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CHIMERA INVESTMENT CORP

Form 10-Q

May 02, 2019

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Accelerated FilerCHIMERA INVESTMENT

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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493

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cim:LoansHeldForInvestmentAtFairValueMember cim:SecuritizedLoansMember 2019-03-31 0001409493

us-gaap:ResidentialMortgageBackedSecuritiesMember

us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2019-03-31 0001409493

us-gaap:SeriesDPreferredStockMember 2018-01-01 2018-12-31 0001409493

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cim:NonAgencyResidentialMortgageBackedSecuritiesAndSecuritizedLoansMember

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cim:AgencyCommercialMortgageBackedSecuritiesMember us-gaap:ResidentialMortgageBackedSecuritiesMember

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2018-12-31 0001409493 cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
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2018-12-31 0001409493
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cim:NonAgencyResidentialMortgageBackedSecuritiesHavingDeterioratedCreditWhenAcquiredMember 2018-12-31
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cim:NonAgencyResidentialMortgageBackedSecuritiesHavingDeterioratedCreditWhenAcquiredMember 2018-12-31
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cim:AgencyPassThroughResidentialMortgageBackedSecuritiesMember 2018-12-31 0001409493
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srt:MinimumMember cim:AltaMember 2019-01-01 2019-03-31 0001409493
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2018-01-01 2018-03-31 0001409493 srt:MaximumMember
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2019-03-31 0001409493 cim:SeasonedSubprimeResidentialMortgageLoansMember
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2019-03-31 2019-03-31 0001409493 stpr:FL cim:SeasonedSubprimeResidentialMortgageLoansMember
cim:LoansHeldForInvestmentAtFairValueMember 2019-03-31 0001409493 stpr:OH
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2019-03-31 0001409493 stpr:PA cim:SeasonedSubprimeResidentialMortgageLoansMember
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2019-03-31 0001409493 stpr:CA cim:SeasonedSubprimeResidentialMortgageLoansMember
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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-01-01 2019-03-31
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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
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us-gaap:FairValueInputsLevel3Member
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cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
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cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2019-03-31 0001409493 cim:ThirdPartyAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
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cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2019-03-31 0001409493 cim:InternalAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
us-gaap:MortgageBackedSecuritiesMember 2018-12-31 0001409493
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
us-gaap:MortgageBackedSecuritiesMember 2019-03-31 0001409493 cim:ThirdPartyAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2018-12-31 0001409493
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2019-03-31 0001409493 cim:InternalAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2018-12-31 0001409493
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
cim:SecuritizedLoansHeldForInvestmentMember 2018-12-31 0001409493 cim:InternalAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
us-gaap:MortgageBackedSecuritiesMember 2019-03-31 0001409493 cim:ThirdPartyAssessmentMember
cim:InvestmentswithDifferenceBetweenModelPriceandThirdPartyPriceMember
us-gaap:MortgageBackedSecuritiesMember 2018-12-31 0001409493
cim:NonAgencyResidentialMortgageBackedSecuritiesMember 2018-01-01 2018-12-31 0001409493
cim:SecuritizedDebtLoansHeldForInvestmentAtFairValueMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-01-01 2018-12-31
0001409493 cim:SecuritizedDebtLoansHeldForInvestmentAtFairValueMember

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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
cim:SecuritizedDebtLoansHeldForInvestmentAtFairValueMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2017-12-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:CommercialPassthroughSecuritiesMember 2018-12-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SeniorResidentialMortgageBackedSecuritiesInterestOnlyMember 2018-01-01 2018-12-31 0001409493

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us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:ResidentialPassthroughSecuritiesMember 2018-01-01 2018-12-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesInterestOnlyMember 2018-01-01 2018-12-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesMember 2018-12-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesMember 2018-01-01 2018-12-31 0001409493
cim:LoansHeldForInvestmentMember 2018-12-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
us-gaap:InterestOnlyStripMember 2018-12-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:CommercialPassthroughSecuritiesMember 2018-01-01 2018-12-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SeniorResidentialMortgageBackedSecuritiesInterestOnlyMember 2018-12-31 0001409493
us-gaap:SecuredDebtMember 2018-12-31 0001409493 us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesInterestOnlyMember 2018-12-31 0001409493
cim:LoansHeldForInvestmentMember 2018-01-01 2018-12-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
us-gaap:InterestOnlyStripMember 2018-01-01 2018-12-31 0001409493 us-gaap:SecuredDebtMember 2018-01-01
2018-12-31 0001409493 us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:ResidentialPassthroughSecuritiesMember 2018-12-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:CommercialPassthroughSecuritiesMember 2019-01-01 2019-03-31 0001409493
cim:LoansHeldForInvestmentMember 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesInterestOnlyMember 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember cim:SeniorResidentialMortgageBackedSecuritiesMember
2019-03-31 0001409493 us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:ResidentialPassthroughSecuritiesMember 2019-03-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
us-gaap:InterestOnlyStripMember 2019-03-31 0001409493 us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesMember 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesInterestOnlyMember 2019-01-01 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SeniorResidentialMortgageBackedSecuritiesInterestOnlyMember 2019-03-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:CommercialPassthroughSecuritiesMember 2019-03-31 0001409493 us-gaap:SecuredDebtMember 2019-03-31
0001409493 us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
cim:ResidentialPassthroughSecuritiesMember 2019-01-01 2019-03-31 0001409493
us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember
us-gaap:InterestOnlyStripMember 2019-01-01 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SeniorResidentialMortgageBackedSecuritiesInterestOnlyMember 2019-01-01 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember
cim:SubordinatedResidentialMortgageBackedSecuritiesMember 2019-01-01 2019-03-31 0001409493
us-gaap:ResidentialMortgageBackedSecuritiesMember cim:SeniorResidentialMortgageBackedSecuritiesMember
2019-01-01 2019-03-31 0001409493 us-gaap:SecuredDebtMember 2019-01-01 2019-03-31 0001409493
cim:LoansHeldForInvestmentMember 2019-01-01 2019-03-31 0001409493
cim:SecuritizedDebtLoansHeldForInvestmentAtFairValueMember

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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-01-01 2019-03-31
0001409493 cim:SecuritizedDebtLoansHeldForInvestmentAtFairValueMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputLossSeverityMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDefaultRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDiscountRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember us-gaap:BaseRateMember
2019-03-31 0001409493 us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
cim:SecondaryOccupancyMember 2019-03-31 0001409493 us-gaap:FairValueInputsLevel3Member
cim:LoansHeldForInvestmentAtFairValueMember cim:InvestorOccupancyMember 2019-03-31 0001409493
us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
cim:SecondaryOccupancyMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel3Member
cim:LoansHeldForInvestmentAtFairValueMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel3Member
cim:LoansHeldForInvestmentAtFairValueMember us-gaap:BaseRateMember 2018-12-31 0001409493
us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
cim:OwnerOccupiedMember 2019-03-31 0001409493 srt:SingleFamilyMember
us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember 2018-12-31 0001409493
srt:MultifamilyMember us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
2018-12-31 0001409493 us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
2019-03-31 0001409493 cim:ManufacturedHousingMember us-gaap:FairValueInputsLevel3Member
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us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember 2018-12-31 0001409493
us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
cim:OwnerOccupiedMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel3Member
cim:LoansHeldForInvestmentAtFairValueMember cim:InvestorOccupancyMember 2018-12-31 0001409493
srt:MultifamilyMember us-gaap:FairValueInputsLevel3Member cim:LoansHeldForInvestmentAtFairValueMember
2019-03-31 0001409493 srt:SingleFamilyMember us-gaap:FairValueInputsLevel3Member
cim:LoansHeldForInvestmentAtFairValueMember 2019-03-31 0001409493 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDefaultRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDiscountRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputLossSeverityMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31
0001409493 us-gaap:FairValueInputsLevel2Member us-gaap:CarryingReportedAmountFairValueDisclosureMember

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2019-03-31 0001409493 us-gaap:FairValueInputsLevel3Member
us-gaap:CarryingReportedAmountFairValueDisclosureMember 2019-03-31 0001409493
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31
0001409493 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31
0001409493 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31
0001409493 us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001409493
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001409493
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001409493 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDiscountRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputLossSeverityMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDiscountRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDiscountRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDefaultRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDefaultRateMember
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srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
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srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputLossSeverityMember
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srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputDefaultRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2018-12-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
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us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember

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us-gaap:MeasurementInputPrepaymentRateMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
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srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:SecuredDebtMember
us-gaap:MeasurementInputLossSeverityMember
us-gaap:VariableInterestEntityPrimaryBeneficiaryAggregatedDisclosureMember 2019-03-31 0001409493
srt:MinimumMember us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
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us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
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cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
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us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MaximumMember

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us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySeniorMortgageBackedSecuritiesInterestOnlyAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member
cim:NonAgencySubordinatedMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDiscountRateMember 2018-12-31 0001409493 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputDefaultRateMember 2018-12-31 0001409493 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member cim:NonAgencySeniorMortgageBackedSecuritiesAvailableForSaleMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001409493 srt:MinimumMember
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cim:installment

**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: March 31, 2019

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-33796

CHIMERA INVESTMENT CORPORATION

(Exact name of Registrant as specified in its Charter)

MARYLAND

(State or other jurisdiction of incorporation or organization)

26-0630461

(IRS Employer Identification No.)

