607	10,848	(6,241)	(58) %
Provision for credit losses (net of recoveries)	48,682	36,395	12,287	34 %
Total other expenses	178,830	164,916	13,914	8 %
Income before extinguishment of debt, sale of real estate, income from equity affiliates and income taxes	134,925	190,521	(55,596)	(29) %
Loss on extinguishment of debt	(412)	(1,247)	835	(67) %
Gain on sale of real estate	3,813	—	3,813	nm %
Income from equity affiliates	4,211	19,886	(15,675)	(79) %
Provision for income taxes	(7,493)	(13,582)	6,089	(45) %
Net income	135,044	195,578	(60,534)	(31) %
Preferred stock dividends	20,684	20,684	—	— %
Net income attributable to noncontrolling interest	9,090	14,411	(5,321)	(37) %
Net income attributable to common stockholders	$ 105,270	$ 160,483	$ (55,213)	(34) %

nm — not meaningful

The following table presents the average balance of our Structured Business interest-earning assets and interest-bearing liabilities, associated interest income (expense) and the corresponding weighted average yields ($ in thousands):

	Six Months Ended June 30,					
	2024			2023		
	Average Carrying Value (1)	Interest Income / Expense	W/A Yield / Financing Cost (2)	Average Carrying Value (1)	Interest Income / Expense	W/A Yield / Financing Cost (2)
Structured Business interest-earning assets:						
Bridge loans	$ 11,964,674	$ 549,473	9.21 %	$ 13,556,799	$ 608,414	9.05 %
Mezzanine / junior participation loans	256,998	13,613	10.62 %	218,489	11,469	10.59 %
Preferred equity investments	106,972	3,738	7.01 %	93,438	3,394	7.32 %
Other	5,919	303	10.27 %	32,214	1,530	9.58 %
Core interest-earning assets	12,334,563	567,127	9.22 %	13,900,940	624,807	9.06 %
Cash equivalents	910,016	22,838	5.03 %	894,899	14,674	3.31 %
Total interest-earning assets	$ 13,244,579	$ 589,965	8.93 %	$ 14,795,839	$ 639,481	8.72 %
Structured Business interest-bearing liabilities:						
CLO	$ 6,430,933	$ 237,407	7.40 %	$ 7,336,560	$ 244,011	6.71 %
Credit and repurchase facilities	2,724,226	114,492	8.43 %	3,328,544	125,569	7.61 %
Unsecured debt	1,587,500	49,269	6.22 %	1,685,911	51,999	6.22 %
Q Series securitization	193,096	7,802	8.10 %	236,878	8,231	7.01 %
Trust preferred	154,336	6,691	8.69 %	154,336	6,050	7.91 %
Total interest-bearing liabilities	$ 11,090,091	415,661	7.52 %	$ 12,742,229	435,860	6.90 %
Net interest income		$ 174,304			$ 203,621	

(1) Based on UPB for loans, amortized cost for securities and principal amount of debt.
(2) Weighted average yield calculated based on annualized interest income or expense divided by average carrying value.

Net Interest Income

The decrease in interest income was mainly due to a $49.5 million decrease from our Structured Business. The Structured Business decline was primarily from a decrease in the average balance of our core interest-earning assets, as a result of loan runoff exceeding loan originations, partially offset by an increase in the average yield on core interest-earning assets from an increase in SOFR, partially offset by a rise in non-performing and other non-accrued loans.

The decrease in interest expense was mainly due to a $20.2 million decrease from our Structured Business, primarily due to a decline in the average balance of our interest-bearing liabilities, primarily due to loan runoff and note paydowns in our securitizations and senior unsecured notes, substantially offset by an increase in the average cost of interest-bearing liabilities, mainly from increases in SOFR.

Agency Business Revenue

The decrease in gain on sales, including fee-based services, net was primarily due to a 5% decrease in loan sales volume ($122.8 million) and a 3% decrease in the sales margin from 1.59% to 1.54%. The decrease in the sales margin was primarily driven by a lower percentage of Fannie Mae loans sold, which contain higher sales margins.

The decrease in income from MSRs was primarily due to a 23% decrease in loan commitment volume ($599.5 million) and an 8% decrease in the MSR rate from 1.32% to 1.22%. The decrease in the MSR rate was primarily due to a higher percentage of Fannie Mae loan commitments in the prior year period, which contain higher servicing fees.

