

Risk Factors Comparison 2025-03-06 to 2024-03-07 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

The Company's business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect its business, financial condition, results of operations and ability to make distributions to stockholders and could cause the value of the Company's capital stock to decline. Please refer to the section entitled "Forward- Looking Information" – Risks Related to Our Business We may not be able to continue to generate sufficient revenue to make or sustain distributions to our stockholders. We cannot assure you that we will be able to continue to generate sufficient returns to pay our operating expenses and make satisfactory distributions to our stockholders. The results of our operations depend on several factors, including the availability of opportunities for the acquisition of target assets, the level and volatility of interest rates, the availability of adequate short and long- term financing, conditions in the financial markets and general economic conditions. Difficult conditions in the mortgage and residential real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest, and these conditions may persist for the foreseeable future. Our business is materially affected by conditions in the residential mortgage market, the residential real estate market, the financial markets and the economy in general. **In past years, concerns about global pandemics, unemployment, the availability and cost of credit, rising government debt levels, inflation, energy costs, global supply chain disruptions, climate change, global economic lethargy, warfare, geopolitical unrest across various regions worldwide, European sovereign debt issues, U. S. budget debates, federal government shutdowns, international trade disputes and the imposition of sanctions or new or increased tariffs have from time to time contributed to increased volatility and uncertainty in the economy and financial markets. Adverse developments with respect to any of these factors may have an impact on new demand for homes and on homeowners' ability to make their mortgage payments, which may compress home ownership rates and weigh heavily on future home price performance. There is a strong correlation between home price growth rates (or losses) and mortgage loan delinquencies. Any stagnation in or deterioration of the residential mortgage or real estate markets may limit our ability to acquire our target assets on attractive terms or cause us to experience losses related to our assets.** In particular, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Certain commercial banks, investment banks and insurance companies incurred extensive losses from exposure to the residential mortgage market as a result of these difficulties and conditions. These factors have impacted investor perception of the risk associated with RMBS, other real estate- related securities and various other asset classes in which we may invest. As a result, values of our target assets have experienced volatility. Deterioration of the mortgage market and investor perception of the risks associated with RMBS and other residential mortgage assets that we acquire could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. We are dependent on mortgage servicers to service the mortgage loans relating to our Servicing Related Assets, and any failure by these mortgage servicers to service the mortgage loans relating to our Servicing Related Assets could have a material and adverse effect on us. We do not directly service the mortgage loans underlying our Servicing Related Assets. Instead, we contract with third- party servicers to perform all servicing obligations. As a result, our investments in Servicing Related Assets are dependent on the entity performing the actual servicing of the mortgage loans, called the mortgage servicer, to perform its servicing obligations. As a result, we could be materially and adversely affected if a mortgage servicer is terminated by the applicable Agency. The duties and obligations of mortgage servicers are defined in part through contractual agreements, which generally provide for the possibility for termination of the mortgage servicer in the absolute discretion of the applicable Agency. In addition, the termination of a mortgage servicer could take effect across all mortgages being serviced by that mortgage servicer. We could also be materially and adversely affected if a mortgage servicer is unable to adequately service the underlying mortgage loans due to the following reasons, among others: • its failure to comply with applicable laws and regulations; • its failure to perform its loss mitigation obligations; • a downgrade in its servicer rating; • its failure to perform adequately in its external audits; • a failure in or poor performance of its operational systems or infrastructure; • a data breach and other cybersecurity incidents impacting a mortgage servicer; • regulatory or legal scrutiny, enforcement proceedings, consent orders or similar actions regarding any aspect of its operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines; or • the transfer of servicing to another party. MSRs are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on the mortgage servicer's business. If any mortgage servicer that we use actually or allegedly fails to comply with applicable laws, rules or regulations, that mortgage servicer could be exposed to fines, penalties or other costs, or the mortgage servicer could be terminated by the applicable Agency. If these laws, regulations and decisions change, we could be exposed to similar fines, penalties or costs. In addition, if a mortgage servicer that we use experiences any of the failures or regulatory scrutiny described above, then we could become subject to heightened regulatory or legal scrutiny by virtue of being a counterparty of these entities. Such scrutiny could result in our incurring meaningful additional costs or fines or being subject to governmental actions such as denial, suspension or revocation of licenses, or other material operational requirements or restrictions, each of which could adversely affect our business and results of operations. In addition, a bankruptcy by any mortgage servicer that services for us the mortgage loans underlying our Servicing Related Assets could result in: • payments made by such mortgage servicer to us, or obligations incurred by it, being voided by a court under federal or state preference laws or federal or state fraudulent conveyance laws; or • any agreement between us and the mortgage servicer being rejected in a bankruptcy proceeding. Because we do not and in the

future may not have the employees, servicing platforms, or technical resources necessary to service mortgage loans, upon a discontinuance or bankruptcy of any mortgage servicer that we use, we would need to engage an alternate mortgage servicer, which may not be readily available on acceptable terms or at all. Any of the foregoing events could have a material and adverse effect on us. Our ability to own and manage MSR is subject to terms and conditions established by the GSEs, which are subject to change. Our continued approval from the GSEs to own and manage MSR is subject to compliance with each of their respective selling and servicing guidelines, minimum capital requirements and other conditions they may impose from time to time at their discretion. Failure to meet such guidelines and conditions could result in the unilateral termination of our approved status by one or more GSEs or result in the acceleration and termination of our MSR financing facilities. In addition, the implementation of more restrictive or operationally intensive guidance may increase the costs associated with owning and managing MSR as well as our ability to finance MSR. **It is not possible to predict the scope and nature of the actions that the U. S. government could ultimately take with respect to the GSEs, including in light of recent changes in administration and executive offices of the U. S. government.** We may be subject to representation and warranty risk in our capacity as an owner of MSR and our sales of MSR and other assets. The MSR we acquire may be subject to existing representations and warranties made to the applicable investor (including, without limitation, the GSEs) regarding, among other things, the origination and prior servicing of those mortgage loans, as well as future servicing practices following our acquisition of such MSR. If such representations and warranties are inaccurate, we may be obligated to repurchase certain mortgage loans or indemnify the applicable investor for any losses suffered as a result of the origination or prior servicing of the mortgage loans. As such, the applicable investor will have direct recourse to us for such origination and / or prior servicing issues. In connection with sales of our MSR and other assets from time to time, we may have been or may be required to make representations and warranties to the purchasers of the assets regarding certain characteristics of those assets. If our representations and warranties are inaccurate, we may be obligated to repurchase the assets or indemnify the applicable purchaser, which may result in a loss. Even if we obtain representations and warranties from the parties from whom we acquired the asset, as applicable, they may not correspond with the representations and warranties we make or may otherwise not protect us from losses. Additionally, the loan originator or other parties from whom we acquired the MSR may be insolvent or otherwise unable to honor their respective indemnification or repurchase obligations for breaches of representation and warranties. The performance of loans underlying our MSR may be adversely affected by the performance of the related mortgage servicer. The performance of the loans underlying our MSR is subject to risks associated with inadequate or untimely servicing. If our mortgage servicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, poor performance by a mortgage servicer may result in greater than expected delinquencies and foreclosures and losses on the mortgage loans underlying our MSR. A substantial increase in our delinquency or foreclosure rate or the inability to process claims could adversely affect our ability to access the capital and secondary markets for our financing needs. Our ability to invest in, and dispose of, our investments in Servicing Related Assets is subject to the receipt of third- party consents. Our acquisition of Servicing Related Assets on underlying loans or securitized by an Agency requires the prior consent of that Agency. The Agencies may require that we submit ourselves to costly or burdensome conditions as a prerequisite to their consent to our investments in Servicing Related Assets. These conditions may diminish or eliminate the investment potential of certain of those assets by making such investments too expensive for us or by severely limiting the potential returns available or otherwise imposing unacceptable conditions. The potential costs, issues or restrictions associated with receiving any such Agency' s consent for any such acquisitions or dispositions by us cannot be determined with any certainty. To the extent we are unable to acquire or dispose of Servicing Related Assets when we determine it would be beneficial to do so, our results of operations may be adversely impacted. We cannot predict the impact future actions by the ~~U. S. Federal Reserve~~ (“~~Federal Reserve~~”) will have on our business, and any such actions may negatively impact us. Actions taken by the Federal Reserve, including decisions relating to changes in its federal funds rate target or the size and composition of its balance sheet (such as the purchase or sale of MBS), could have a material and adverse impact on the value of our assets, our cost of funds, the amount of our net interest income and our earnings available for distribution (“**EAD**”) and the market price of our securities. We cannot predict or control the impact future actions by the Federal Reserve will have on the overall economy or on our business. Accordingly, future actions by the Federal Reserve could have a material and adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders. The value of our Servicing Related Assets may vary substantially with changes in interest rates. The values of Servicing Related Assets are highly sensitive to changes in interest rates. The value of Servicing Related Assets typically increases when interest rates rise and decreases when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. Subject to qualifying and maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent we do not utilize derivatives to hedge against changes in the fair value of our Servicing Related Assets, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, those assets as interest rates change. If delinquencies on mortgage loans increase, the value of our Servicing Related Assets may decline significantly. Delinquency rates have a significant impact on the value of our Servicing Related Assets. An increase in delinquencies on the mortgage loans underlying the Servicing Related Assets will generally result in lower **net** revenue because, typically, servicers will only collect servicing fees from GSEs or mortgage owners for performing loans. Our expectation of delinquencies is a significant assumption underlying the cash flow projections on the related pools of mortgage loans. If delinquencies are significantly greater than expected, the actual fair value of the Servicing Related Assets could be diminished. As a result, we could suffer a loss. Prepayment rates can change, adversely affecting the performance of our assets. The frequency at which prepayments