520 Madison Avenue 32nd Floor
NEW YORK, NEW YORK

(Address of principal executive offices)

10022

(Zip Code)

(212) 626-2300

(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	CIM	New York Stock Exchange
8.00% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share	CIM PRA	New York Stock Exchange
8.00% Series B Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock, par value \$0.01 per share	CIM PRB	New York Stock Exchange
7.75% Series C Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock, par value \$0.01 per share	CIM PRC	New York Stock Exchange
8.00% Series D Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock, par value \$0.01 per share	CIM PRD	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all documents and 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 and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
 Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

Class	Outstanding at April 30, 2019
Common Stock, \$0.01 par value	187,145,152

CHIMERA INVESTMENT CORPORATION

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Part I**Item 1. Consolidated Financial Statements****CHIMERA INVESTMENT CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(dollars in thousands, except share and per share data)

(Unaudited)

	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 122,850	\$ 47,486
Non-Agency RMBS, at fair value	2,538,043	2,486,130
Agency MBS, at fair value	12,238,044	12,188,950
Loans held for investment, at fair value	12,400,203	12,572,581
Receivable for investment sold	1,414,478	—
Accrued interest receivable	122,746	123,442
Other assets	500,593	252,582
Derivatives, at fair value, net	946	37,468
Total assets ⁽¹⁾	\$ 29,337,903	\$ 27,708,639
Liabilities:		
Repurchase agreements (\$17.2 billion and \$15.8 billion pledged as collateral, respectively)	\$ 15,323,874	\$ 14,030,465
Securitized debt, collateralized by Non-Agency RMBS (\$1.0 billion pledged as collateral, respectively)	153,179	159,955
Securitized debt at fair value, collateralized by loans held for investment (\$11.8 billion and \$12.3 billion pledged as collateral, respectively)	8,124,760	8,455,376
Payable for investments purchased	1,513,657	1,136,157
Accrued interest payable	124,759	110,402
Dividends payable	99,050	95,986
Accounts payable and other liabilities	45,447	16,469
Total liabilities ⁽¹⁾	\$ 25,384,726	\$ 24,004,810

Commitments and Contingencies (See Note 15)

Stockholders' Equity:

Preferred Stock, par value of \$0.01 per share, 100,000,000 shares authorized:

8.00% Series A cumulative redeemable: 5,800,000 shares issued and outstanding, respectively (\$145,000 liquidation preference)	\$ 58	\$ 58
8.00% Series B cumulative redeemable: 13,000,000 shares issued and outstanding, respectively (\$325,000 liquidation preference)	130	130
7.75% Series C cumulative redeemable: 10,400,000 shares issued and outstanding, respectively (\$260,000 liquidation preference)	104	104
8.00% Series D cumulative redeemable: 8,000,000 and 0 shares issued and outstanding, respectively (\$200,000 liquidation preference)	80	—
Common stock: par value \$0.01 per share; 500,000,000 and 300,000,000 shares authorized, 187,144,009 and 187,052,398 shares issued and outstanding, respectively	1,871	1,871
Additional paid-in-capital	4,268,063	4,072,093
Accumulated other comprehensive income	672,988	626,832
Cumulative earnings	3,497,636	3,379,489
Cumulative distributions to stockholders	(4,487,753)	(4,376,748)
Total stockholders' equity	\$ 3,953,177	\$ 3,703,829
Total liabilities and stockholders' equity	\$ 29,337,903	\$ 27,708,639

(1) The Company's consolidated statements of financial condition include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (Chimera Investment Corporation). As of March 31, 2019 and December 31, 2018, total assets of consolidated VIEs were \$13,076,640 and \$13,392,951, respectively, and total liabilities of consolidated VIEs were \$8,312,916 and \$8,652,158, respectively. See Note 8 for further discussion.

See accompanying notes to consolidated financial statements.

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CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except share and per share data)

(Unaudited)

	For the Quarters Ended March 31, March 31, 2019 2018	
Net interest income:		
Interest income ⁽¹⁾	\$ 350,389	\$ 297,132
Interest expense ⁽²⁾	202,950	149,251
Net interest income	147,439	147,881
Other-than-temporary impairments:		
Total other-than-temporary impairment losses	(801	)(294)
Portion of loss recognized in other comprehensive income	(4,052	)(864)
Net other-than-temporary credit impairment losses	(4,853	)(1,158)
Other investment gains (losses):		
Net unrealized gains (losses) on derivatives	(89,315	)81,419
Realized gains (losses) on terminations of interest rate swaps	(108,046)—
Net realized gains (losses) on derivatives	(7,277	)13,085
Net gains (losses) on derivatives	(204,638	)94,504
Net unrealized gains (losses) on financial instruments at fair value	200,812	14,466
Net realized gains (losses) on sales of investments	8,603	—
Gains (losses) on extinguishment of debt	—	9,670
Total other gains (losses)	4,777	118,640
Other expenses:		
Compensation and benefits	14,370	8,411
General and administrative expenses	5,883	5,489
Servicing fees	8,963	11,334
Deal expenses	—	1,088
Total other expenses	29,216	26,322
Income (loss) before income taxes	118,147	239,041
Income taxes	—	34
Net income (loss)	\$ 118,147	\$ 239,007
Dividends on preferred stock	17,392	9,400
Net income (loss) available to common shareholders	\$ 100,755	\$ 229,607
Net income (loss) per share available to common shareholders:		
Basic	\$ 0.54	\$ 1.22
Diluted	\$ 0.54	\$ 1.22
Weighted average number of common shares outstanding:		
Basic	187,112,454	187,553,281
Diluted	188,199,711	188,176,753

(1) Includes interest income of consolidated VIEs of \$207,112 and \$235,026 for the quarters ended March 31, 2019 and 2018, respectively. See Note 8 to consolidated financial statements for further discussion.

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(2) Includes interest expense of consolidated VIEs of \$91,027 and \$99,614 for the quarters ended March 31, 2019 and 2018, respectively. See Note 8 to consolidated financial statements for further discussion.

See accompanying notes to consolidated financial statements.

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CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands, except share and per share data)

(Unaudited)

	For the Quarters Ended	
	March 31,	March 31,
	2019	2018
Comprehensive income (loss):		
Net income (loss)	\$ 118,147	\$ 239,007
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities, net	26,385	(88,816)
Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses	4,853	1,158
Reclassification adjustment for net realized losses (gains) included in net income	14,918	—
Other comprehensive income (loss)	46,156	(87,658)
Comprehensive income (loss) before preferred stock dividends	\$ 164,303	\$ 151,349
Dividends on preferred stock	\$ 17,392	\$ 9,400
Comprehensive income (loss) available to common stock shareholders	\$ 146,911	\$ 141,949

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)

(Unaudited)

	Series A Preferred Stock Par Value	Series B Preferred Stock Par Value	Series C Preferred Stock Par Value	Series D Preferred Stock Par Value	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Cumulative Earnings to Stockholders	Cumulative Distributions to Stockholders	Total
Balance, December 31, 2017	\$ 58	\$ 130	\$ —	\$ —	\$ 1,878	\$ 3,826,691	\$ 796,902	\$ 2,967,852	\$(3,958,534)	\$3,634,977
Net income (loss)	—	—	—	—	—	—	—	239,007	—	239,007
Other comprehensive income (loss)	—	—	—	—	—	—	(87,658)	—	—	(87,658)
Repurchase of common stock	—	—	—	—	(8)	(14,826)	—	—	—	(14,834)
Stock based compensation	—	—	—	—	—	2,526	—	—	—	2,526
Common dividends declared	—	—	—	—	—	—	—	—	(93,875)	(93,875)
Preferred dividends declared	—	—	—	—	—	—	—	—	(9,400)	(9,400)
Balance, March 31, 2018	\$ 58	\$ 130	\$ —	\$ —	\$ 1,870	\$ 3,814,391	\$ 709,244	\$ 3,206,859	\$(4,061,809)	\$3,670,743
Balance, December 31, 2018	\$ 58	\$ 130	\$ 104	\$ —	\$ 1,871	\$ 4,072,093	\$ 626,832	\$ 3,379,489	\$(4,376,748)	\$3,703,829
Net income (loss)	—	—	—	—	—	—	—	118,147	—	118,147
Other comprehensive income (loss)	—	—	—	—	—	—	46,156	—	—	46,156
Stock based compensation	—	—	—	—	—	2,682	—	—	—	2,682
Common dividends declared	—	—	—	—	—	—	—	—	(93,613)	(93,613)
Preferred dividends declared	—	—	—	—	—	—	—	—	(17,392)	(17,392)
Issuance of preferred stock	—	—	—	80	—	193,288	—	—	—	193,368
Balance, March 31, 2019	\$ 58	\$ 130	\$ 104	\$ 80	\$ 1,871	\$ 4,268,063	\$ 672,988	\$ 3,497,636	\$(4,487,753)	\$3,953,177

See accompanying notes to consolidated financial statements.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)
(Unaudited)

	For the Quarters Ended	
	March 31,	March 31,
	2019	2018
Cash Flows From Operating Activities:		
Net income	\$ 118,147	\$ 239,007
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Accretion) amortization of investment discounts/premiums, net	6,030	2,521
Accretion (amortization) of deferred financing costs and securitized debt discounts/premiums, net	(5,955)	(693)
Amortization of swaption premium	160	727
Net unrealized losses (gains) on derivatives	89,315	(81,419)
Margin (paid) received on derivatives	(98,565)	)43,891
Net unrealized losses (gains) on financial instruments at fair value	(200,812)	)(14,466)
Net realized losses (gains) on sales of investments	(8,603))—
Net other-than-temporary credit impairment losses	4,853	1,158
(Gain) loss on extinguishment of debt	—	(9,670)
Equity-based compensation expense	2,682	2,526
Changes in operating assets:		
Decrease (increase) in accrued interest receivable, net	(662)	)2,120
Decrease (increase) in other assets	1,025	12,501
Changes in operating liabilities:		
Increase (decrease) in accounts payable and other liabilities	15,655	(7,766)
Increase (decrease) in accrued interest payable, net	14,554	8,041
Net cash provided by (used in) operating activities	\$(62,176)	)\$ 198,478
Cash Flows From Investing Activities:		
Agency MBS portfolio:		
Purchases	\$(1,379,467)	\$(217,579)
Sales	91,731	—
Principal payments	215,403	109,645
Non-Agency RMBS portfolio:		
Purchases	(112,778))—
Sales	4,394	—
Principal payments	78,689	96,988
Loans held for investment:		
Purchases	(512,044)	)(369,583)
Sales	358,175	—
Principal payments	375,087	443,755
Net cash provided by (used in) investing activities	\$(880,810)	)\$ 63,226
Cash Flows From Financing Activities:		
Proceeds from repurchase agreements	\$ 25,994,053	\$ 13,951,070
Payments on repurchase agreements	(24,700,865)	(13,997,248)
Net proceeds from preferred stock offerings	193,368	—
Payments on repurchase of common stock	—	(14,834)
Proceeds from securitized debt borrowings, collateralized by loans held for investment	—	509,066
Payments on securitized debt borrowings, collateralized by loans held for investment	(354,361)	)(558,917)
Payments on securitized debt borrowings, collateralized by Non-Agency RMBS	(5,905)	)(10,353)
Common dividends paid	(93,526))(93,905)
Preferred dividends paid	(14,414))(9,400)

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Net cash provided by (used in) financing activities	\$1,018,350	\$(224,521)
Net increase (decrease) in cash and cash equivalents	75,364	37,183
Cash and cash equivalents at beginning of period	47,486	63,569
Cash and cash equivalents at end of period	\$122,850	\$100,752

Supplemental disclosure of cash flow information:

Interest received	\$357,111	\$301,772
Interest paid	\$194,549	\$141,903

Non-cash investing activities:

Receivable for investments sold	\$1,414,478	\$—
Payable for investments purchased	\$1,513,657	\$766,250
Net change in unrealized gain (loss) on available-for sale securities	\$46,156	\$(87,658)
Retained beneficial interests	\$40,825	\$—

Non-cash financing activities:

Dividends declared, not yet paid	\$99,050	\$95,335
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See accompanying notes to consolidated financial statements.