Other Income (Loss)

The losses on derivative instruments in 2024 and 2023 were related to changes in the fair values of our forward sale commitments and swaps held by our Agency Business as a result of changes in market interest rates as well as from the timing of GSE Agency loan sales.

The decrease in other income, net was from a $2.1 million decrease from our Agency Business, partially offset by a $1.6 million increase from our Structured Business. The Agency Business decrease was primarily due to a $2.2 million mark-to-market recovery on Private Label and SFR loans in 2023. The Structured Business increase was primarily due to loan modification fees.

Other Expenses

The increase in employee compensation and benefits expense was primarily due to increases in incentive compensation, including commissions, from increases in headcount and annual merit increases.

The decrease in the provision for loss sharing (net of recoveries) reflects less specific loan impairment reserves taken in the current year period as well as a decrease in reserves related to general economic and market conditions.

The increase in the provision for credit losses (net of recoveries) primarily reflects an increase in reserves on specifically impaired loans.

Loss on Extinguishment of Debt

The loss on extinguishment of debt in both 2024 and 2023 reflects deferred financing fees recognized in connection with the unwind of CLOs.

Gain on Sale of Real Estate

In 2024, we sold a real estate owned asset for $14.2 million and recognized a $3.8 million gain.

Income from Equity Affiliates

Income from equity affiliates in 2024 primarily reflects a $4.2 million distribution received from our Lexford joint venture and $0.8 million in income from our investments in a residential mortgage banking business, partially offset by a $1.2 million loss from our AMAC III investment, while income in 2023 primarily reflects $11.0 million received from an equity participation interest on a property that was sold, $7.2 million in distributions received from our Lexford joint venture and $2.6 million of income from our investment in a residential mortgage banking business.

Provision for Income Taxes

In the six months ended June 30, 2024, we recorded a tax provision of $7.5 million, which consisted of a current tax provision of $14.4 million and a deferred tax benefit of $6.9 million. In the six months ended June 30, 2023, we recorded a tax provision of $13.6 million, which consisted of a current tax provision of $17.8 million and a deferred tax benefit of $4.2 million.

Net Income Attributable to Noncontrolling Interest

The noncontrolling interest relates to the outstanding OP Units (see Note 15). There were 16,293,589 OP Units outstanding at both June 30, 2024 and 2023, which represented 8.0% and 8.2% of our outstanding stock at June 30, 2024 and 2023, respectively.

Liquidity and Capital Resources

Sources of Liquidity. Liquidity is a measure of our ability to meet our potential cash requirements, including ongoing commitments to repay borrowings, satisfaction of collateral requirements under the Fannie Mae DUS risk-sharing agreement and, as an approved designated seller/servicer of Freddie Mac's SBL program, operational liquidity requirements of the GSE agencies, fund new loans and investments, fund operating costs and distributions to our stockholders, as well as other general business needs. Our primary sources of funds for liquidity consist of proceeds from equity and debt offerings, proceeds from CLOs and securitizations, debt facilities and cash flows from operations. We closely monitor our liquidity position and believe our existing sources of funds and access to additional liquidity will be adequate to meet our liquidity needs.

The ongoing adverse economic and market conditions, including inflation, high interest rate environment, bank failures and geopolitical uncertainty, continues to cause significant disruptions and liquidity constraints in many market segments, including the financial services, real estate and credit markets. These conditions have created, and may continue to create, a dislocation in capital markets and a continual reduction of available liquidity. Instability in the banking sector, such as the recent bank failures and consolidations, further contributed to the tightening liquidity conditions in the equity and capital markets and has affected the availability and increased the cost of capital. The increased cost of credit, or degradation in debt financing terms, may impact our ability to identify and execute investments on attractive terms, or at all. If our financing sources, borrowers and their tenants continue to be impacted by these adverse economic and market conditions, or by the other risks disclosed in our filings with the SEC, it would have a material adverse effect on our liquidity and capital resources.

As described in Note 9, certain of our repurchase facilities include margin call provisions associated with changes in interest spreads which are designed to limit the lenders credit exposure. If we experience significant decreases in the value of the properties serving as collateral under these repurchase agreements, which is set by the lenders based on current market conditions, the lenders have the right to require us to repay all, or a portion, of the funds advanced, or provide additional collateral. While we expect to extend or renew all of our facilities as they mature, we cannot provide assurance that they will be extended or renewed on as favorable terms.