(including voluntary prepayments by borrowers, loan buyouts and liquidations due to defaults and foreclosures) occur on mortgage loans is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Generally, borrowers tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. If borrowers prepay their mortgage loans at rates that are faster or slower than expected, it may adversely affect our results. We record our Servicing Related Assets on our balance sheet at fair value, and changes in their fair value are reflected in our consolidated results of operations. The determination of the fair value of Servicing Related Assets requires our management to make numerous estimates and assumptions that could materially differ from actual results. Such estimates and assumptions include, among other things, prepayment rates, as well as estimates of the future cash flows from the Servicing Related Assets, interest rates, delinquencies and foreclosure rates of the underlying mortgage loans. The ultimate realization of the value of the Servicing Related Assets, which are measured at fair value on a recurring basis, may be materially different than the fair values of such assets as may be reflected in our consolidated financial statements as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets. Our failure to make accurate assumptions regarding prepayment rates or the other factors examined in determining fair value could cause the fair value of our Servicing Related Assets to vary materially, which could have a material adverse effect on our financial position, results of operations and cash flows. If the fair value of our Servicing Related Assets decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from the Servicing Related Assets, and we could ultimately receive substantially less than what we paid for such assets. Prepayment rates also affect the fair values of our RMBS. Voluntary prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict as changes may occur faster or slower than changes in the market interest rates. Prepayments can also occur when borrowers sell the property and use the sale proceeds to prepay the mortgage as part of a physical relocation or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. Fannie Mae and Freddie Mac will generally purchase mortgages that are 120 days or more delinquent from **MBS mortgage-backed securities** trusts when the cost of guaranteed payments to security holders, including advances of interest at the security coupon rate, exceeds the cost of holding the nonperforming loans in their portfolios. Changes in the GSEs' decisions as to when to repurchase delinquent loans can materially impact prepayment rates. Interest rate mismatches between our assets and any borrowings used to fund purchases of our assets may reduce our income during periods of changing interest rates. Some of our assets will be fixed-rate securities or have a fixed rate component (such as RMBS backed by hybrid ARMs). This means that the interest we earn on these assets will not vary over time based upon changes in a short-term interest rate index. Although the interest we would earn on any RMBS backed by ARMs generally will adjust for changing interest rates, such interest rate adjustments may not occur as quickly as the interest rate adjustments to any related borrowings, and such interest rate adjustments will generally be subject to interest rate caps, which potentially could cause such RMBS to acquire many of the characteristics of fixed-rate securities if interest rates were to rise above the cap levels. We generally fund our fixed-rate target assets with short-term borrowings. Therefore, there will be an interest rate mismatch between our assets and liabilities. Although we hedge to minimize interest rate exposure, the use of interest rate hedges also introduces the risk of other interest rate mismatches and exposures. During periods of changing interest rates, these mismatches could materially and adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. Ordinarily, short-term interest rates are lower than long-term interest rates. If short-term interest rates rise disproportionately relative to long-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because we expect that our investments in RMBS, on average, will bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income and the market value of our assets. Additionally, to the extent cash flows from RMBS are reinvested in new RMBS, the spread between the yields of the new RMBS and available borrowing rates may decline, which could reduce our net interest margin or result in losses. Any one of the foregoing outcomes could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders. It is also possible that short-term interest rates may exceed long-term interest rates, in which event our borrowing costs may exceed our interest income and we could incur losses. Interest rate caps on the ARMs and hybrid ARMs that may back our RMBS may reduce our net interest margin during periods of rising interest rates. ARMs and hybrid ARMs are typically subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase through the maturity of the loan. We generally fund our RMBS with borrowings that typically are not subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, our financing costs could increase without limitation while caps could limit the interest we earn on the ARMs and hybrid ARMs that will back our RMBS. This problem is magnified for ARMs and hybrid ARMs that are not fully indexed because such periodic interest rate caps prevent the coupon on the security from fully reaching the specified rate in one reset. Further, some ARMs and hybrid ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we may receive less cash income on RMBS backed by ARMs and hybrid ARMs than necessary to pay interest on our related borrowings. Interest rate caps on RMBS backed by ARMs and hybrid ARMs could reduce our net interest margin if interest rates were to increase beyond the level of the caps, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders. **We rely** ~~Our Manager relies~~ on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. These models are based on assumptions and actual results may differ significantly from the modeled expectations. **We rely** ~~Our Manager relies~~ on analytical models and information and data, including models, information and data supplied by third parties. These models and

data may be used to value assets or potential asset acquisitions and dispositions and to conduct our asset management activities. If these models and data prove to be incorrect, misleading or incomplete, **or if the models are poorly designed, implemented, managed or misused, including in the choice of relevant historical data or assumptions,** any decisions made in reliance thereon could expose us to potential risks. ~~In addition, Our use of~~ models ~~are only as accurate as the assumptions that go into building the models. Our Manager's use of models and data on our behalf~~ ~~it us~~ may induce ~~it us~~ to purchase certain assets at prices that are too high, sell certain other assets at prices that are too low or miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models and data may prove to be unsuccessful. Some models, such as prepayment models or mortgage default models, may be predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses. In addition, the predictive models ~~we used-~~ ~~use by our Manager on our behalf~~ may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data, and, in the case of predicting performance in scenarios with little or no historical precedent (such as extreme broad-based declines in home prices, or deep economic recessions or depressions), such models must employ greater degrees of extrapolation, and are therefore more speculative and of more limited reliability. All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics or whose values are particularly sensitive to various factors. If our market data inputs are incorrect or our model prices differ substantially from market prices, our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected. Valuations of some of our assets will be inherently uncertain, may be based on estimates, may fluctuate over short periods of time and may differ from the values that would have been used if a ready market for these assets existed. While in many cases our determination of the fair value of our assets is based on valuations provided by third-party dealers and pricing services, we value assets based upon our judgment, and such valuations may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or unreliable. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. In the past, the valuation process for certain of our assets ~~was~~ ~~has been~~ particularly difficult due to market events resulting from the COVID-19 pandemic. **. As a result,** the valuation of such assets was unpredictable, and the disparity of valuations provided to by third-party dealers ~~has~~ widened. We expect these factors and others that are beyond our control to continue having an impact on the valuation process for certain of our assets. Our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected if our fair value determinations of these assets are materially higher than actual market values. An increase in interest rates may cause a decrease in the volume of certain of our target assets, which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to make distributions to our stockholders. Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of target assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to make distributions to our stockholders could be materially adversely affected. We are highly dependent on information systems and third parties, and systems failures or cybersecurity incidents could disrupt our business. Our business is highly dependent on information technology. In the ordinary course of our business, we may store sensitive data, including our proprietary business information and that of our business partners, and personally identifiable information of mortgage borrowers, on our networks. The secure maintenance and transmission of this information is critical to our operations. Computer malware, viruses, ransomware and phishing attacks remain widespread and are increasingly sophisticated. We are from time to time the target of attempted cyber threats. We continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Despite these security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations, or disruption to our trading activities or damage our reputation, which could have a material adverse effect on our financial results and negatively affect the market price of our securities and our ability to make distributions to stockholders. The resources required to protect our information technology and infrastructure, and to comply with the laws and regulations related to data and privacy protection, are subject to uncertainty. Even in circumstances where we are able to successfully protect such technology and infrastructure from attacks, we may incur significant expenses in connection with our responses to such attacks. Government and regulatory scrutiny of the measures taken by companies to protect against cybersecurity attacks has resulted in heightened cybersecurity requirements and additional regulatory oversight. Any of the foregoing may adversely impact our results of operations and financial condition. In addition, in connection with our ownership of Servicing Related Assets, we possess personally identifiable information that is shared with third-party service providers, including our mortgage servicers, as required or permitted by law. In the event the information technology networks and infrastructure of our third-party service providers, including our mortgage servicers, is breached, we may be liable for losses suffered by individuals whose personal information is