**CHIMERA
INVESTMENT
CORPORATION
NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS
(Unaudited)**

1. Organization

Chimera Investment Corporation, or the Company, was organized in Maryland on June 1, 2007. The Company commenced operations on November 21, 2007 when it completed its initial public offering. The Company elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, or the Code.

The Company conducts its operations through various subsidiaries including subsidiaries it treats as taxable REIT subsidiaries, or TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate related business. The Company currently has nine wholly owned direct subsidiaries: Chimera RMBS Whole Pool LLC, and Chimera RMBS LLC formed in June 2009; CIM Trading Company LLC, or CIM Trading, formed in July 2010; Chimera Funding TRS LLC, or CIM Funding TRS, a TRS formed in October 2013, Chimera CMBS Whole Pool LLC and Chimera RMBS Securities LLC formed in March 2015; Chimera Insurance Company, LLC formed in July 2015; Chimera RR Holding LLC formed in April 2016, and Anacostia LLC, a TRS formed in June 2018.

2. Summary of the Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included. Certain prior period amounts have been reclassified to conform to the current period's presentation.

The consolidated financial statements include, the Company's accounts, the accounts of its wholly-owned subsidiaries, and variable interest entities, or VIEs, in which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The Company uses securitization trusts considered to be VIEs in its securitization and re-securitization transactions. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary, and is generally the entity with (i) the power to direct the activities that most significantly impact the VIEs' economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. For VIEs that do not have substantial on-going activities, the power to direct the activities that most significantly impact the VIEs' economic performance may be determined by an entity's involvement with the design and structure of the VIE.

The trusts are structured as entities that receive principal and interest on the underlying collateral and distribute those payments to the security holders. The assets held by the securitization entities are restricted in that they can only be used to fulfill the obligations of the securitization entity. The Company's risks associated with its involvement with these VIEs are limited to its risks and rights as a holder of the security it has retained.

Determining the primary beneficiary of a VIE requires judgment. The Company determined that for the securitizations it consolidates, its ownership provides the Company with the obligation to absorb losses or the right to receive benefits from the VIE that could be significant to the VIE. In addition, the Company has the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance, or power, such as rights to direct servicer activity or the Company was determined to have power in connection with its involvement with the structure and design of the VIE.

The Company's interest in the assets held by these securitization vehicles, which are consolidated on the Company's Consolidated Statements of Financial Condition, is restricted by the structural provisions of these trusts, and a recovery of the Company's investment in the vehicles will be limited by each entity's distribution provisions. The liabilities of the securitization vehicles, which are also consolidated on the Company's Consolidated Statements of Financial Condition, are non-recourse to the Company, and can only be satisfied from each securitization vehicle's respective asset pool.

The assets of securitization entities are comprised of residential mortgage backed securities (or RMBS), or residential mortgage loans. See Notes 3, 4 and 8 for further discussion of the characteristics of the securities and loans in the Company's portfolio.

(b) Statements of Financial Condition Presentation

The Company's Consolidated Statements of Financial Condition include both the Company's direct assets and liabilities and the assets and liabilities of consolidated securitization vehicles. Assets of each consolidated VIE can only be used to satisfy the obligations of that VIE, and the liabilities of consolidated VIEs are non-recourse to the Company. The Company is not obligated to provide, nor does it intend to provide, any financial support to these consolidated securitization vehicles. The notes to the consolidated financial statements describe the Company's assets and liabilities including the assets and liabilities of consolidated securitization vehicles. See Note 8 for additional information related to the Company's investments in consolidated securitization vehicles.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could be materially different than anticipated in those estimates, which could have a material adverse impact on the Company's results of operations and its financial condition. Management has made significant estimates including in accounting for income recognition and OTTI on Agency and Non-Agency RMBS and IO MBS (Note 3), valuation of Agency MBS and Non-Agency RMBS (Notes 3 and 5), residential mortgage loans (Note 4), securitized debt (Note 7), derivative instruments (Notes 5 and 9) and compensation expense estimates (Note 12). Actual results could differ materially from those estimates.

(d) Significant Accounting Policies

There have been no significant changes to the Company's accounting policies included in Note 2 to the consolidated financial statements of the Company's Form 10-K for the year ended December 31, 2018, other than the significant accounting policies disclosed below.

Income Taxes

The Company does not have any material unrecognized tax positions that would affect its financial statements or require disclosure. No accruals for penalties and interest were necessary as of March 31, 2019 or December 31, 2018.

Fair Value Disclosure

The Company has elected to account for certain Non-Agency RMBS investments acquired on or after January 1, 2019 under the fair value option. Under the fair value option, these investments will be carried at fair value, with changes in fair value reported in earnings (included as part of "Net unrealized gains (losses) on financial instruments at fair value"). Consistent with all other investments for which the Company has elected the fair value option, the Company will recognize revenue on a prospective basis in accordance with guidance in ASC 325-40.

The Company carries the majority of its financial instruments at fair value. The Company has elected fair value option on certain Non-Agency RMBS, Agency MBS, Loans held for investments and Securitized debt, collateralized by loans held for investment. The Company believes the fair value option election will provide its financial statements

user with reduced complexity, greater consistency, understandability and comparability.

A complete discussion of the methodology utilized by the Company to estimate the fair value of its financial instruments is included in Note 5 to these consolidated financial statements.

(e) Recent Accounting Pronouncements

Derivatives and Hedging (Topic 815):

Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes (ASU No. 2018-16)

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging - Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. The amendments in this update permit the OIS rate based on SOFR as a U.S. benchmark interest rate. Including the OIS rate based on SOFR as an eligible benchmark interest rate during the early stages of the marketplace transition will facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. The Company has adopted this guidance as of January 1, 2019. The Company does not have any derivative instruments linked to SOFR and the Company does not apply hedge accounting for GAAP reporting purposes. The adoption of this guidance did not have any impact on the Company's consolidated financial statements.

Targeted improvements to Accounting for Hedging Activities (ASU No. 2017-12)

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging - Targeted improvements to Accounting for Hedging Activities*. This update is issued with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The Company has adopted this guidance as of January 1, 2019. The Company does not apply hedge accounting for GAAP reporting purposes. The adoption of this guidance did not have any impact on the Company's consolidated financial statements.

Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. It eliminates disclosure requirements for transfers between Level 1 and Level 2 of the fair value hierarchy and policies related to valuation processes and the timing of transfers between levels of the fair value hierarchy. It adds the following disclosure requirements, but it exempts nonpublic entities from these requirements: i) The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements of instruments held at the end of the reporting period and ii) For recurring and nonrecurring Level 3 fair value measurements, the range and weighted averages used to develop significant unobservable inputs and how the weighted average was calculated, with certain exceptions. The Company has adopted this guidance as of January 1, 2019. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

Income Statement - Reporting Comprehensive Income - (Topic 220)

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this Update also require certain disclosures about stranded tax effects. The Company has adopted this guidance as of January 1, 2019. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

Financial Instruments - Credit Losses - (Topic 326)

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. This update replaces the current model for recognizing credit losses from an incurred credit loss model to a current expected credit loss (CECL) model for instruments measured at amortized cost and requires entities to record allowances for available-for-sale (AFS) debt securities for all expected (rather than incurred) credit losses of the asset rather than reduce the carrying amount, as the Company does under the current OTTI model. This update also simplifies the accounting model for purchased credit-impaired debt securities and loans. The changes in the allowances created in accordance with this update will be recorded in earnings. The update also expands the disclosure requirements regarding the Company's assumptions, models, and methods for estimating the expected credit losses. In addition, the Company will disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. The guidance in the ASU is effective for the Company as of January 1, 2020. Early adoption is allowed, beginning January 1, 2019. The standard requires entities to record a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which

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the guidance is effective. The Company did not early adopt and is currently evaluating what impact this update will have on the consolidated financial statements.

Mortgage-Backed Securities

The Company classifies its Non-Agency RMBS as senior, senior IO, subordinated, or subordinated IO. The Company also invests in Agency residential, commercial and IO MBS. Senior interests in Non-Agency RMBS are considered to be entitled to the first principal repayments in their pro-rata ownership interests at the acquisition date. The tables below present amortized cost, fair value and unrealized gain/losses of Company's MBS investments as of March 31, 2019 and December 31, 2018.