We had $10.26 billion in total structured debt outstanding at June 30, 2024. Of this total, $7.43 billion, or 72%, does not contain mark-to-market provisions and is comprised of non-recourse securitized debt, senior unsecured debt and junior subordinated notes. The remaining $2.83 billion of debt is in credit and repurchase facilities with several different banks that we have long-standing relationships with. At June 30, 2024, we had $1.56 billion of debt from credit and repurchase facilities that were subject to margin calls related to changes in interest spreads.

At August 4, 2024, we had approximately $725 million in cash and approximately $215 million of cash available under our CLO vehicles, as well as other liquidity sources. In addition to our ability to extend our credit and repurchase facilities and raise funds from equity and debt offerings, we also have a $32.28 billion agency servicing portfolio at June 30, 2024, which is mostly prepayment protected and generates approximately $124 million per year in recurring gross cash flow.

To maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT-taxable income. These distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. However, we believe that our capital resources and access to financing will provide us with financial flexibility and market responsiveness at levels sufficient to meet current and anticipated capital and liquidity requirements.

Cash Flows. Cash flows provided by operating activities totaled $329.9 million during the six months ended June 30, 2024 and consisted primarily of net cash inflows of $203.5 million from loan sales exceeding loan originations in our Agency Business and net income (adjusted for the increase in CECL reserves of $53.3 million) of $188.3 million, partially offset by a $40.7 million increase in funds from payoffs due from our affiliated servicing operations.

Cash flows provided by investing activities totaled $718.0 million during the six months ended June 30, 2024. Loan and investment activity (originations and payoffs/paydowns) comprise the majority of our investing activities. Loan payoffs and paydowns from our Structured Business totaling $1.35 billion, net of originations of $615.5 million, resulted in net cash inflows of $730.3 million.

Cash flows used in financing activities totaled $1.63 billion during the six months ended June 30, 2024 and consisted primarily of $1.22 billion of pay downs on existing securitizations, $197.3 million of distributions to our stockholders and OP Unit holders, $90.0 million from the repayment at maturity of our 5.75% senior unsecured notes and net cash outflows of $84.9 million from debt facility activities (facility paydowns were greater than financed loan originations).

Agency Business Requirements. The Agency Business is subject to supervision by certain regulatory agencies. Among other things, these agencies require us to meet certain minimum net worth, operational liquidity and restricted liquidity collateral requirements, purchase and loss obligations and compliance with reporting requirements. Our adjusted net worth and operational liquidity exceeded the agencies' requirements at June 30, 2024. Our restricted liquidity and purchase and loss obligations were satisfied with letters of credit totaling $75.0 million and cash. See Note 13 for details about our performance regarding these requirements.

We also enter into contractual commitments with borrowers providing rate lock commitments while simultaneously entering into forward sale commitments with investors. These commitments are outstanding for short periods of time (generally less than 60 days) and are described in Note 11.

Debt Facilities. We maintain various forms of short-term and long-term financing arrangements. Borrowings underlying these arrangements are primarily secured by a significant amount of our loans and investments and substantially all our loans held-for-sale. The following is a summary of our debt facilities ($ in thousands):

	June 30, 2024			
Debt Instruments	**Commitment**	**UPB (1)**	**Available**	**Maturity Dates (2)**
Structured Business				
Credit and repurchase facilities	$ 6,566,581	$ 2,831,705	$ 3,734,876	2024 - 2027
Securitized debt (3)	5,731,427	5,731,427	—	2024 - 2027
Senior unsecured notes	1,255,000	1,255,000	—	2024 - 2028
Convertible senior unsecured notes	287,500	287,500	—	2025
Junior subordinated notes	154,336	154,336	—	2034 - 2037
Structured Business total	13,994,844	10,259,968	3,734,876	
Agency Business				
Credit and repurchase facilities (4)	1,700,531	335,362	1,365,169	2024 - 2026
Consolidated total	$ 15,695,375	$ 10,595,330	$ 5,100,045	

(1) Excludes the impact of deferred financing costs.
(2) See Note 13 for a breakdown of debt maturities by year.
(3) Maturity dates represent the weighted average remaining maturity based on the underlying collateral at June 30, 2024.
(4) The ASAP agreement we have with Fannie Mae has no expiration date.