stolen as a result of such breach and any such liability could be material. Even if we are not liable for such losses, any breach of these third- party systems could expose us to material costs related to notifying affected individuals or other parties and providing credit monitoring services, as well as to regulatory fines or penalties. The lack of liquidity of our assets may adversely affect our business, including our ability to sell our assets. Mortgage- related assets generally experience periods of illiquidity, including the period of delinquencies and defaults with respect to residential and commercial mortgage loans during the financial crisis. In addition, validating third- party pricing for illiquid assets may be more subjective than with respect to more liquid assets. Any illiquidity of our assets makes it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously recorded our assets. Assets that are illiquid are more difficult to finance, and to the extent that we use leverage to finance assets that become illiquid we may lose that leverage or have it reduced. Assets tend to become less liquid during times of financial stress, which is often the time that liquidity is most needed. As a result, our ability to sell assets or vary our portfolio in response to changes in economic and other conditions may be limited by liquidity constraints, which could adversely affect our results of operations and financial condition. We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable. A sudden, precipitous drop in value of our financed assets could quickly and seriously reduce our available cash due to margin calls. We use leverage to finance our investments in certain of our target assets and to enhance our financial returns. Our primary source of leverage is short- term borrowings under master repurchase agreements collateralized by our RMBS assets (“repo financing”). Other sources of leverage include MSR financings and, in the future, may include other credit facilities. Through the use of leverage, we acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. Although we generally are not required to maintain any particular minimum or maximum target debt- to- equity leverage ratio with respect to our RMBS assets, the amount of leverage we may employ for this asset class will depend upon the availability of particular types of financing and our **Manager management**'s assessment of the credit, liquidity, price volatility, financing counterparty risk and other factors. Our **Manager management** has discretion, without the need for further approval by our board of directors, to change the amount of leverage we utilize for our RMBS. A change in our leverage strategy may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Decisions to employ additional leverage in executing our RMBS investment strategies could increase the risk inherent in our RMBS acquisition strategy. Although we do not have a targeted debt- to- equity ratio for our RMBS, we are subject to margin calls as a result of our repo financing activity. We use leverage for the primary purpose of financing our RMBS portfolio and not for the purpose of speculating on changes in interest rates. We are restricted in the amount of leverage we may employ by the terms and provisions of some of our financing agreements and the terms of agreements that we may enter into in the future may include limits on leverage. Our ability to achieve our investment and leverage objectives depends on our ability to borrow money in sufficient amounts and on favorable terms. In particular, our ability to build a significant servicing portfolio is dependent on obtaining sufficient financing on attractive terms. In addition, we must be able to renew or replace our maturing borrowings on a continuous basis. In recent years, investors and financial institutions that lend in the securities repurchase market have tightened lending standards in response to the difficulties and changed economic conditions that have materially adversely affected the RMBS market. These market disruptions have been most pronounced in the non- Agency RMBS market, but the impact has also extended to Agency RMBS, which has made the value of these assets unstable and relatively illiquid compared to prior periods. **More recently For example**, at the beginning of the COVID- 19 pandemic **in 2020**, the repo financing market experienced a severe liquidity issue resulting in the infusion of additional liquidity by the **U. S. Federal Reserve**. Similar market disruptions and liquidity issues in the future would increase our financing costs and reduce our liquidity. In addition, because we rely on short- term financing, we are exposed to changes in the availability of financing which may make it more difficult for us to secure continued financing. Leverage magnifies both the gains and the losses of our positions. Leverage increases our returns as long as we earn a greater return on investments purchased with borrowed funds than our cost of borrowing such funds. However, if we use leverage to acquire an asset and the value of the asset decreases, the leverage may increase our loss. Even if the asset increases in value, if the asset fails to earn a return that equals or exceeds our cost of borrowing, the leverage will decrease our returns. We are required to post large amounts of cash as collateral or margin to secure our leveraged RMBS positions. In the event of a sudden, precipitous drop in value of our financed assets, we might not be able to liquidate assets quickly enough to repay our borrowings, further magnifying losses. Even a small decrease in the value of a leveraged asset may require us to post additional margin or cash collateral. Our debt service payments and posting of margin or cash collateral will reduce cash flow available for distribution to stockholders. We may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to sale to satisfy our debt obligations. To the extent we might be compelled to liquidate qualifying real estate assets to meet margin calls or otherwise repay debts, our compliance with the REIT rules regarding our assets and our sources of income could be negatively affected, which could jeopardize our qualification as a REIT. Failing to qualify as a REIT would cause us to be subject to U. S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distributions to stockholders. Adverse market developments generally will cause our lenders to require us to pledge cash as additional collateral. If our assets were insufficient to meet these collateral requirements, we might be compelled to liquidate particular assets at inopportune times and at unfavorable prices. Adverse market developments, including a sharp or prolonged rise in interest rates, a change in prepayment rates or increasing market concern about the value or liquidity of one or more types of our target assets, might reduce the market value of our portfolio, which generally will cause our lenders to initiate margin calls. A margin call means that the lender requires us to pledge cash as additional collateral to re- establish the ratio of the value of the collateral to the amount of the borrowing. If we are unable to satisfy margin calls, our lenders may foreclose on

our collateral. The liquidation of collateral may jeopardize our ability to qualify as a REIT. Our failure to qualify as a REIT would cause us to be subject to U. S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distribution to our stockholders. Our use of repurchase transactions gives our lenders greater rights in the event that we file for bankruptcy, which may make it difficult for us to recover our collateral in the event of a bankruptcy filing. Our borrowings under master repurchase agreements are intended to qualify for special treatment under the bankruptcy code, giving our lenders the ability to void the automatic stay provisions of the bankruptcy code and take possession of and liquidate collateral pledged in our repurchase transactions without delay if we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that any of our lenders files for bankruptcy. Thus, the use of repurchase transactions exposes our pledged assets to risk in the event of a bankruptcy filing by either our lenders or us. Any resulting loss of our pledged assets could have a material adverse effect on our business, financial condition and results of operations. If our lenders default on their obligations to resell the RMBS back to us at the end of the repurchase transaction term, the value of the RMBS has declined by the end of the repurchase transaction term or we default on our obligations under the repurchase transaction, we will lose money on these transactions. Any such losses may materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders. When we engage in a repurchase transaction, we initially sell securities to the financial institution in exchange for cash, and our counterparty is obligated to resell the securities to us at the end of the term of the transaction, which is typically from 30 to 180 days, but which may be up to 364 days or more. The cash we receive when we initially sell the securities is less than the value of those securities. This difference is referred to as the haircut. If these haircuts are increased, we will be required to post additional cash collateral for our RMBS. If our counterparty defaults on its obligation to resell the securities to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for information regarding borrowings under the Company’s repurchase agreements. If we default on one of our obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with us. Such a default also would constitute a default under many of our financing agreements with other counterparties. In that case, there is no assurance we would be able to establish a suitable replacement facility on acceptable terms or at all. Hedging against interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. Subject to maintaining our qualification as a REIT and applicable exceptions from the definition of “investment company” under the Investment Company Act (as applicable) and satisfying the criteria for **an exemption** ~~no-action relief~~ from the CFTC’s commodity pool operator registration rules, we pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity varies in scope based on the level and volatility of interest rates, the types of liabilities and assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things: • interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates; • available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought; • the duration of the hedge may not match the duration of the related assets or liabilities being hedged; • to the extent hedging transactions do not satisfy certain provisions of the Code, and are not made through a TRS, the amount of income that a REIT may earn from hedging transactions to offset interest rate losses is limited by U. S. federal tax provisions governing REITs; • the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments or “mark- to- market losses” would reduce our total stockholders’ equity; • the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and • the hedging counterparty owing money in the hedging transaction may default on its obligation to pay. Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders. We may change our investment strategy, investment guidelines and asset allocation without notice or stockholder consent, which may result in riskier investments. In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders. Our board of directors has the authority to change our investment strategy or asset allocation at any time without notice to or consent from our stockholders. To the extent that our investment strategy changes in the future, we may make investments that are different from, and possibly riskier than, the investments described in this Annual Report on Form 10- K and the other documents we file with the SEC from time to time. A change in our investments may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Furthermore, a change in our asset allocation could result in our allocating assets in a different manner than as described in this Annual Report on Form 10- K. In addition, our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. These changes could adversely affect our financial condition, results of operations, the market value of our common or preferred stock, and our ability to make distributions to our stockholders. We operate in a highly competitive market. Our profitability depends, in large part, on our ability to acquire targeted assets at favorable prices. We compete with a number of entities when acquiring our targeted assets, including other mortgage REITs, financial companies, public and private funds, commercial and investment banks and residential and commercial finance companies. We may also compete with the ~~U. S.~~ Federal Reserve and the U. S. Treasury to the extent they purchase assets in our targeted asset classes. Many of our competitors are substantially larger and have considerably greater access to capital and other resources than we do. Furthermore, new companies with significant amounts of capital have recently been formed or have raised additional capital and may continue to be formed and raise additional capital in the future, and these companies may have objectives that overlap with