March 31, 2019								
(dollars in thousands)								
	Principal or Notional Value	Total Premium	Total Discount	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)
Non-Agency RMBS								
Senior	\$2,347,459	\$590	\$(1,076,077)	\$1,271,972	\$1,922,984	\$651,411	\$(399)	\$651,012
Senior, interest-only	6,227,847	289,604	—	289,604	281,757	42,464	(50,311)	(7,847)
Subordinated	446,450	8,729	(187,755)	267,424	321,355	54,101	(170)	53,931
Subordinated, interest-only	229,475	10,298	—	10,298	11,947	1,881	(232)	1,649
Agency MBS								
Residential	8,686,945	209,197	—	8,896,142	8,952,414	94,066	(37,794)	56,272
Commercial	3,080,065	65,013	(5,185)	3,139,893	3,138,727	25,839	(27,005)	(1,166)
Interest-only	2,627,192	145,343	—	145,343	146,903	4,364	(2,804)	1,560
Total	\$23,645,433	\$728,774	\$(1,269,017)	\$14,020,676	\$14,776,087	\$874,126	\$(118,715)	\$755,411

December 31, 2018								
(dollars in thousands)								
	Principal or Notional Value	Total Premium	Total Discount	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)
Non-Agency RMBS								
Senior	\$2,386,049	\$537	\$(1,112,368)	\$1,274,218	\$1,943,124	\$669,356	\$(450)	\$668,906
Senior, interest-only	5,667,198	286,942	—	286,942	254,890	31,123	(63,175)	(32,052)
Subordinated	394,037	8,642	(179,669)	223,010	276,467	53,702	(245)	53,457
Subordinated, interest-only	221,549	9,932	—	9,932	11,649	2,000	(283)	1,717
Agency MBS								
Residential	8,984,249	221,606	—	9,205,855	9,174,382	51,986	(83,459)	(31,473)
Commercial	2,895,679	61,727	(4,469)	2,952,937	2,881,222	6,303	(78,018)	(71,715)
Interest-only	3,028,572	136,026	—	136,026	133,346	1,986	(4,666)	(2,680)
Total	\$23,577,333	\$725,412	\$(1,296,506)	\$14,088,920	\$14,675,080	\$816,456	\$(230,296)	\$586,160

The table below presents changes in accretable yield, or the excess of the security's cash flows expected to be collected over the Company's investment, solely as it pertains to the Company's Non-Agency RMBS portfolio accounted for according to the provisions of ASC 310-30.

	For the Quarters Ended March 31, March 31, 2019 2018	
	(dollars in thousands)	
Balance at beginning of period	\$1,248,309	\$1,303,590
Purchases	—	—
Yield income earned	(55,990	)(59,732)
Reclassification (to) from non-accretable difference	6,693	50,026
Sales and deconsolidation	(506	)112
Balance at end of period	\$1,198,506	\$1,293,996

The table below presents the outstanding principal balance and related amortized cost at March 31, 2019 and December 31, 2018 as it pertains to the Company's Non-Agency RMBS portfolio accounted for according to the provisions of ASC 310-30.

	For the Quarter Ended March 31, 2019	For the Year Ended December 31, 2018
	(dollars in thousands)	
Outstanding principal balance:		
Beginning of period	\$2,325,154	\$2,673,350
End of period	\$2,252,126	\$2,325,154
Amortized cost:		
Beginning of period	\$1,158,291	\$1,381,839
End of period	\$1,119,307	\$1,158,291

The following tables present the gross unrealized losses and estimated fair value of the Company's RMBS by length of time that such securities have been in a continuous unrealized loss position at March 31, 2019 and December 31, 2018. All securities in an unrealized loss position have been evaluated by the Company for OTTI.

	March 31, 2019								
	(dollars in thousands)								
	Unrealized Loss Position for Less than 12 Months			Unrealized Loss Position for 12 Months or More			Total		
	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions
Non-Agency RMBS									
Senior	\$—	\$—	—	\$32,777	\$(399	)1	\$32,777	\$(399	)1
Senior, interest-only	31,447	(2,537	)18	103,525	(47,774	)88	134,972	(50,311	)106
Subordinated	1,097	(78	)1	725	(92	)11	1,822	(170	)12
Subordinated, interest-only	2,016	(113	)1	284	(119	)1	2,300	(232	)2
Agency MBS									
Residential	425,019	(735)2	1,515,009	(37,059)88	1,940,028	(37,794)90
Commercial	652,433	(9,357)312	857,886	(17,648)239	1,510,319	(27,005)551

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Interest-only	10,285	(100)	4	16,948	(2,704)	9	27,233	(2,804)	13
Total	\$ 1,122,297	\$(12,920)	338	\$ 2,527,154	\$(105,795)	437	\$ 3,649,451	\$(118,715)	775

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**December 31,
2018**

(dollars in
thousands)

	Unrealized Loss Position for Less than 12 Months			Unrealized Loss Position for 12 Months or More			Total		
	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions	Estimated Fair Value	Unrealized Losses	Number of Positions
Non-Agency RMBS									
Senior	\$—	\$—	—	\$33,303	\$(450)	)1	\$33,303	\$(450)	)1
Senior, interest-only	34,236	(4,276)	)29	95,108	(58,899)	)91	129,344	(63,175)	)120
Subordinated	13,404	(245)	)7	—	—	8	13,404	(245)	)15
Subordinated, interest-only	2,104	(158)	)2	303	(125)	)1	2,407	(283)	)3
Agency MBS									
Residential	779,322	(6,220)	)17	1,809,566	(77,239)	)114	2,588,888	(83,459)	)131
Commercial	1,697,555	(56,382)	)548	504,570	(21,636)	)183	2,202,125	(78,018)	)731
Interest-only	5,769	(48)	)2	41,659	(4,618)	)17	47,428	(4,666)	)19
Total	\$2,532,390	\$(67,329)	)605	\$2,484,509	\$(162,967)	)415	\$5,016,899	\$(230,296)	)1,020

At March 31, 2019, the Company did not intend to sell any of its RMBS that were in an unrealized loss position, and it was not more likely than not that the Company would be required to sell these RMBS before recovery of their amortized cost basis, which may be at their maturity. With respect to RMBS held by consolidated VIEs, the ability of any entity to cause the sale by the VIE prior to the maturity of these RMBS is either expressly prohibited, not probable, or is limited to specified events of default, none of which have occurred as of March 31, 2019.

Gross unrealized losses on the Company's Agency residential and commercial MBS (excluding Agency MBS which are reported at fair value with changes in fair value recorded in earnings) were \$38 million and \$95 million as of March 31, 2019 and December 31, 2018, respectively. Given the inherent credit quality of Agency MBS, the Company does not consider any of the current impairments on its Agency MBS to be credit related. In evaluating whether it is more likely than not that it will be required to sell any impaired security before its anticipated recovery, which may be at their maturity, the Company considers the significance of each investment, the amount of impairment, the projected future performance of such impaired securities, as well as the Company's current and anticipated leverage capacity and liquidity position. Based on these analyses, the Company determined that at March 31, 2019 and December 31, 2018, unrealized losses on its Agency MBS were temporary.

Gross unrealized losses on the Company's Non-Agency RMBS (excluding Non-Agency MBS which are reported at fair value with changes in fair value recorded in earnings) were \$477 thousand and \$601 thousand at March 31, 2019 and December 31, 2018, respectively. Based upon the most recent evaluation, the Company does not consider these unrealized losses to be indicative of OTTI and does not believe that these unrealized losses are credit related, but rather are due to other factors. The Company has reviewed its Non-Agency RMBS that are in an unrealized loss position to identify those securities with losses that are other-than-temporary based on an assessment of changes in cash flows expected to be collected for such RMBS, which considers recent bond performance and expected future performance of the underlying collateral.

A summary of the OTTI included in earnings for the quarters ended March 31, 2019 and 2018 are presented below.

**For the Quarters
Ended**

March 31, 2019 **March 31, 2018**

(dollars in thousands)

Total other-than-temporary impairment losses	\$(801)	\$(294)
Portion of loss recognized in other comprehensive income (loss)	(4,052)	(864)
Net other-than-temporary credit impairment losses	\$(4,853)	\$(1,158)

The following table presents a roll forward of the credit loss component of OTTI on the Company's Non-Agency RMBS for which a portion of loss was recognized in OCI. The table delineates between those securities that are recognizing OTTI for the first time as opposed to those that have previously recognized OTTI.

	For the Quarters Ended	
	March 31, 2019	March 31, 2018
	(dollars in thousands)	
Cumulative credit loss beginning balance	\$587,199	\$591,521
Additions:		
Other-than-temporary impairments not previously recognized	1,479	1,140
Reductions for securities sold or deconsolidated during the period	—	(173)
Increases related to other-than-temporary impairments on securities with previously recognized other-than-temporary impairments	3,375	18
Reductions for increases in cash flows expected to be collected over the remaining life of the securities	(771)	(6,450)
Cumulative credit impairment loss ending balance	\$591,282	\$586,056

Cash flows generated to determine net other-than-temporary credit impairment losses recognized in earnings are estimated using significant unobservable inputs. The significant inputs used to measure the component of OTTI recognized in earnings for the Company's Non-Agency RMBS for the periods reported are summarized as follows:

	For the Quarters Ended	
	March 31, 2019	March 31, 2018
Loss Severity		
Weighted Average	69%	100%
Range	53% - 102%	34% - 132%
60+ days delinquent		
Weighted Average	8%	18%
Range	2% - 18%	16% - 19%
Credit Enhancement ⁽¹⁾		
Weighted Average	0%	17%
Range	0% - 0%	0% - 51%
3 Month CPR		
Weighted Average	8%	27%
Range	3% - 21%	3% - 39%
12 Month CPR		
Weighted Average	9%	15%
Range	3% - 12%	3% - 20%

Calculated as the combined credit enhancement to the Re-REMIC and underlying from each of their respective capital structures.

The following tables present a summary of unrealized gains and losses at March 31, 2019 and December 31, 2018.