We utilize our credit and repurchase facilities primarily to finance our loan originations on a short-term basis prior to loan securitizations, including through CLOs. The timing, size and frequency of our securitizations impact the balances of these borrowings and produce some fluctuations. The following table provides additional information regarding the balances of our borrowings (in thousands):

Quarter Ended	**Quarterly Average UPB**	**End of Period UPB**	**Maximum UPB at Any Month End**
June 30, 2024	$ 3,078,714	$ 3,167,067	$ 3,280,998
March 31, 2024	3,010,216	2,921,206	3,132,279
December 31, 2023	3,274,139	3,242,938	3,251,330
September 30, 2023	3,432,725	3,398,451	3,463,825
June 30, 2023	3,565,377	3,588,538	3,677,755

Our debt facilities, including their restrictive covenants, are described in Note 9.

Off-Balance Sheet Arrangements. At June 30, 2024, we had no off-balance sheet arrangements.

Inflation. We are currently in a high interest rate environment, as the Federal Reserve has raised interest rates several times over the past two years to combat inflation and restore price stability. Based on the latest comments from the Federal Reserve in June 2024, we expect they may begin to lower interest rates at some point during 2024. Interest rates could remain higher for longer than expected if inflation and other economic indicators do not meet the Federal Reserve's expectations. Currently, rising interest rates will positively impact our net interest income since our structured loan portfolio exceeds our corresponding debt balances and the vast majority of our loan portfolio is floating-rate based on SOFR. In addition, a greater portion of our debt is fixed-rate (convertible and senior unsecured notes), as compared to our structured loan portfolio, and will not reset as interest rates rise. Therefore, increases in interest income due to rising interest rates is likely to be greater than the corresponding increase in interest expense on our variable rate debt. See "Quantitative and Qualitative Disclosures about Market Risk" below for additional details. Conversely, such rising interest rates have negatively impacted real estate values and have limited certain borrowers abilities to make debt service payments, which may limit new mortgage loan originations and increase the likelihood of additional delinquencies and losses incurred on defaulted loans if the reduction in the collateral value is insufficient to repay their loans in full.

Contractual Obligations. During the six months ended June 30, 2024, the following significant changes were made to our contractual obligations disclosed in our 2023 Annual Report:

- Modified existing debt facilities, resulting in a net $650.0 million decrease in the committed amount of these facilities;
- Entered into a new $250.0 million debt facility and terminated a $50.0 million debt facility;
- Unwound CLO 15 repaying $674.4 million of outstanding notes;

- Paid down outstanding notes on CLOs 14 and 16 and Q Series securitization totaling $550.4 million; and
- Repaid at maturity the remaining $90.0 million of our 5.75% senior notes.

Refer to Note 13 for a description of our debt maturities by year and unfunded commitments at June 30, 2024.

Derivative Financial Instruments

We enter into derivative financial instruments in the normal course of business to manage the potential loss exposure caused by fluctuations of interest rates. See Note 11 for details.

Critical Accounting Policies

Please refer to Note 2 of the Notes to Consolidated Financial Statements in our 2023 Annual Report for a discussion of our critical accounting policies. During the six months ended June 30, 2024, there were no material changes to these policies.

Non-GAAP Financial Measures

Distributable Earnings. We are presenting distributable earnings because we believe it is an important supplemental measure of our operating performance and is useful to investors, analysts and other parties in the evaluation of REITs and their ability to provide dividends to stockholders. Dividends are one of the principal reasons investors invest in REITs. To maintain REIT status, REITs are required to distribute at least 90% of their REIT-taxable income. We consider distributable earnings in determining our quarterly dividend and believe that, over time, distributable earnings is a useful indicator of our dividends per share.

We define distributable earnings as net income (loss) attributable to common stockholders computed in accordance with GAAP, adjusted for accounting items such as depreciation and amortization (adjusted for unconsolidated joint ventures), non-cash stock-based compensation expense, income from MSRs, amortization and write-offs of MSRs, gains/losses on derivative instruments primarily associated with Private Label loans not yet sold and securitized, changes in fair value of GSE-related derivatives that temporarily flow through earnings, deferred tax provision (benefit), CECL provisions for credit losses (adjusted for realized losses as described below), and gains/losses on the receipt of real estate from the settlement of loans (prior to the sale of the real estate). We also add back one-time charges such as acquisition costs and one-time gains/losses on the early extinguishment of debt and redemption of preferred stock.