ours, which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire and establish more relationships than us. We also may have different operating constraints from those of our competitors including, among others, (i) tax-driven constraints such as those arising from our qualification as a REIT, (ii) restraints imposed on us by our efforts to comply with certain exceptions from (otherwise avoid falling within) the definitions of an “investment company” under the Investment Company Act and (iii) restraints and additional costs arising from our status as a public company. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. **We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations. We operate in a highly regulated environment and are subject to the rules, regulations, approvals, licensing, reporting and examination requirements of various federal, state and local authorities. Any change in applicable federal, state or local laws, rules and regulations, including as a result of executive orders, or the interpretation or enforcement thereof, could have a substantial impact on our assets, operating expenses, business strategies and results of operations. Our inability or failure to comply with the rules, regulations or reporting requirements, to obtain or maintain approvals and licenses applicable to our businesses, or to satisfy annual or periodic examinations may impact our ability to do business and expose us to fines, penalties or other claims and, as a result, could harm our business.** Our ability to make distributions to our stockholders depends on our operating results, our financial condition and other factors, and we may not be able to make regular cash distributions at a fixed rate or at all under certain circumstances. We intend to continue to distribute to our stockholders all or substantially all of our REIT taxable income in each year (subject to certain adjustments) and may distribute more than our REIT taxable income. This distribution policy enables us to avoid being subject to U. S. federal income tax on our taxable income that we distribute to our stockholders. However, our ability to make distributions will depend on our earnings, applicable law, our financial condition and such other factors as our board of directors may deem relevant from time to time. We will declare and make distributions to our stockholders only to the extent approved by our board of directors. We face possible risks associated with the effects of climate change and severe weather. To the extent that climate change impacts changes in weather patterns, assets in which we hold a direct or indirect interest could experience severe weather, including hurricanes, severe winter storms, wildfires and flooding due to increases in storm intensity and rising sea levels, among other effects that could impact house prices and housing-related costs and / or disrupt borrowers’ ability to pay their mortgage. Moreover, long term climate change could trigger extreme weather conditions that result in macroeconomic and demographic shifts. Over time, these conditions could result in repricing of the assets that we hold. There can be no assurance that climate change and severe weather will not have a material adverse effect on our financial performance. Increasing attention to ESG matters may impact our business. Increasing attention to, and social expectations on businesses to address, climate change and other environmental and social impacts, alongside investor and societal explanations regarding voluntary ESG disclosures, may result in increased costs in order for us to comply and decreased access to capital. Moreover, increasing attention to climate change and its associated risks may also lead to the expectation of voluntary ESG disclosures from our industry, which may cause a reduction in the production or origination of certain of our targeted assets or changes that make the returns on these assets less attractive and could negatively impact our portfolio and our results of operations, financial condition and our ability to pay dividends to our stockholders. Additionally, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative sentiment toward us or the assets in which we invest and to the diversion of investments more in line with environmental sustainability, which could have a negative impact on our access to and costs of capital. **Risks Related to Our Relationship with our Manager** We are dependent on our Manager and certain key personnel that are provided to us through our Manager and may not find a suitable replacement if our Manager terminates or elects not to renew the management agreement or such key personnel are no longer available to us. We do not have any employees of our own other than three leased employees of our licensed mortgage servicing subsidiary, Aurora. We are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices **policies and procedures may not be effective. We have established and maintain various risk management policies and procedures designed to identify, monitor and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk and liquidity risk, as well as operational, information security and compliance risks related to our business, assets and liabilities. These departure policies and procedures may not sufficiently identify all of the risks to which we are or may become exposed or mitigate the risks we have identified. Any expansion of our business activities may result in our being exposed to risks to which we have not previously been exposed or may increase our exposure to certain types of risks. Alternatively, any narrowing of our senior officers’ business activities may increase the concentration of our exposure to certain types of risk. Any failure to effectively identify and mitigate the risks to which we are exposed could have a material adverse effect on our business, results of operations and financial condition. The development and use of AI technology could lead to legal or regulatory actions, harm our reputation, or have a significant negative impact on our business. We anticipate that the increasing adoption of AI will heavily influence customer preferences and market trends in our industry. Our ability to achieve effectively and ethically adopt AI solutions may be important to our objectives financial performance and long-term growth. However, we may be unable to keep up with the rapid advancements and widespread adoption of AI by competitors, potentially affecting our business and financial outcomes. AI introduces risks, challenges and unintended consequences that may influence both our and our customers’ willingness to adopt and utilize this technology. For**

instance, AI algorithms and machine learning methods may contain flaws, raising ethical and legal concerns, such as unintentional bias in credit decisions. Additionally, the complexity and fast-paced evolution of AI present significant challenges, especially as we compete with other companies in this space. We may not offer assurance that always succeed in identifying our or Manager will remain resolving problems before they emerge. AI-related challenges, including potential government regulations, flaws, our or manager other deficiencies, could expose us to further risks.

Risks Related to the Termination of our Management Agreement with CHMM We are subject to the risk that our Manager may terminate or elect not to renew the management agreement or that we may deem it necessary to terminate or elect not to renew the management agreement or that our Manager may prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us. If our management agreement is terminated or not renewed and no suitable replacement is found to manage us or we are unable to find a suitable replacement on a timely basis, we may not be able to continue to fully realize the expected benefits of our transition to a self-managed company or business strategy. No assurances can be given that our Manager will act in our best interests with respect to the allocation of personnel, services and resources to our business. The failure of any of the key personnel provided to us through our Manager to service our business with the requisite time and dedication could materially and adversely affect our ability to realize execute our business strategy. The management fee payable to our Manager is payable regardless of the performance of our portfolio, which may reduce our Manager's incentive to devote the time and effort to seeking profitable opportunities for our portfolio. We pay our Manager a management fee, which may be substantial, based on our stockholders' equity (as defined in the management agreement) regardless of the performance of our portfolio. The management fee takes into account the net issuance proceeds of both common and preferred stock offerings, as well as issuances of equity securities by our Operating Partnership. Our Manager's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and materially adversely affect our business, financial condition and results of operations. Our investment guidelines are very broad, and our board of directors will not approve each decision to acquire, dispose of, or otherwise manage an asset. Our Manager is authorized to follow very broad guidelines in pursuing our strategy. Our board of directors will periodically review our portfolio and asset management decisions. However, it generally will not review all of our proposed acquisitions, dispositions and other management decisions. In addition, in conducting periodic reviews, our board of directors will rely primarily on information provided to it by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within the broad guidelines in determining the types of assets it may decide are proper for us to acquire and other decisions with respect to the management of those assets subject to our maintaining our qualification as a REIT. Poor decisions could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders. There will be conflicts of interest in our relationships with our Manager and Freedom Mortgage, which could result in decisions that are not in the best interests of our stockholders. Our Manager is a Delaware limited liability company established by Mr. Middleman. The Manager is a party to the Services Agreement with the Services Provider, which is wholly owned and controlled by Mr. Middleman. The Manager is owned by a "blind trust" for the benefit of Mr. Middleman. We are dependent on our Manager for our day-to-day management and operations. In turn, the Manager is dependent on the performance of Freedom Mortgage under the services agreement. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates by virtue of this relationship. The ability of our Manager's officers and personnel, with the exception of any officers that are dedicated to us, to engage in other business activities may reduce the time our Manager and certain of its officers and personnel spend managing us. We may choose not to enforce, or to enforce less vigorously, our rights under our management agreement or our rights as a third party beneficiary to the Services Agreement between our Manager and Freedom Mortgage because of our desire to maintain ongoing relationships with our Manager and Freedom Mortgage. Freedom Mortgage invests in Servicing Related Assets, prime loans or other residential mortgage assets, and there are situations where we compete with Freedom Mortgage or its affiliates for opportunities to acquire Servicing Related Assets or other residential mortgage assets. Freedom Mortgage is a separate and distinct company with its own business interests and will be under no obligation to maintain its current business strategy. Freedom Mortgage will be under no obligation to offer Servicing Related Assets or any other residential mortgage assets to us, and Freedom Mortgage may offer those assets to third parties without offering such benefits assets to us. In addition, there may take longer be conflicts of interest inherent in our relationship with Freedom Mortgage through our Manager to the extent Freedom Mortgage or our Manager invests in or creates new vehicles to invest in assets in which we may invest or whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Members of our board of directors may serve as officers and/or directors of these other entities, provided that we maintain a majority of independent directors in accordance with the rules of the NYSE. In addition, in the future, our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than anticipated. On November 14, 2024, their -- the economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles. Our management agreement with CHMM terminated and we thereafter became a self-managed company. We believe our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that the termination of the invest in investments that meet our investment objectives, except that under our management agreement neither, the elimination of the quarterly management fee payment and the transition to a self-management structure will result in material benefits to our Manager nor stockholders, including substantial cost savings, the potential for enhanced returns on future capital growth, the elimination of conflicts of interest and strengthened alignment of interests between management and stockholders, and the potential to attract new