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March 31, 2019

(dollars in thousands)

	Gross Unrealized Included in Accumulated Other Comprehensive Income	Gross Gain Included in Cumulative Earnings	Total Gross Unrealized Gain	Gross Unrealized Loss Included in Accumulated Other Comprehensive Income	Gross Unrealized Loss Included in Cumulative Earnings	Total Gross Unrealized Loss
Non-Agency RMBS						
Senior	\$ 651,184	\$227	\$ 651,411	\$ (399)	\$ —	\$(399)
Senior, interest-only	—	42,464	42,464	—	(50,311)	(50,311)
Subordinated	49,318	4,783	54,101	(78)	(92)	(170)
Subordinated, interest-only	—	1,881	1,881	—	(232)	(232)
Agency MBS						
Residential	2,868	91,198	94,066	(24,976)	(12,818)	(37,794)
Commercial	8,117	17,722	25,839	(13,046)	(13,959)	(27,005)
Interest-only	—	4,364	4,364	—	(2,804)	(2,804)
Total	\$ 711,487	\$ 162,639	\$ 874,126	\$ (38,499)	\$ (80,216)	\$(118,715)

December 31, 2018

(dollars in thousands)

	Gross Unrealized Included in Accumulated Other Comprehensive Income	Gross Gain Included in Cumulative Earnings	Total Gross Unrealized Gain	Gross Unrealized Loss Included in Accumulated Other Comprehensive Income	Gross Unrealized Loss Included in Cumulative Earnings	Total Gross Unrealized Loss
Non-Agency RMBS						
Senior	\$ 669,356	\$—	\$ 669,356	\$ (450)	\$—	\$(450)
Senior, interest-only	—	31,123	31,123	—	(63,175)	(63,175)
Subordinated	50,235	3,467	53,702	(151)	(94)	(245)
Subordinated, interest-only	—	2,000	2,000	—	(283)	(283)
Agency MBS						
Residential	1,708	50,278	51,986	(59,552)	(23,907)	(83,459)
Commercial	811	5,492	6,303	(35,125)	(42,893)	(78,018)
Interest-only	—	1,986	1,986	—	(4,666)	(4,666)
Total	\$ 722,110	\$ 94,346	\$ 816,456	\$ (95,278)	\$ (135,018)	\$(230,296)

Changes in prepayments, actual cash flows, and cash flows expected to be collected, among other items, are affected by the collateral characteristics of each asset class. The Company chooses assets for the portfolio after carefully evaluating each investment's risk profile.

The following tables provide a summary of the Company's MBS portfolio at March 31, 2019 and December 31, 2018.

March 31, 2019

Principal or Notional Value at Period-End (dollars in	Weighted Average Amortized Cost	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End (1)
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thousands)

Non-Agency RMBS

Senior	\$2,347,459	\$ 54.19	\$ 81.92	5.1	%	19.2	%
Senior, interest-only	6,227,847	4.65	4.52	1.1	%	8.1	%
Subordinated	446,450	59.90	71.98	4.1	%	9.3	%
Subordinated, interest-only	229,475	4.49	5.21	1.1	%	15.9	%
Agency MBS							
Residential pass-through	8,686,945	102.41	103.06	4.0	%	3.6	%
Commercial pass-through	3,080,065	101.94	101.90	3.6	%	3.4	%
Interest-only	2,627,192	5.53	5.59	1.0	%	5.3	%

(1) Bond Equivalent Yield at period end.

	December 31, 2018						
	Principal						
	or	Weighted	Weighted	Weighted	Weighted	Average	Yield at
	Notional	Average	Average	Average	Coupon	Period-End	(1)
	Value at	Amortized	Fair	Average	Coupon	Period-End	(1)
	Period-End	Cost Basis	Value	Coupon	Coupon	Period-End	(1)
	(dollars in	Cost Basis	Value	Coupon	Coupon	Period-End	(1)
	thousands)	Cost Basis	Value	Coupon	Coupon	Period-End	(1)
Non-Agency RMBS							
Senior	\$2,386,049	\$ 53.40	\$ 81.44	5.0	%	19.5	%
Senior, interest-only	5,667,198	5.06	4.50	1.2	%	8.4	%
Subordinated	394,037	56.60	70.16	4.0	%	9.9	%
Subordinated, interest-only	221,549	4.48	5.26	1.1	%	16.4	%
Agency MBS							
Residential pass-through	8,984,249	102.47	102.12	4.0	%	3.6	%
Commercial pass-through	2,895,679	101.98	99.50	3.6	%	3.4	%
Interest-only	3,028,572	4.49	4.40	0.8	%	4.3	%

(1) Bond Equivalent Yield at period end.

The following table presents the weighted average credit rating of the Company's Non-Agency RMBS portfolio at March 31, 2019 and December 31, 2018.

	March 31, 2019		December 31, 2018	
AAA	1.0	%	0.5	%
AA	0.1	%	0.1	%
A	0.3	%	0.3	%
BBB	0.8	%	0.4	%
BB	4.1	%	3.6	%
B	1.4	%	1.1	%
Below B or not rated	92.3	%	94.0	%
Total	100.0	%	100.0	%

Actual maturities of MBS are generally shorter than the stated contractual maturities. Actual maturities of the Company's MBS are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal. The following tables provide a summary of the fair value and amortized cost of the Company's MBS at March 31, 2019 and December 31, 2018 according to their estimated weighted-average life classifications. The weighted-average lives of the MBS in the tables below are based on lifetime expected prepayment rates using an industry prepayment model for the Agency MBS portfolio and the Company's prepayment assumptions for the Non-Agency RMBS. The prepayment model considers current yield, forward yield, steepness of the interest rate curve, current mortgage rates, mortgage rates of the outstanding loan, loan age, margin, and volatility.

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March 31, 2019

(dollars in thousands)

Weighted Average Life

	Less than one year	Greater than one year and less than five years	Greater than five years and less than ten years	Greater than ten years	Total
Fair value					
Non-Agency RMBS					
Senior	\$ 6,994	\$ 355,416	\$ 940,246	\$ 620,328	\$ 1,922,984
Senior interest-only	1,224	53,184	103,826	123,523	281,757
Subordinated	—	41,834	38,486	241,035	321,355
Subordinated interest-only	—	284	8,948	2,715	11,947
Agency MBS					
Residential	—	5,556,080	3,396,334	—	8,952,414
Commercial	15,367	533	28,670	3,094,157	3,138,727
Interest-only	102,838	23,238	18,422	2,405	146,903
Total fair value	\$ 126,423	\$ 6,030,569	\$ 4,534,932	\$ 4,084,163	\$ 14,776,087
Amortized cost					
Non-Agency RMBS					
Senior	\$ 6,941	\$ 284,202	\$ 584,098	\$ 396,731	\$ 1,271,972
Senior interest-only	2,195	54,767	112,167	120,475	289,604
Subordinated	—	30,127	23,190	214,107	267,424
Subordinated interest-only	—	402	7,097	2,799	10,298
Agency MBS					
Residential	—	5,494,865	3,401,277	—	8,896,142
Commercial	15,434	533	29,363	3,094,563	3,139,893
Interest-only	99,013	25,845	18,072	2,413	145,343
Total amortized cost	\$ 123,583	\$ 5,890,741	\$ 4,175,264	\$ 3,831,088	\$ 14,020,676

December 31, 2018

(dollars in thousands)

Weighted Average Life

	Less than one year	Greater than one year and less than five years	Greater than five years and less than ten years	Greater than ten years	Total
Fair value					
Non-Agency RMBS					
Senior	\$ 7,611	\$ 357,543	\$ 946,536	\$ 631,434	\$ 1,943,124
Senior interest-only	1,189	38,407	96,401	118,893	254,890
Subordinated	—	39,825	43,744	192,898	276,467
Subordinated interest-only	—	303	9,321	2,025	11,649
Agency MBS					
Residential	—	640,713	8,524,211	9,458	9,174,382
Commercial	—	15,468	28,205	2,837,549	2,881,222
Interest-only	65,675	48,580	19,091	—	133,346
Total fair value	\$ 74,475	\$ 1,140,839	\$ 9,667,509	\$ 3,792,257	\$ 14,675,080
Amortized cost					
Non-Agency RMBS					
Senior	\$ 7,522	\$ 277,025	\$ 585,187	\$ 404,484	\$ 1,274,218

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Senior interest-only	2,250	46,944	111,538	126,210	286,942
Subordinated	—	29,487	26,036	167,487	223,010
Subordinated interest-only	—	428	7,358	2,146	9,932
Agency MBS					
Residential	—	645,368	8,550,766	9,721	9,205,855
Commercial	—	15,543	29,447	2,907,947	2,952,937
Interest-only	64,185	53,076	18,765	—	136,026
Total amortized cost	\$ 73,957	\$ 1,067,871	\$ 9,329,097	\$ 3,617,995	\$ 14,088,920

The Non-Agency RMBS portfolio is subject to credit risk. The Non-Agency RMBS portfolio is primarily collateralized by Alt-A first lien mortgages. An Alt-A mortgage is a type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or prime, and less risky than subprime, the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher loan-to-value ratios. At origination of the loan, Alt-A mortgage securities are defined as Non-Agency RMBS where (i) the underlying collateral has weighted average FICO scores between 680 and 720 or (ii) the FICO scores are greater than 720 and RMBS have 30% or less of the underlying collateral composed of full documentation loans. At March 31, 2019 and December 31, 2018, 66% and 71% of the Non-Agency RMBS collateral was classified as Alt-A, respectively. At March 31, 2019 and December 31, 2018, 19% and 12% of the Non-Agency RMBS collateral was classified as prime, respectively. The remaining Non-Agency RMBS collateral is classified as subprime.

The Non-Agency RMBS in the Portfolio have the following collateral characteristics at March 31, 2019 and December 31, 2018.

	March 31, December 31,	
	2019	2018
Weighted average maturity (years)	22.0	21.3
Weighted average amortized loan to value ⁽¹⁾	63.3 %	62.9 %
Weighted average FICO ⁽²⁾	713	708
Weighted average loan balance (in thousands)	\$304	\$308
Weighted average percentage owner occupied	85.9 %	85.7 %
Weighted average percentage single family residence	61.8 %	63.8 %
Weighted average current credit enhancement	1.5 %	1.4 %
Weighted average geographic concentration of top four states	CA 33.9 %	CA 33.8 %
	FL 7.6 %	FL 7.7 %
	NY 6.8 %	NY 7.4 %
	NJ 2.0 %	NJ 2.1 %

(1) Value represents appraised value of the collateral at the time of loan origination.

(2) FICO as determined at the time of loan origination.

The table below presents the origination year of the underlying loans related to the Company's portfolio of Non-Agency RMBS at March 31, 2019 and December 31, 2018.