We reduce distributable earnings for realized losses in the period we determine that a loan is deemed nonrecoverable in whole or in part. Loans are deemed nonrecoverable upon the earlier of: (1) when the loan receivable is settled (i.e., when the loan is repaid, or in the case of foreclosure, when the underlying asset is sold); or (2) when we determine that it is nearly certain that all amounts due will not be collected. The realized loss amount is equal to the difference between the cash received, or expected to be received, and the book value of the asset.

Distributable earnings is not intended to be an indication of our cash flows from operating activities (determined in accordance with GAAP) or a measure of our liquidity, nor is it entirely indicative of funding our cash needs, including our ability to make cash distributions. Our calculation of distributable earnings may be different from the calculations used by other companies and, therefore, comparability may be limited.

Distributable earnings are as follows ($ in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income attributable to common stockholders	$ 47,397	$ 76,164	$ 105,270	$ 160,483
Adjustments:				
Net income attributable to noncontrolling interest	4,094	6,826	9,090	14,411
Income from mortgage servicing rights	(14,534)	(16,201)	(24,733)	(34,659)
Deferred tax benefit	(2,944)	(7,360)	(6,896)	(4,197)
Amortization and write-offs of MSRs	19,518	21,204	37,936	39,927
Depreciation and amortization	3,044	4,058	6,239	8,353
Loss on extinguishment of debt	412	1,247	412	1,247
Provision for credit losses, net	31,457	16,810	46,260	40,515
Loss on derivative instruments, net	371	8,085	5,894	1,034
Stock-based compensation	2,750	3,193	8,772	9,094
Distributable earnings (1)	$ 91,565	$ 114,026	$ 188,244	$ 236,208
Diluted weighted average shares outstanding - GAAP (1)	205,487,711	216,061,876	205,499,619	215,489,604
Less: Convertible notes dilution	—	(17,270,615)	—	(17,250,598)
Diluted weighted average shares outstanding - distributable earnings (1)	205,487,711	198,791,261	205,499,619	198,239,006
Diluted distributable earnings per share (1)	$ 0.45	$ 0.57	$ 0.92	$ 1.19

(1) Amounts are attributable to common stockholders and OP Unit holders. The OP Units are redeemable for cash, or at our option for shares of our common stock on a one-for-one basis.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We disclosed a quantitative and qualitative analysis regarding market risk in Item 7A of our 2023 Annual Report. That information is supplemented by the information included above in Item 2 of this report. Other than the developments described thereunder, there have been no material changes in our exposure to market risk since December 31, 2023.

The following table projects the potential impact on interest (in thousands) for a 12-month period, assuming a hypothetical instantaneous increase or decrease of 50 basis points and a decrease of 100 basis points in corresponding interest rates. Since it is unlikely that interest rates will significantly increase in the near future as a result of the current high interest rate environment, we have excluded the impact of a 100 basis point increase in corresponding interest rates.

	Assets (Liabilities) Subject to Interest Rate Sensitivity (1)	50 Basis Point Increase	50 Basis Point Decrease	100 Basis Point Decrease
Interest income from loans and investments	$ 11,873,208	$ 49,737	$ (48,247)	$ (95,588)
Interest expense from debt obligations	(10,259,968)	43,782	(43,782)	(87,564)
Impact to net interest income from loans and investments		5,955	(4,465)	(8,024)
Interest income from cash, restricted cash and escrow balances (2)	2,418,122	12,091	(12,091)	(24,181)
Total impact from hypothetical changes in interest rates		$ 18,046	$ (16,556)	$ (32,205)

(1) Represents the UPB of our structured loan portfolio, the principal balance of our debt and the account balances of our cash, restricted cash and escrows at June 30, 2024.

(2) Our cash, restricted cash and escrows are currently earning interest at a weighted average blended rate of approximately 5.0%, or approximately $120.0 million annually. Interest income earned on our cash and restricted cash is included as a component of interest income and interest income earned on escrows is included as a component of servicing revenue, net in the consolidated statements of

income. The interest earned on our cash, restricted cash and escrows is based on an average daily balance and may be different from the end of period balance.