institutional investors. Our ability to fully and timely realize the anticipated benefits of this transition is subject to various risks. Certain risks that may adversely impact the process include: any entity-controlled adverse impacts resulting from litigation with CHMM related to the termination of the management agreement; unforeseen or higher than anticipated expenses following the transition; and other unforeseen developments resulting from the change in our management structure. The failure to manage the transition process efficiently and effectively could result in the anticipated benefits of the transition not being realized in the timeframe currently anticipated or at all. Following our internalization, we are responsible for functions previously performed by or our external manager, which may result in additional costs, including, among other things, expenses related to hiring and retaining employees, compensation and benefits, and other operational and administrative costs. We are also subject to potential liabilities commonly faced by employers, such as workers' compensation claims, labor disputes, and other employee-related matters. If the ongoing costs of operating as an internally managed company exceed the expenses we previously incurred under common control with our Manager is permitted to raise or our external management structure sponsor any new pooled investment vehicle whose investment policies, guidelines or our financial condition plans target as its primary investment category investments in Excess MSR. The ability of our Manager and its officers and employees results of operations could be adversely affected. Potential legal matters related to engage in other-- the termination business activities, subject to the terms of our the management agreement with CHMM could adversely affect our business, results of operations, and our financial condition. As of the date of filing this Annual Report on Form 10-K, no litigation relating to our termination of the management agreement without payment of a termination fee is pending. While we are not aware of any plans by CHMM, our former external Manager manager, to file a complaint against us relating to may reduce the amount of time our Manager, its officers or our termination of the management agreement, it is possible that CHMM could file a complaint against us alleging, among other employees spend managing things, breach of contract. Our board of directors believes that we complied with the terms of the management agreement and that any complaint filed by CHMM would be without merit. However, the results of litigation are inherently uncertain and we are unable to predict the outcome of any litigation relating to termination of the management agreement if it is commenced by CHMM or by us. In addition, we may engage (subject to our investment guidelines) in material transactions with Freedom Mortgage, its affiliates or our Manager, including, but not limited to, certain financing arrangements, co-investments in, or purchases of, MSRs or other assets, that present an actual, potential or perceived conflict of interest. It is possible that a court actual, potential or perceived conflicts could find that we breached the management agreement give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and any damages difficult, and our or reputation costs and fees that may be awarded to CHMM could be damaged if significant. While we fail, or appear would dispute and intend to fail vigorously defend against any claims made by CHMM that we breached the terms of the management agreement, to deal appropriately it is possible that the results of any potential litigation with CHMM one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our common or preferred securities and a resulting increased risk of litigation and regulatory enforcement actions. The management agreement with our Manager was not negotiated on an arm's length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate. The management agreement with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated on an arm's length basis with an unrelated third party. Various potential and actual conflicts of interest may arise from the activities of Freedom Mortgage and its affiliates. Termination of our management agreement without cause or an election not to renew the term of the management agreement will result results of operations, in a significant termination fee payable by us unless the management agreement is terminated or not renewed in connection with an and internalization event (as defined in the management agreement). The termination fee, if one is payable, will increase the effective cost to us of terminating or our electing not to renew the management agreement, thereby adversely affecting our ability to terminate our Manager without cause. Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow the Manager's advice or recommendations. Under the terms of the management agreement, our Manager, Freedom Mortgage, and their respective affiliates and each of their officers, directors, trustees, members, stockholders, partners, managers, Investment Committee members, employees, agents, successors and assigns, will not be liable to us for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of their duties under the management agreement. In addition, we will indemnify our Manager, Freedom Mortgage, and their respective affiliates and each of their officers, directors, trustees, members, stockholders, partners, managers, Investment Committee members, employees, agents, successors and assigns, with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement. If our Manager ceases to be our Manager pursuant to the management agreement, our lenders and our derivative counterparties may cease doing business with us. If our Manager ceases to be our external manager without the consent of certain of our counterparties, it would constitute an event of default or early termination event under the applicable financing or hedging environment, upon which those counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our external manager for any reason, including upon the non-renewal of the management agreement between us and our Manager, and we are unable to obtain financing or enter into or maintain derivative transactions, our business, financial condition and results of operations and

~~our ability to make distributions to our stockholders may be materially adversely affected.~~ Risks Related to Our Organizational Structure Maintenance. **Structure Maintenance** of certain exceptions from (or otherwise not falling within) the definitions of “investment company” under the Investment Company Act imposes significant limitations on our operations. We intend to continue to conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act. This limits the types of businesses in which we may engage and the assets we may hold and the manner in which we hold them. Certain of our subsidiaries rely on the exception provided by Section 3 (c) (5) (C) under the Investment Company Act which is designed for entities primarily engaged in the business of “purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” This exception generally requires that at least 55 % of the entity’s assets consist of qualifying real estate interests and at least 80 % of the entity’s assets consist of qualifying real estate interests or real estate-related assets (with no more than 20 % in miscellaneous assets). These requirements limit the types of assets those subsidiaries can own and the timing of sales and purchases of those assets. To classify the assets held by our subsidiaries as qualifying real estate interests or real estate-related assets, we seek to rely on no-action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate interests or real estate-related assets, will not change in a manner that adversely affects our operations. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our investment company status, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we intend to monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exception from registration. Any of the foregoing could require us to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common or preferred stock, the sustainability of our business model and our ability to make distributions. The ownership limits in our charter may discourage a takeover or business combination that may have benefited our stockholders. To assist us in qualifying as a REIT, among other purposes, our charter generally limits, unless waived by our board of directors, the beneficial or constructive ownership of any class of our stock by any person, other than ~~Mr. Middleman~~ **any excepted holder with an excepted holder limit (each as defined in our charter)**, to no more than 9.0 % in value or the number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. This and other restrictions on ownership and transfer of our shares of stock contained in our charter may discourage a change of control of us and may deter individuals or entities from making tender offers for our common stock on terms that might be financially attractive to you or which may cause a change in our management. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease your ability to sell our common stock because they make purchases of our common stock less attractive. Our stockholders’ ability to control our operations is severely limited. Our board of directors approves our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other strategies without a vote of our stockholders. Certain provisions of Maryland law could inhibit a change in our control. Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including: • “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10 % or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10 % or more of the voting power of our then-outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder, and thereafter require two supermajority stockholder votes to approve any such combination; and • “control share” provisions that provide that a holder of “control shares” of the Company (defined as voting shares of stock which, when aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), entitle the acquiror to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares,” subject to certain exceptions) generally has no voting rights with respect to the control shares except to the extent approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares. We have elected to opt-out of these provisions of the MGCL, in the case of the business combination provisions, by resolution of our board of directors exempting any business combination between us and any other person (provided that such business combination is first approved by our board of directors, including a majority of our directors who are not affiliates or associates of such person), and, in the case of the control share provisions, pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to repeal the foregoing opt-out from the business combination provisions of the MGCL, and we may, by amendment to our bylaws, opt-in to the control share provisions of the MGCL in the future. Our authorized but unissued common and preferred stock may prevent a change in our control. Our charter authorizes us to issue additional authorized but unissued common stock and preferred stock without stockholder approval. In addition, our board of directors may, without stockholder approval, (i) amend our charter to increase or decrease the aggregate number of our shares of stock or the number of shares of any class or series of stock that we have authority to issue, (ii) classify or reclassify any unissued common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our board may establish a class or series of

common stock or preferred stock that could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders. Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interest. Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action. In addition, our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law, and our bylaws require us to indemnify our present and former directors and officers, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us as a director or officer in those and other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former directors and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our stockholders may have more limited rights against our present and former directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies, which could limit your recourse in the event of actions not in your best interests. Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management. Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for “ cause ” (as defined in our charter), and then only by the affirmative vote of at least two- thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum, for the full term of the directorship in which the vacancy occurred (other than vacancies among any directors elected by the holder or holders of any class or series of preferred stock, if such right exists). These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in our control that is in the best interests of our stockholders.