Origination Year	March 31,		December 31, 2018
	2019		
2003 and prior	1.4 %	1.3	%
2004	1.7 %	1.7	%
2005	12.4 %	12.9	%
2006	50.3 %	49.8	%
2007	29.4 %	31.0	%
2008 and later	4.8 %	3.3	%
Total	100.0 %	100.0	%

Gross realized gains and losses are recorded in "Net realized gains (losses) on sales of investments" on the Company's Consolidated Statements of Operations. The proceeds and gross realized gains and gross realized losses from sales of investments for the quarters ended March 31, 2019 and 2018 are as follows:

**For the Quarters
Ended**

March 31, March 31,
2019 2018

(dollars in thousands)

Proceeds from sales	\$1,509,281	\$	—
Gross realized gains	27,297		—
Gross realized losses	(18,694)	—
Net realized gain (loss)	\$8,603	\$	—

4. Loans Held for Investment

The Loans held for investment are comprised primarily of loans collateralized by seasoned subprime residential mortgages. Additionally, it includes non-conforming, single family, owner occupied, jumbo, prime residential mortgages.

At March 31, 2019, all Loans held for investment are carried at fair value. See Note 5 for a discussion on how the Company determines the fair values of the Loans held for investment. As changes in the fair value of these loans are reflected in earnings, the Company does not estimate or record a loan loss provision. The total amortized cost of our Loans held for investment was \$12.0 billion and \$12.2 billion as of March 31, 2019 and December 31, 2018, respectively.

The following table provides a summary of the changes in the carrying value of Loans held for investment at fair value at March 31, 2019 and December 31, 2018:

	For the Quarter Ended March 31, 2019	For the Year Ended December 31, 2018
	(dollars in thousands)	
Balance, beginning of period	\$ 12,572,581	\$ 13,678,263
Purchases	512,044	1,671,330
Principal paydowns	(375,087)	(1,859,155)
Sales and settlements	(401,901)	(807,364)
Net periodic accretion (amortization)	(13,979)	(83,393)
Realized gains (losses) on sales and settlements	—	101
Change in fair value	106,545	(27,201)
Balance, end of period	\$ 12,400,203	\$ 12,572,581

The primary cause of the change in fair value is due to market demand and changes in credit risk of mortgage loans. During the quarter ended March 31, 2019, the Company purchased \$399 million of loans which were subsequently sold to a trust and securitized, with the Company retaining \$41 million of beneficial interests. During the year ended December 31, 2018, the Company purchased \$415 million of loans which were subsequently sold to a trust and securitized, with the Company retaining \$40 million of beneficial interests. There were no gains or losses incurred from the sale of these assets.

Residential mortgage loans

The loan portfolio for all residential mortgages were originated during the following periods:

Origination Year	March 31, 2019	December 31, 2018	
2002 and prior	7.2	% 7.3	%
2003	6.5	% 6.6	%
2004	13.5	% 13.6	%
2005	19.4	% 19.5	%
2006	22.5	% 22.7	%

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2007	19.4	% 19.5	%
2008	6.1	% 6.2	%
2009	1.0	% 1.0	%
2010 and later	4.4	% 3.6	%
Total	100.0	% 100.0	%

The following table presents a summary of key characteristics of the residential loan portfolio at March 31, 2019 and December 31, 2018:

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	March 31, 2019		December 31, 2018	
Number of loans	136,791		140,345	
Weighted average maturity (years)	18.3		18.6	
Weighted average loan to value ⁽¹⁾	87.4	%	87.5	%
Weighted average FICO ⁽¹⁾	629		629	
Weighted average loan balance (in thousands)	\$ 89		\$ 89	
Weighted average percentage owner occupied	89.3	%	90.1	%
Weighted average percentage single family residence	86.1	%	86.3	%
Weighted average geographic concentration of top five states	CA 9.5	%	CA 9.0	%
	FL 7.2	%	FL 7.3	%
	OH 5.9	%	OH 5.9	%
	NY 5.8	%	NY 5.7	%
	PA 5.6	%	PA 5.6	%

(1) As provided by the Trustee.

The following table summarizes the outstanding principal balance of the residential loan portfolio which are 30 days delinquent and greater as reported by the servicer at March 31, 2019 and December 31, 2018.

	30 Days Delinquent (dollars in thousands)	60 Days Delinquent	90+ Days Delinquent	Bankruptcy	Foreclosure	REO	Total	Unpaid Principal/Notional
March 31, 2019	\$860,489	\$290,509	\$327,712	\$281,078	\$301,013	\$51,993	\$2,112,794	\$12,139,229
% of Unpaid Principal Balance	7.1%	2.4%	2.7%	2.3%	2.5%	0.4%	17.4%	
December 31, 2018	\$855,423	\$278,953	\$342,944	\$266,034	\$292,307	\$47,055	\$2,082,716	\$12,432,582
% of Unpaid Principal Balance	6.9%	2.2%	2.8%	2.1%	2.4%	0.4%	16.8%	

The fair value of residential mortgage loans 90 days or more past due was \$619 million and \$606 million as of March 31, 2019 and December 31, 2018, respectively.

Real estate owned

Real estate owned, or REO, represents properties which the Company has received the legal title of the property to satisfy the outstanding loan. REO is re-categorized from loan to REO when the Company takes legal title of the property. REO assets are measured and reported at the estimated fair value less the estimated cost to sell at the end of each reporting period. At the time the asset is re-categorized, any difference between the previously recorded loan balance and the carrying value of the REO at the time the Company takes legal title of the property, is recognized as a gain or loss. All REO assets of the Company are held-for-sale and it is the Company's intention to sell the property in

the shortest time possible to maximize their return and recovery on the previously recorded loan. The carrying value of REO assets at March 31, 2019 and December 31, 2018 was \$20 million and \$17 million, respectively, and were recorded in Other Assets on the Company's Consolidated Statements of Financial Condition.

5. Fair Value Measurements

The Company applies fair value guidance in accordance with GAAP to account for its financial instruments. The Company categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value

measurement of the instrument. Financial assets and liabilities recorded at fair value on the Consolidated Statements of Financial Condition or disclosed in the related notes are categorized based on the inputs to the valuation techniques as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets and liabilities in active markets.

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

Level 3 – inputs to the valuation methodology are unobservable and significant to fair value.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. Any changes to the valuation methodology are reviewed by management to ensure the changes are appropriate. As markets and products evolve and the pricing for certain products becomes more transparent, the Company will continue to refine its valuation methodologies. The methodology utilized by the Company for the periods presented is unchanged. The methods used to produce a fair value calculation may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Company believes its valuation methods are appropriate and consistent with other market participants. Using different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced.

During times of market dislocation, the observability of prices and inputs can be difficult for certain investments. If third party pricing services are unable to provide a price for an asset, or if the price provided by them is deemed unreliable by the Company, then the asset will be valued at its fair value as determined by the Company without validation to third-party pricing. Illiquid investments typically experience greater price volatility as an active market does not exist. Observability of prices and inputs can vary significantly from period to period and may cause instruments to change classifications within the three level hierarchy.

A description of the methodologies utilized by the Company to estimate the fair value of its financial instruments by instrument class follows:

Agency MBS and Non-Agency RMBS

The Company determines the fair value of all of its investment securities based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, delinquency, expected losses, expected default severity, credit enhancement, and other pertinent factors. To corroborate that the estimates of fair values generated by these internal models are reflective of current market prices, the Company compares the fair values generated by the model to non-binding independent prices provided by two independent third party pricing services. For certain highly liquid asset classes, such as Agency fixed-rate pass-through bonds, the Company's valuations are also compared to quoted prices for To-Be-Announced, or TBA, securities.

Each quarter the Company develops thresholds which are determined utilizing current bid/ask spreads, liquidity, price volatility and other factors as appropriate. If internally developed model prices differ from the independent prices provided by greater than a market derived predetermined threshold for the period, the Company highlights these differences for further review, both internally and with the third party pricing service. The Company obtains the inputs

used by the third party pricing services and compares them to the Company's inputs. The Company updates its own inputs if the Company determines the third party pricing inputs more accurately reflect the current market environment. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third party pricing service review market factors that may not have been considered by the third party pricing service and provide updated prices. The Company reconciles and resolves all pricing differences in excess of the predetermined thresholds before a final price is established. At March 31, 2019, seventeen investment holdings with an internally developed fair value of \$171 million had a difference between the model generated prices and third party prices provided in excess of the derived predetermined threshold for the period. The internally developed prices were \$3 million higher than the third party prices provided of \$168 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at March 31, 2019 in excess of the derived predetermined threshold for the period. At December 31, 2018, nineteen investment holdings with an internally developed fair value of \$127 million had a difference between the model generated prices and third party prices provided in excess of the derived predetermined threshold for the period. The internally

developed prices were \$4 million higher than the third party prices provided of \$123 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed prices. No other differences were noted at December 31, 2018 in excess of the derived predetermined threshold for the period.

The Company's estimate of prepayment, default and severity curves all involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting Non-Agency RMBS fair value estimates Level 3 inputs in the fair value hierarchy. As the fair values of Agency MBS are more observable, these investments are classified as level 2 in the fair value hierarchy.

Loans Held for Investment

Loans consisting of seasoned subprime residential mortgage loans:

The Company estimates the fair value of its Loans held for investment consisting of seasoned subprime residential mortgage loans on a loan by loan basis using an internally developed model which compares the loan held by the Company with a loan currently offered in the market. The loan price is adjusted in the model by considering the loan factors which would impact the value of a loan. These loan factors include: loan coupon as compared to coupon currently available in the market, FICO, loan-to-value ratios, delinquency history, owner occupancy, and property type, among other factors. A baseline is developed for each significant loan factor and adjusts the price up or down depending on how that factor for each specific loan compares to the baseline rate. Generally, the most significant impact on loan value is the loan interest rate as compared to interest rates currently available in the market and delinquency history.

The Company also monitors market activity to identify trades which may be used to compare internally developed prices; however, as the portfolio of loans held at fair value is a seasoned subprime pool of mortgage loans, comparable loan pools are not common or directly comparable. There are limited transactions in the market place to develop a comprehensive direct range of values.

The Company reviews the fair values generated by the model to determine whether prices are reflective of the current market by corroborating its estimates of fair value by comparing the results to non-binding independent prices provided by two independent third party pricing services for the loan portfolio. Each quarter the Company develops thresholds which are determined utilizing the securitization market.