We entered into treasury futures to hedge our exposure to changes in interest rates inherent in (1) our held-for-sale Agency Business Private Label loans from the time the loans are rate locked until sale and securitization, and (2) our Agency Business SFR – fixed rate loans from the time the loans are originated until the time they can be financed with match term fixed rate securitized debt. Our treasury futures are tied to the five-year and ten-year treasury rates and hedge our exposure to Private Label loans, until the time they are securitized, and changes in the fair value of our held-for-sale Agency Business SFR – fixed rate loans. A 50 basis point and a 100 basis point increase to the five-year and ten-year treasury rates on our treasury futures held at June 30, 2024 would have resulted in a gain of $0.2 million and $0.5 million, respectively, in the six months ended June 30, 2024, while a 50 basis point and a 100 basis point decrease in the rates would have resulted in a loss of $0.4 million and $0.7 million, respectively.

Our Agency Business originates, sells and services a range of multifamily finance products with Fannie Mae, Freddie Mac and HUD. Our loans held-for-sale to these agencies are not currently exposed to interest rate risk during the loan commitment, closing and delivery process. The sale or placement of each loan to an investor is negotiated prior to closing on the loan with the borrower, and the sale or placement is generally effectuated within 60 days of closing. The coupon rate for the loan is set after we establish the interest rate with the investor.

In addition, the fair value of our MSRs is subject to market risk since a significant driver of the fair value of these assets is the discount rates. A 100 basis point increase in the weighted average discount rate would decrease the fair value of our MSRs by $15.9 million at June 30, 2024, while a 100 basis point decrease would increase the fair value by $16.8 million.

Item 4. Controls and Procedures

Management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures at June 30, 2024. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective at June 30, 2024.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Item 1A of our 2023 Annual Report.

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

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act, of shares of our common stock under our share repurchase program during each of the indicated periods.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
April 1, 2024 to April 30, 2024	935,739	$ 12.19	935,739	$ 138,591
May 1, 2024 to May 31, 2024	—	—	—	—
June 1, 2024 to June 30, 2024	—	—	—	—
	935,739	$ 12.19	935,793	

Item 5. Other Information

During the period covered by this report, no Arbor director or officer adopted, modified or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit #	Description	Incorporated by Reference		
		Form	Exhibit #	Filing Date
3.1	Articles of Incorporation of Arbor Realty Trust, Inc.	S-11	3.1	11/13/03
3.2	Articles of Amendment to Articles of Incorporation of Arbor Realty Trust, Inc.	10-Q	3.2	08/07/07
3.3	Amended and Restated Bylaws of Arbor Realty Trust, Inc.	8-K	3.1	12/01/20
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14			
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14			
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101	Financial statements from the Quarterly Report on Form 10-Q of Arbor Realty Trust, Inc. for the quarter ended June 30, 2024, filed on August 5, 2024, formatted in Inline Extensible Business Reporting Language (“XBRL”): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Income, (3) the Consolidated Statements of Changes in Equity, (4) the Consolidated Statements of Cash Flows and (5) the Notes to Consolidated Financial Statements.			
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)			

SIGNATURES

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

ARBOR REALTY TRUST, INC.

Date: August 5, 2024	By:	/s/ Ivan Kaufman
		Ivan Kaufman
		Chief Executive Officer
Date: August 5, 2024	By:	/s/ Paul Elenio
		Paul Elenio
		Chief Financial Officer

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Ivan Kaufman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arbor Realty 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:	August 5, 2024	By:	/s/ Ivan Kaufman
			Ivan Kaufman
			Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Paul Elenio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arbor Realty 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: August 5, 2024

By: /s/ Paul Elenio
Paul Elenio
Chief Financial Officer

EXHIBIT 32

Certifications of Chief Executive Officer and Chief Financial Officer 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 Arbor Realty Trust, Inc. (the “Company”) for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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.

Date:	August 5, 2024	By:	/s/ Ivan Kaufman
			Ivan Kaufman
			Chief Executive Officer
Date:	August 5, 2024	By:	/s/ Paul Elenio
			Paul Elenio
			Chief Financial Officer

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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