Risks Related to Our Common Stock The ~~Stock The~~ **Stock The** market price and trading volume of our common stock may be volatile. The market price of our common stock may be highly volatile and subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. The stock market has experienced price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies’ operating performances. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations, which could lead to a material decline in the market price of our common stock. If the market price of our common stock declines significantly, you may be unable to resell your shares at a gain. Further, fluctuations in the trading price of our common stock may adversely affect the liquidity of the trading market for our common stock and, in the event that we seek to raise capital through future equity financings, our ability to raise such equity capital. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include: • the uncertainty and economic impact of global pandemics, including the COVID-19 pandemic and the resulting impact on market liquidity, the value of assets and availability of financing; • actual or anticipated variations in our quarterly operating results; • increases in market interest rates that lead purchasers of our common stock to demand a higher yield or to seek alternative investments; • changes in market valuations of similar companies; • adverse market reaction to any increased indebtedness we incur in the future; • additions or departures of key personnel; • actions by stockholders; • speculation in the press or investment community; • general market, economic and political conditions and the impact of these conditions on the global credit markets; • the operating performance of other similar companies; • changes in accounting principles; and • passage of legislation, changes in monetary policy or other regulatory developments that adversely affect us or our industry. Future sales of our common stock or securities convertible into **or exercisable as exchangeable for** our common stock could cause the market value of our common stock to decline and could result in dilution of your shares. Sales of substantial amounts of shares of our common stock or securities convertible into **or exercisable as exchangeable for** our common stock could cause the market price of our common stock to decrease significantly. We cannot predict the effect, if any, of future sales of our common stock or securities convertible into **or exercisable as exchangeable for** our common stock, or the availability of shares of our common stock for future sales, on the value of our common stock. Sales of substantial amounts of shares of our common stock or securities convertible into our common stock, or the perception that such sales could occur, may adversely affect prevailing market values for our common stock. Future offerings of debt securities, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which would dilute the common stock holdings of our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock. In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium- term notes, senior or subordinated notes and classes of preferred stock or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Our preferred stock could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or

estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us. We have not established a minimum distribution payment level with respect to our common stock, and we cannot assure you of our ability to make distributions in the future. We expect to make regular distributions to holders of our common stock and preferred stock in amounts such that we distribute all or substantially all of our REIT taxable income in each year. We have not established a minimum distribution payment level with respect to our common stock, and our ability to make distributions may be adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10-K. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification, applicable law and other factors as our board of directors may deem relevant from time to time. No assurance can be given that the level of any distributions we make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common stock. In addition, some of our distributions may include a return of capital, which would reduce the amount of capital available to operate our business. Distributions that we make to our stockholders will generally be taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for U. S. federal income tax purposes. A return of capital is not taxable, but has the effect of reducing the tax basis of a stockholder's investment in our common stock.

Risks Related to Our Preferred Stock

Our 8.20% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") and our 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock") ranks junior to our existing and future indebtedness and will rank junior to any other class or series of stock we may issue in the future with terms specifically providing that such stock ranks senior to the Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up ("Senior Stock"), and your interests could be diluted by the issuance of additional shares of preferred stock and by other transactions. Our Preferred Stock ranks junior to all of our existing and future indebtedness and any Senior Stock we may issue in the future and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. In the event of our bankruptcy, liquidation or dissolution or the winding-up of our affairs, our assets will be available to pay obligations on our Preferred Stock only after all of our indebtedness and other liabilities have been paid. In addition, our Preferred Stock would effectively rank junior to all indebtedness and other liabilities of any existing or future subsidiaries. Such subsidiaries are or would be separate legal entities and have or will have no legal obligation to pay any amounts to us in respect of dividends due on our Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of our Preferred Stock then outstanding. We may in the future incur substantial amounts of debt and other obligations that will rank senior to our Preferred Stock. Our charter currently authorizes the issuance of up to 100,000,000 shares of preferred stock in one or more classes or series. As of December 31, 2023, we have 4,781,635 shares of preferred stock outstanding, including 2,781,635 shares of Series A Preferred Stock and 2,000,000 shares of Series B Preferred Stock. Subject to limitations prescribed by Maryland law and our charter, our board of directors is authorized to issue, from our authorized but unissued shares of stock, preferred stock in such classes or series as our board of directors may determine and to establish from time to time the number of shares of preferred stock to be included in any such class or series. The issuance of additional shares of either series of Preferred Stock or any class or series of stock we may issue in the future with terms specifically providing that such stock ranks on parity with our Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up ("Parity Stock") would dilute the interests of the holders of our Preferred Stock, and the issuance of any Senior Stock or the incurrence of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Preferred Stock. Other than the limited conversion rights afforded to holders of our Preferred Stock that may become exercisable in connection with certain changes of control, none of the provisions relating to our Preferred Stock contain any terms relating to or limiting our indebtedness or affording the holders of our Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets, so long as the rights of the holders of our Preferred Stock are not materially and adversely affected. In December 2023, our Board authorized a repurchase program for the Preferred Stock that authorizes us to repurchase up to an aggregate of \$50 million in shares of our Preferred Stock. The manner, price, number and timing of share repurchases pursuant to the \$50 million Preferred Stock repurchase program is subject to a variety of factors, including market conditions and applicable SEC rules, and the authorization does not have an expiration date and repurchases may be commenced or suspended at any time without prior notice. The Preferred Stock has not been rated. We have not sought to obtain a rating for our Preferred Stock, and the Preferred Stock may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to either series of our Preferred Stock or that we may elect to obtain a rating of one or both series of our Preferred Stock in the future. Furthermore, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to our Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Preferred Stock. Ratings only reflect the views of the issuing rating agency or agencies, and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. Further, a rating is not a recommendation to purchase, sell or hold any particular security, including our Preferred Stock. In addition, ratings do not reflect market prices or suitability of a security for a particular investor, and any future rating of our Preferred Stock may not reflect all risks related to the Company and its business, or the structure or market value of our Preferred Stock. We may not be able to pay dividends or other distributions on the Preferred Stock. Under Maryland law, no distributions on stock may be made if, after giving effect to

the distribution, (i) the corporation would not be able to pay the indebtedness of the corporation as such indebtedness becomes due in the usual course of business or (ii) except in certain limited circumstances when distributions are made from net earnings, the corporation's total assets would be less than the sum of the corporation's total liabilities plus, unless the charter provides otherwise (which our charter does, with respect to our Preferred Stock), the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. There can be no guarantee that we will have sufficient cash to pay dividends on our Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this Annual Report on Form 10-K were to occur. In addition, our ability to pay dividends depends upon our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our Preferred Stock and on our common stock, to pay our indebtedness or to fund our other liquidity needs. Holders of our Preferred Stock may not be able to exercise conversion rights upon a change of control. If exercisable, the change of control conversion rights applicable to our Preferred Stock may not adequately compensate holders of our Preferred Stock. These change of control conversion rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us. Upon the occurrence of certain changes of control, each holder of our Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined below), we have provided notice of our election to redeem some or all of the shares of Preferred Stock held by such holder, in which case such holder will have the right only with respect to shares of Preferred Stock that are not called for redemption) to convert some or all of such holder's Preferred Stock into shares of our common stock (or, under specified circumstances, certain alternative consideration). Notwithstanding that we could not have redeemed our Series A Preferred Stock prior to August 17, 2022 and cannot redeem our Series B Preferred Stock prior to April 15, 2024, we have a special optional redemption right to redeem our Preferred Stock in the event of certain changes of control, and holders of our Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the date the Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide notice to the holders of Preferred Stock (the "Change of Control Conversion Date"). We did not redeem any Series A Preferred Stock during the year ended December 31, 2023. If we do not elect to redeem the Preferred Stock prior to the Change of Control Conversion Date, then upon an exercise of the conversion rights provided to the holders of our Preferred Stock, the holders of Preferred Stock will be limited to a maximum number of shares of our common stock (or, if applicable, certain alternative conversion consideration) which may result in a holder receiving shares of common stock (or alternative conversion consideration, as applicable) with a value that is less than the liquidation preference of our Preferred Stock. In addition, the change of control conversion feature of the Preferred Stock may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change of control transaction under circumstances that otherwise could provide the holders of Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that stockholders may otherwise believe is in their best interests. Our charter, including the articles supplementary designating the Preferred Stock, contains restrictions upon transfer and ownership of our stock, which may impair the ability of holders to acquire the Preferred Stock or convert Preferred Stock into our common stock. Our charter, including the articles supplementary designating each series of our Preferred Stock, contains restrictions on transfer and ownership of our stock intended to, among other purposes, assist us in maintaining our qualification as a REIT for U. S. federal income tax purposes. Our charter provides that generally no person, other than certain exempted holders, may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. No holder of our Preferred Stock will be entitled to convert such stock into our common stock to the extent that receipt of shares of our common stock would cause the holder to exceed any of the limitations on ownership and transfer contained in our charter. In addition, these restrictions could have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of our Preferred Stock. Holders of our Preferred Stock have limited voting rights. Our common stock is the only class of our securities that carries full voting rights. Holders of our Preferred Stock may vote only (i) to elect two additional directors to our board of directors in the event that six full quarterly dividends (whether or not consecutive) payable on the applicable series of Preferred Stock are in arrears, (ii) on amendments to our charter, including the articles supplementary designating the applicable series of Preferred Stock, that materially and adversely affect the rights of the holders of that series of Preferred Stock or (iii) to authorize, increase or create additional classes or series of Senior Stock. Other than these limited circumstances, holders of our Preferred Stock generally do not have any voting rights. The market price of our Preferred Stock could be substantially affected by various factors. The market price of our Preferred Stock will depend on many factors, which may change from time to time, including: • prevailing interest rates, increases in which may have an adverse effect on the market price of the Preferred Stock; • trading prices of common and preferred equity securities issued by REITs and other similar companies; • the annual yield from distributions on the Preferred Stock as compared to yields on other financial instruments; • general economic and financial market conditions; • government action or regulation; • our financial condition, performance and prospects and those of our competitors; • changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry; • our issuance of additional preferred equity securities or the incurrence of debt; and • actual or anticipated variations in our quarterly operating results and those of our competitors. As a result of these and other factors, holders of our Preferred Stock may experience a decrease, which could be substantial and rapid, in the market price of the Preferred Stock, including decreases unrelated to our operating performance or prospects. Future offerings of debt or equity securities may adversely affect the market price of our Preferred Stock. Future issuances and sales of Parity Stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for either series of

our Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. If we decide to issue debt or Senior Stock in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants or other provisions that will restrict our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Preferred Stock and may result in dilution to owners of our Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Preferred Stock bear the risk of our future offerings reducing the market price of our Preferred Stock and diluting the value of their holdings in us. If our common stock is delisted, the ability to transfer or sell shares of our Preferred Stock may be limited and the market value of our Preferred Stock will likely be materially adversely affected. Other than in connection with certain changes of control, our Preferred Stock does not contain provisions that are intended to protect holders of our Preferred Stock if our common stock is delisted from the NYSE. Since our Preferred Stock has no stated maturity date, holders of our Preferred Stock may be forced to hold their shares of Preferred Stock and receive stated dividends on the Preferred Stock when, as and if authorized by our board of directors and declared and paid by us with no assurance as to ever receiving the liquidation value thereof. In addition, if our common stock is delisted from the NYSE, it is likely that our Preferred Stock will be delisted from the NYSE as well. Accordingly, if our common stock is delisted from the NYSE, the ability to transfer or sell shares of our Preferred Stock may be limited and the market value of our Preferred Stock will likely be materially adversely affected. The discontinuance of U. S. dollar LIBOR might adversely affect the value of investments in the Series B Preferred Stock. All tenors of U. S. dollar LIBOR (“USD LIBOR”) ceased publication immediately after June 30, 2023. Holders of the Series B Preferred Stock should be aware that the dividend rate on the Series B Preferred Stock will be determined for the relevant period by the fallback provisions applicable to such stock. From and including April 15, 2024 (the “floating rate period”), and because USD LIBOR has ceased publication, under the terms of the Series B Preferred Stock, we will appoint a calculation agent and the calculation agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to USD LIBOR. If, after such consultation, the calculation agent determines that there is an industry accepted substitute or successor base rate, the calculation agent shall use such substitute or successor base rate. In such case, the calculation agent in its sole discretion may also implement other technical changes to the Series B Preferred Stock in a manner that is consistent with industry accepted practices for such substitute or successor base rate. It is currently anticipated that the successor rate to be chosen by the calculation agent during the floating rate period will be 3-month CME Term SOFR plus a tenor spread adjustment of 0.26161%. CME Term SOFR is an indicative, forward-looking measurement of the daily overnight secured overnight financing rate (“SOFR”). CME Term SOFR is published by CME Group Inc. The selection of a successor rate, and any decisions, determinations or elections made by us or the calculation agent in connection with implementing a successor rate with respect to the Series B Preferred Stock in accordance with its terms during the floating rate period, could result in adverse consequences to the applicable dividend rate on the Series B Preferred Stock, which could adversely affect the return on, value of and market for the Series B Preferred Stock. Further, there is no assurance that the characteristics of any successor rate will be similar to USD LIBOR, or that any successor rate will produce the economic equivalent of USD LIBOR. Potential conflicts of interest in connection with replacing USD LIBOR. During the floating rate period, the calculation agent will make certain determinations in its own discretion, as described above and in the terms of the Series B Preferred Stock, in connection with choosing and implementing a replacement dividend rate. These determinations do not require the consent of the holders and, once made, may negatively affect the value of the Series B Preferred Stock and will be conclusive and binding on the holders of the Series B Preferred Stock. The composition and characteristics of CME Term SOFR are not the same as were those of USD LIBOR and there is no guarantee that CME Term SOFR is a comparable substitute for USD LIBOR. The composition and characteristics of CME Term SOFR are not the same as were those of USD LIBOR. CME Term SOFR is derived from daily SOFR, which is a broad U. S. Treasury repo financing rate that represents overnight secured funding transactions. This means that CME Term SOFR is fundamentally different from USD LIBOR for two key reasons. Daily SOFR is a secured rate, while USD LIBOR was an unsecured rate. As a result, there can be no assurance that CME Term SOFR will perform in the same way as USD LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For example, since publication of daily SOFR began in April 2018, daily changes in daily SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates. Because daily SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, we have no control over its determination, calculation or publication. There can be no guarantee that daily SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of the Series B Preferred Stock. During the floating rate period, under the terms of the Series B Preferred Stock, we will appoint a calculation agent and the calculation agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to USD LIBOR. If, after such consultation, the calculation agent determines that there is an industry accepted substitute or successor base rate, the calculation agent shall use such substitute or successor base rate. It is currently anticipated that the successor rate to be chosen by the calculation agent for dividend periods during the floating rate period will be 3-month CME Term SOFR plus a tenor spread adjustment of 0.26161 percent, and we assume that the successor rate will be CME Term SOFR for purposes of the following discussion. CME Term SOFR is an indicative, forward-looking measurement of daily SOFR, published by CME Group Inc. In the following discussion of daily SOFR, when we refer to SOFR-linked securities, we mean the Series B Preferred Stock from and including April 15, 2024, and when we refer to “SOFR,” we mean daily SOFR. SOFR is published by the Federal Reserve Bank of New York (“FRBNY”) and is intended to be a broad measure of the cost of

borrowing cash overnight collateralized by Treasury securities. FRBNY reports that SOFR includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement (“repo”) transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the “FICC”), a subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). SOFR is filtered by FRBNY to remove a portion of the foregoing transactions considered to be “specials”. According to FRBNY, “specials” are repos for specific-issue collateral which take place at cash-lending rates below those for general collateral repos because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security. FRBNY reports that SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon, which currently acts as the clearing bank for the tri-party repo market, as well as General Collateral Finance Repo transaction data and data on bilateral Treasury repo transactions cleared through the FICC’s delivery-versus-payment service. FRBNY notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. FRBNY publishes SOFR daily on its website at <https://apps.newyorkfed.org/markets/autorates/sofr>. FRBNY states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Because SOFR is published by FRBNY based on data received from other sources, we have no control over its determination, calculation or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SOFR-linked securities. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of dividends payable on SOFR-linked securities, which may adversely affect the trading prices of SOFR-linked securities. If SOFR were to be discontinued or the rate of calculation were to be changed, there can be no assurance that CME Term SOFR would not be negatively affected. If the rate at which dividends accrue on the Series B Preferred Stock on any day or for any dividend period during the floating rate period declines to zero or becomes negative, no dividends will accrue on the Series B Preferred Stock with respect to that day or dividend period. FRBNY started publishing SOFR in April 2018. FRBNY has also started publishing historical indicative SOFRs dating back to 2014, although such historical indicative data inherently involves assumptions, estimates and approximations. Holders of the Series B Preferred Stock should not rely on such historical indicative data or on any historical changes or trends in SOFR as an indicator of the future performance of SOFR or CME Term SOFR. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR during the floating rate period may bear little or no relation to the historical actual or historical indicative data. In addition, the return on and value of SOFR-linked securities may fluctuate more than floating rate preferred stock that is linked to less volatile rates. An established trading market for the SOFR-linked securities may never develop or may not be very liquid. Market terms for preferred stock that is linked to SOFR may evolve over time, and as a result, trading prices of SOFR-linked securities may be lower than those of later-issued preferred stock that is linked to SOFR. Similarly, if SOFR does not prove to be widely used in SOFR-linked securities that are similar or comparable to the Series B Preferred Stock, the trading price of the SOFR-linked securities may be lower than those of preferred stock that is linked to rates that are more widely used. Investors in the SOFR-linked securities may not be able to sell the SOFR-linked securities at all or may not be able to sell the SOFR-linked securities at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Risks Related to U. S. Federal Income Tax Our Tax Our failure to qualify as a REIT would subject us to U. S. federal, state and local income taxes, which could adversely affect the value of our common stock and would substantially reduce the cash available for distribution to our stockholders. We operate in a manner that is intended to cause us to qualify as a REIT for U. S. federal income tax purposes. However, the U. S. federal income tax laws governing REITs are complex, and interpretations of the U. S. federal income tax laws governing qualification as a REIT are limited. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U. S. federal income tax laws. Although we intend to operate so that we continue to qualify as a REIT, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of the investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements. If we fail to qualify as a REIT in any calendar year, and do not qualify for certain statutory relief provisions, we would be required to pay U. S. federal income tax (and any applicable state and local taxes), on our taxable income at the corporate rate, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to qualify or maintain our qualification as a REIT, we no longer would be required under U. S. federal tax laws to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under U. S. federal tax laws, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify. Complying with REIT requirements may cause us to forego or liquidate otherwise attractive investments. To qualify as a REIT, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. In order to meet these tests, we may be required to forego investments we might otherwise make. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. In addition, we may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our investment performance. Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our stockholders. To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90 % of our REIT taxable income (including certain

items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90 % distribution requirement, but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax on our undistributed income. In addition, we will incur a 4 % nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than the sum of:

- 85 % of our REIT ordinary income for that year;
- 95 % of our REIT capital gain net income for that year; and
- any undistributed taxable income from prior years.