If the internally developed fair values of the loan pools differ from the independent prices provided by greater than a predetermined threshold for the period, the Company highlights these differences for further review, both internally and with the third party pricing service. The Company obtains certain inputs used by the third party pricing services and evaluates them for reasonableness. The Company updates its own model if the Company determines the third party pricing inputs more accurately reflect the current market environment or observed information from the third party vendors. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third party pricing service review market factors that may not have been considered by the third party pricing service. The Company reconciles and resolves all pricing differences in excess of the predetermined thresholds before a final price is established.

At March 31, 2019, the internally developed fair value of two loan pools of \$1.2 billion had a difference between the model generated prices and third party prices provided in excess of the derived predetermined threshold for the period. The internally developed prices were \$20 million lower than the third party price provided of \$1.2 billion. After review and discussion, the Company affirmed and valued the investment at the higher internally developed price. At December 31, 2018, the internally developed fair value of three loan pools of \$489 million had a difference between the model generated prices and third party prices provided in excess of the derived predetermined threshold for the period. The internally developed prices were \$3 million higher than the third party price provided of \$486 million. After review and discussion, the Company affirmed and valued the investment at the higher internally developed

price.

The Company's estimates of fair value of Loans held for investment involve management judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates level 3 inputs in the fair value hierarchy.

Loans collateralized by jumbo, prime residential mortgages:

The loans collateralized by jumbo, prime residential mortgages are carried at fair value. The loans are held as part of a consolidated Collateralized Financing Entity, or a CFE. A CFE is a variable interest entity that holds financial assets, issues beneficial interests in those assets and has no more than nominal equity and the beneficial interests have contractual recourse only to the related assets of the CFE. Accounting guidance for CFEs allow the Company to elect to measure the CFE's financial

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assets using the fair value of the CFE's financial liabilities as the fair values of the financial liabilities of the CFE are more observable. Therefore, the fair value of the loans collateralized by jumbo, prime residential mortgages is based on the fair value of the financial liabilities. See discussion of the fair value of Securitized Debt, collateralized by Loans Held for Investment at fair value below.

As the more observable financial liabilities are considered level 3 in the fair value hierarchy, the Loans collateralized by jumbo, prime residential mortgages are also level 3 in the fair value hierarchy.

Securitized Debt, collateralized by Non-Agency RMBS

The Company carries securitized debt, collateralized by Non-Agency RMBS at the principal balance outstanding plus unamortized premiums, less unaccreted discounts recorded in connection with the financing of the loans or RMBS with third parties. For disclosure purposes, the Company estimates the fair value of securitized debt, collateralized by Non-Agency RMBS by estimating the future cash flows associated with the underlying assets collateralizing the secured debt outstanding. The Company models the fair value of each underlying asset by considering, among other items, the structure of the underlying security, coupon, servicer, delinquency, actual and expected defaults, actual and expected default severities, reset indices, and prepayment speeds in conjunction with market research for similar collateral performance and management's expectations of general economic conditions in the sector and other economic factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein.

The Company's estimates of fair value of securitized debt, collateralized by Non-Agency RMBS involve management's judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates level 3 inputs in the fair value hierarchy.

Securitized Debt, collateralized by Loans Held for Investment

The process for determining the fair value of securitized debt, collateralized by loans held for investment is based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, expected losses, expected default severity, credit enhancement, and other pertinent factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein.

The Company's estimates of fair value of securitized debt, collateralized by loans held for investment involve management's judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates level 3 inputs in the fair value hierarchy.

Fair value option

The table below shows the unpaid principal, fair value and impact of change in fair value on each of the financial instruments carried with fair value option as of March 31, 2019 and December 31, 2018, respectively:

	March 31, 2019		
	(dollars in thousands)		
	Unpaid Principal/ Notional	Fair Value	Quarter to Date Gain/(Loss) on Change in Fair Value
Assets:			
Non-agency RMBS			
Senior	44,913	45,212	227
Subordinated	57,256	59,800	1,319
Senior, interest-only	6,227,847	281,757	24,204
Subordinated, interest-only	229,475	11,947	(68)
Agency MBS			
Residential Pass-through	7,645,236	7,881,274	52,011
Commercial Pass-through	1,796,747	1,828,837	41,162
Interest-only	2,627,192	146,903	4,241
Loans held for investment, at fair value	12,139,229	12,400,203	106,545
Liabilities:			
Securitized debt at fair value, collateralized by loans held for investment	8,205,804	8,124,760	(28,829)
December 31, 2018			
(dollars in thousands)			
	Unpaid Principal/ Notional	Fair Value	Year to Date Gain/(Loss) on Change in Fair Value
Assets:			
Non-agency RMBS			
Subordinated	N/A	\$ 12,014	\$ (145)
Senior, interest-only	5,667,198	254,890	20,095
Subordinated, interest-only	221,549	11,649	1,261
Agency MBS			
Residential Pass-through	7,573,835	7,739,382	31,185
Commercial Pass-through	1,607,626	1,595,681	(35,002)
Interest-only	3,028,572	133,346	4,230
Loans held for investment, at fair value	12,432,582	12,572,581	(27,201)
Liabilities:			
Securitized debt at fair value, collateralized by loans held for investment	8,561,319	8,455,376	52,209

Derivatives*Interest Rate Swaps and Swaptions*

The Company uses clearing exchange market prices to determine the fair value of its exchange cleared interest rate swaps. For bi-lateral swaps, the Company determines the fair value based on the net present value of expected future cash flows on the swap. The Company uses option pricing model to determine the fair value of its swaptions. For

bi-lateral swaps and swaptions, the Company compares its own estimate of fair value with counterparty prices to evaluate for reasonableness. Both the clearing exchange and counter-party pricing quotes, incorporate common market pricing methods, including a spread measurement to the Treasury yield curve or interest rate swap curve as well as underlying characteristics of the particular contract. Interest rate swaps and swaptions are modeled by the Company by incorporating such factors as the term to maturity, swap curve, overnight index swap rates, and the payment rates on the fixed portion of the interest rate swaps. The Company has classified the characteristics used to determine the fair value of interest rate swaps and swaptions as Level 2 inputs in the fair value hierarchy.

Treasury Futures

The fair value of Treasury futures is determined by quoted market prices in an active market. The Company has classified the characteristics used to determine the fair value of Treasury futures as Level 1 inputs in the fair value hierarchy.

Repurchase Agreements

Repurchase agreements are collateralized financing transactions utilized by the Company to acquire investment securities. Due to the short term nature of these financial instruments, the Company estimates the fair value of these repurchase agreements using the contractual obligation plus accrued interest payable.

Short-term Financial Instruments

The carrying value of cash and cash equivalents, accrued interest receivable, dividends payable, payable for investments purchased, receivable for investments sold and accrued interest payable are considered to be a reasonable estimate of fair value due to the short term nature and low credit risk of these short-term financial instruments.

The Company's financial assets and liabilities carried at fair value on a recurring basis, including the level in the fair value hierarchy, at March 31, 2019 and December 31, 2018 are presented below.

	March 31, 2019				
	(dollars in thousands)				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral, netting	Total
Assets:					
Non-Agency RMBS, at fair value	\$-		-\$2,538,043	\$ —	\$2,538,043
Agency MBS, at fair value		-12,238,044		—	12,238,044
Loans held for investment, at fair value			12,400,203	—	12,400,203
Derivatives		-39,127		(38,181)	946
Liabilities:					
Securitized debt at fair value, collateralized by loans held for investment			8,124,760	—	8,124,760
Derivatives		8,050,595		(222,645)	—
December 31, 2018					
(dollars in thousands)					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral, netting	Total
Assets:					
Non-Agency RMBS, at fair value	\$-		-2,486,130	\$ —	\$2,486,130
Agency MBS, at fair value		-12,188,950		—	12,188,950
Loans held for investment, at fair value			12,572,581	—	12,572,581
Derivatives		-89,121		(51,653)	37,468

Liabilities:

Securitized debt at fair value, collateralized by loans held for investment	—	8,455,376	—	8,455,376
Derivatives	13,69,790	—	(183,165)	—

The table below provides a summary of the changes in the fair value of securities classified as Level 3 at March 31, 2019 and December 31, 2018.

Fair Value Reconciliation, Level 3

	For the Quarter Ended, March 31, 2019		
	(dollars in thousands)		
	Non-Agency RMBS	Loans held for investment	Securitized Debt
Beginning balance Level 3	\$2,486,130	\$12,572,581	\$8,455,376
Transfers in to Level 3	—	—	—
Transfers out of Level 3	—	—	—
Purchases of assets/ issuance of debt	108,603	512,044	—
Principal payments	(78,689)	(375,087)	(354,361)
Sales and Settlements	(4,394)	(401,901)	—
Net accretion (amortization)	25,607	(13,979)	(5,084)
Gains (losses) included in net income			
Other than temporary credit impairment losses	(4,853)	—	—
Realized gains (losses) on sales and settlements	(1,079)	—	—
Net unrealized gains (losses) included in income	25,683	106,545	28,829
Gains (losses) included in other comprehensive income			
Total unrealized gains (losses) for the period	(18,965)	—	—
Ending balance Level 3	\$2,538,043	\$12,400,203	\$8,124,760

Fair Value Reconciliation, Level 3

	For the Year Ended, December 31, 2018		
	(dollars in thousands)		
	Non-Agency RMBS	Loans held for investment	Securitized Debt
Beginning balance Level 3	\$2,851,316	\$13,678,263	\$9,388,657
Transfers in to Level 3	—	—	—
Transfers out of Level 3	—	—	—
Purchases of assets/ issuance of debt	253,952	1,671,330	1,769,539
Principal payments	(521,109)	(1,859,155)	(1,778,625)
Sales and Settlements	(100,786)	(807,364)	(834,414)
Net accretion (amortization)	101,088	(83,393)	(11,197)
Gains (losses) included in net income			
Other than temporary credit impairment losses	(21,791)	—	—
Realized gains (losses) on sales and settlements	201	101	(26,375)
Net unrealized gains (losses) included in income	21,208	(27,201)	(52,209)
Gains (losses) included in other comprehensive income			
Total unrealized gains (losses) for the period	(97,949)	—	—
Ending balance Level 3	\$2,486,130	\$12,572,581	\$8,455,376

There were no transfers in or out from Level 3, during the quarter ended March 31, 2019 and during the year ended December 31, 2018.

The significant unobservable inputs used in the fair value measurement of the Company's Non-Agency RMBS and securitized debt are the weighted average discount rates, constant prepayment speed, or CPR, cumulative default rate,

and the loss severity.

Constant Prepayment Rates

The prepayment speed specifies the percentage of the collateral balance that is expected to prepay at each point in the future. The prepayment speed is based on factors such as collateral FICO score, loan-to-value ratio, debt-to-income ratio, and vintage

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on a loan level basis and is scaled up or down to reflect recent collateral-specific prepayment experience as obtained from remittance reports and market data services.

For securitized debt carried at fair value issued at a premium, as prepayment speeds increase, the amount of interest expense the Company recognizes decreases as the issued premium on the debt amortizes faster than expected. Conversely, decreases in prepayment speeds result in increased expense and can extend the period over which the Company amortizes the premium.

For debt issued at a discount, as prepayment speeds increase, the amount of interest the Company expenses increases from the acceleration of the accretion of the discount into interest expense. Conversely, decreases in prepayment speeds result in decreased expense as the accretion of the discount into interest expense occurs over a longer period.

Constant Default Rates

Constant default rates represent an annualized rate of default on a group of mortgages. The constant default rate, or CDR, represents the percentage of outstanding principal balances in the pool that are in default, which typically equates to the home being past 60-day and 90-day notices and in the foreclosure process. When default rates increase, expected cash flows on the underlying collateral decreases. When default rates decrease, expected cash flows on the underlying collateral increases.

Default vectors are determined from the current “pipeline” of loans that are more than 30 days delinquent, in foreclosure, bankruptcy, or are REO. These delinquent loans determine the first 30 months of the default curve. Beyond month 30, the default curve transitions to a value that is reflective of a portion of the current delinquency pipeline.

Loss Severity

Loss severity rates reflect the amount of loss expected from a foreclosure and liquidation of the underlying collateral in the mortgage loan pool. When a mortgage loan is foreclosed the collateral is sold and the resulting proceeds are used to settle the outstanding obligation. In many circumstances, the proceeds from the sale do not fully repay the outstanding obligation. In these cases, a loss is incurred by the lender. Loss severity is used to predict how costly future losses are likely to be. An increase in loss severity results in a decrease in expected future cash flows. A decrease in loss severity results in an increase in expected future cash flows.

The curve generated to reflect the Company’s expected loss severity is based on collateral-specific experience with consideration given to other mitigating collateral characteristics. Characteristics such as seasoning are taken into consideration because severities tend to initially increase on newly originated securities, before beginning to decline as the collateral ages and eventually stabilize. Collateral characteristics such as loan size, loan-to-value, and geographic location of collateral also effect loss severity.

Discount Rate

The discount rate refers to the interest rate used in the discounted cash flow analysis to determine the present value of future cash flows. The discount rate takes into account not just the time value of money, but also the risk or uncertainty of future cash flows. An increased uncertainty of future cash flows results in a higher discount rate. The discount rate used to calculate the present value of the expected future cash flows is based on the discount rate implicit in the security as of the last measurement date. As discount rates move up, the discounted cash flows are reduced.

The discount rates applied to the expected cash flows to determine fair value are derived from a range of observable prices on securities backed by similar collateral. As the market becomes more or less liquid, the availability of these observable inputs will change.

Sensitivity of Significant Inputs – Non-Agency RMBS and securitized debt, collateralized by loans held for investment

Prepayment speeds, as reflected by the CPR, vary according to interest rates, the type of financial instrument, conditions in financial markets, and other factors, none of which can be predicted with any certainty. In general, when interest rates rise, it is relatively less attractive for borrowers to refinance their mortgage loans, and as a result, prepayment speeds tend to decrease. When interest rates fall, prepayment speeds tend to increase. For RMBS investments purchased at a premium, as prepayment speeds increase, the amount of income the Company earns decreases as the purchase premium on the bonds amortizes faster than expected. Conversely, decreases in prepayment speeds result in increased income and can extend the period over which the Company amortizes the purchase premium. For RMBS investments purchased at a discount, as prepayment speeds increase, the amount of income the Company earns increases from the acceleration of the accretion of the discount into interest income.

Conversely, decreases in prepayment speeds result in decreased income as the accretion of the purchase discount into interest income occurs over a longer period.

A summary of the significant inputs used to estimate the fair value of Non-Agency RMBS held for investment at fair value as of March 31, 2019 and December 31, 2018 follows:

March 31, 2019								
Significant Inputs								
	Discount Rate		CPR		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Non-Agency RMBS								
Senior	3% -8%	4.4%	1% -17%	6.3%	0% -60%	5.4%	35% -95%	48.2%
Senior interest-only	0% -100%	10.9%	2% -27%	10.6%	0% -35%	3.5%	30% -95%	43.7%
Subordinated	4% -15%	5.6%	1% -20%	7.8%	0% -39%	2.8%	10% -70%	41.4%
Subordinated interest-only	9% -100%	12.8%	4% -22%	10.0%	0% -7%	2.8%	30% -46%	39.8%
December 31, 2018								
Significant Inputs								
	Discount Rate		CPR		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Non-Agency RMBS								
Senior	3% -8%	4.5%	1% -25%	6.7%	0% -60%	6.1%	35% -95%	48.0%
Senior interest-only	8% -100%	11.1%	3% -32%	10.9%	0% -60%	4.5%	30% -95%	44.5%
Subordinated	4% -20%	5.8%	1% -19%	7.5%	0% -34%	2.9%	10% -70%	42.5%
Subordinated interest-only	9% -100%	12.0%	4% -25%	12.8%	0% -24%	5.6%	35% -68%	41.2%

A summary of the significant inputs used to estimate the fair value of securitized debt at fair value, collateralized by loans held for investment, as of March 31, 2019 and December 31, 2018 follows:

March 31, 2019								
Significant Inputs								
	Discount Rate		CPR		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Securitized debt at fair value, collateralized by loans held for investment	0% -10%	4.1%	6% -15%	8.8%	0% -36%	1.4%	30% -70%	59.5%

	December 31, 2018							
	Significant Inputs							
	Discount Rate		CPR		CDR		Loss Severity	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Securitized debt at fair value, collateralized by loans held for investment	0% -10%	4.3%	6% - 18%	9.3%	0% - 23%	1.5%	30% - 65%	58.8%

All of the significant inputs listed have some degree of market observability, based on the Company’s knowledge of the market, information available to market participants, and use of common market data sources. Collateral default and loss severity projections are in the form of “curves” that are updated quarterly to reflect the Company’s collateral cash flow projections. Methods used to develop these projections conform to industry conventions. The Company uses assumptions it considers its best estimate of future cash flows for each security.

Sensitivity of Significant Inputs – Loans held for investment

The Loans held for investment are comprised primarily of loans collateralized by seasoned subprime residential mortgages. Additionally, it includes non-conforming, single family, owner occupied, jumbo, prime residential mortgages. The significant unobservable inputs used to estimate the fair value of the Loans held for investment collateralized by seasoned subprime residential mortgage loans, as of March 31, 2019 and December 31, 2018 include coupon, FICO score at origination, loan-to-value ratios (LTV), owner occupancy status, and property type. A summary of the significant inputs used to estimate the fair value of Loans held for investment collateralized primarily by seasoned subprime mortgages at fair value as of March 31, 2019 and December 31, 2018 follows:

	March 31, 2019	December 31, 2018
Factor:		
Coupon		
Base Rate	4.9%	5.2%
Actual	6.9%	6.9%
FICO		
Base Rate	638	638
Actual	626	626
Loan-to-value (LTV)		
Base Rate	88%	88%
Actual	88%	88%
Loan Characteristics:		
Occupancy		
Owner Occupied	90%	90%
Investor	1%	1%
Secondary	9%	9%
Property Type		
Single family	86%	86%
Manufactured housing	4%	4%
Multi-family/mixed use/other	10%	10%

The loan factors are generally not observable for the individual loans and the base rates developed by the Company's internal model are subjective and change as market conditions change. The impact of the loan coupon on the value of the loan is dependent on whether the loan is clean or reperforming. A clean loan, with no history of delinquent payments and a relatively

high loan interest rate would result in a higher overall value than a reperforming loan which has a history of delinquency. Similarly, a higher FICO score and a lower LTV ratio results in increases in the fair market value of the loan and a lower FICO score and a higher LTV ratio results in a lower value.

Property types also affect the overall loan values. Property types include single family, manufactured housing and multi-family/mixed use and other types of properties. Single family homes represent properties which house one to four family units. Manufactured homes include mobile homes and modular homes. Loan value for properties that are investor or secondary homes have a reduced value as compared to the baseline loan value. Additionally, single family homes will result in an increase to the loan value where manufactured and multi-family/mixed use and other properties will result in a decrease to the loan value, as compared to the baseline.

Financial instruments not carried at fair value

The following table presents the carrying value and fair value, as described above, of the Company's financial instruments not carried at fair value on a recurring basis at March 31, 2019 and December 31, 2018.

March 31, 2019

(dollars in thousands)

	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Repurchase agreements	2	15,323,874	15,377,158
Securitized debt, collateralized by Non-Agency RMBS	3	153,179	135,750

December 31, 2018

(dollars in thousands)

	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Repurchase agreements	2	14,030,465	14,085,164
Securitized debt, collateralized by Non-Agency RMBS	3	159,955	140,711

6. Repurchase Agreements

The interest rates of the Company's repurchase agreements are generally indexed to the one-month and three-month LIBOR rates and re-price accordingly. The repurchase agreements outstanding, weighted average borrowing rates, weighted average remaining maturities, average balances and the fair value of collateral pledged as of March 31, 2019 and December 31, 2018 were:

**March 31, December 31,
2019 2018**

Repurchase agreements outstanding secured by:
Agency MBS (in thousands)