We intend to distribute our taxable income to our stockholders in a manner intended to satisfy the 90 % distribution requirement and to avoid both corporate income tax and the 4 % nondeductible excise tax. However, there is no requirement that TRSs distribute their after-tax net income to their parent REIT or its stockholders. Our taxable income may substantially exceed our net income as determined based on GAAP, because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. To the extent that we generate such non-cash taxable income in a taxable year, we may incur corporate income tax and the 4 % nondeductible excise tax on that income if we do not distribute such income to stockholders in that year. In that event, we may be required to use cash reserves, incur debt, sell assets, make taxable distributions of our shares or debt securities or liquidate non-cash assets at rates or at times that we regard as unfavorable to satisfy the distribution requirement and to avoid corporate income tax and the 4 % nondeductible excise tax in that year. We may satisfy the 90 % distribution test with taxable distributions of our stock or debt securities. The IRS has issued Revenue Procedure 2017-45 authorizing elective cash / stock dividends to be made by publicly held REITs (i. e., REITs that are required to file annual and periodic reports with the SEC under the Exchange Act). Pursuant to Revenue Procedure 2017-45, the IRS will treat the distribution of stock pursuant to an elective cash / stock dividend as a distribution of property under Section 301 of the Code (i. e., a dividend), as long as at least 20 % of the total dividend is available in cash and certain other parameters detailed in the Revenue Procedure are satisfied. We have paid dividends in our own stock in the past and may pay dividends in our own stock in the future. If in the future we choose to pay dividends in our own stock, our stockholders may be required to pay tax in excess of the cash that they receive. Despite qualification as a REIT, we may face other tax liabilities that reduce our cash flows. Despite qualification as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, Solutions, Aurora and any other TRSs we form will be subject to regular corporate U. S. federal, state and local taxes. Any of these taxes would decrease cash available for distributions to our stockholders. We may lose our REIT qualification or be subject to a penalty tax if the U. S. Internal Revenue Service, or IRS, successfully challenges our characterization of our investments in Excess MSR. We have created, and may create in the future, Excess MSR from the MSR held by Aurora. The IRS has issued two private letter rulings to other REITs concluding that Excess MSR are qualifying assets for purposes of the 75 % asset test and produce qualifying income for purposes of the 75 % gross income test. Any income that is qualifying income for the 75 % gross income test is also qualifying income for the 95 % gross income test. A private letter ruling may be relied upon only by the taxpayer to whom it is issued, and the IRS may revoke a private letter ruling. Based on these private letter rulings and other IRS guidance regarding excess mortgage servicing fees, we generally intend to treat our investments in Excess MSR as qualifying assets for purposes of the 75 % asset test and as producing qualifying income for purposes of the 95 % and 75 % gross income tests. However, we have not sought, and we do not intend to seek, our own private letter ruling. Thus, it is possible that the IRS could successfully take the position that our Excess MSR are not qualifying assets or do not produce qualifying income, presumably by recharacterizing Excess MSR as an interest in servicing compensation, in which case we may fail one or more of the income and asset requirements for REIT qualification. If we failed one of those tests, we would either be required to pay a penalty tax, which could be material, to maintain REIT status, or we would fail to qualify as a REIT. The failure of RMBS subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to qualify as a REIT. We have entered into repurchase agreements under which we nominally sell certain of our RMBS to a counterparty and simultaneously agree to repurchase the sold assets. We believe that, for U. S. federal income tax purposes, these transactions will be treated as secured debt and we will be treated as the owner of the RMBS that are the subject of any such repurchase agreement notwithstanding that such agreements may transfer record ownership of such assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we do not own the RMBS during the term of the repurchase agreement, in which case we could fail to qualify as a REIT. Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests. We may utilize TBAs as a means of investing in and financing Agency RMBS. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U. S. Government securities for purposes of the 75 % asset test or the qualification of gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75 % gross income test, we treat our TBAs as qualifying assets for purposes of the REIT asset tests, and we treat income and gains from our TBAs as qualifying income for purposes of the 75 % gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of real estate assets, and (ii) any gain recognized by us in connection with the settlement of our TBAs should be treated as qualifying income for purposes of the 75 % REIT gross income test. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a

REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. Complying with REIT requirements may limit our ability to hedge effectively. The REIT provisions of the Code substantially limit our ability to hedge. Our aggregate gross income from non-qualifying hedges, fees, and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to U. S. federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate changes or other changes than we would otherwise want to bear. Our ownership of and relationship with **Solutions, Aurora** **our TRSs (** and any future TRSs that we **may** form) will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax. A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay U. S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, if a TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate level tax liability. Further, the REIT rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Our ownership limitation may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their common stock. In order for us to qualify as a REIT for each taxable year, no more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to help us qualify as a REIT, among other purposes, our charter generally prohibits any person, other than Mr. Middleman, from beneficially or constructively owning more than 9.0% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock. The ownership limitation and other restrictions could have the effect of discouraging a takeover or other transaction in which holders of shares of our common stock might receive a premium for their common stock over the then-prevailing market price or which holders might believe to be otherwise in their best interests. Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to "qualified dividend income" payable to U. S. stockholders that are taxed at individual rates is 20% (plus the 3.8% surtax on net investment income, if applicable). Dividends payable by REITs, however, are generally not eligible for the reduced rates on qualified dividend income. However, REIT dividends constitute "qualified business income" and thus a 20% deduction is available to individual taxpayers with respect to such dividends, resulting in a 29.6% maximum federal tax rate (plus the 3.8% surtax on net investment income, if applicable) for individual U. S. stockholders. Unless Congress takes action, the 20% deduction applicable to REIT dividends will expire on January 1, 2026. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our stock. We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock. At any time, the U. S. federal income tax laws or regulations governing REITs or the taxation of REIT stockholders or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U. S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U. S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U. S. federal income tax law, regulation or administrative interpretation. Our recognition of "phantom" income may reduce a stockholder's after-tax return on an investment in our common stock. We may recognize taxable income in excess of our economic income, or "phantom income", in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. As a result, stockholders at times may be required to pay U. S. federal income tax on distributions that economically represent a return of capital rather than a dividend. These distributions would be offset in later years by distributions representing economic income that would be treated as returns of capital for U. S. federal income tax purposes. Taking into account the time value of money, this acceleration of U. S. federal income tax liabilities may reduce a stockholder's after-tax return on his or her investment to an amount less than the after-tax return on an investment with an identical before-tax rate of return that did not generate phantom income. **Future revisions in the U. S. federal tax laws and interpretations thereof may affect or cause us to change our investments and commitments, and affect the tax considerations of an investment in us. Any such revisions could have an adverse effect on an investment in our securities or on the market value or the resale potential of our assets. Shareholders are urged to consult with their tax advisor with respect to the impact of such revisions on their investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U. S. federal income tax purposes as a corporation.** Liquidation of our assets may jeopardize our REIT qualification. To maintain our qualification as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our assets to repay obligations to our lenders or for other reasons, we may be unable to comply with these requirements, thereby jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as

inventory or property held primarily for sale to customers in the ordinary course of business. Our qualification as a REIT and exemption from U. S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U. S. federal income tax purposes, the value of such securities, and also to what extent those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce income that qualifies under the 75 % gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our ability to qualify as a REIT and result in significant corporate- level tax.

Item 1B. Unresolved Staff ~~Comments~~ **None** ~~Comments~~ Item 1C. Cybersecurity ~~The Company's information security program is designed to protect the security, confidentiality, integrity and availability of the Company's sensitive and personal information and client information. Employing a risk-based approach, the program systematically identifies, assesses and implements safeguards that seek to mitigate cybersecurity threats and secure the Company's information assets, including those of our sub-servicers. The program is informed by the National Institute of Standards and Technology Cybersecurity Framework and is shaped by the legal requirements derived from authoritative sources such as the Gramm-Leach-Bliley Act and its implementing regulations and guidelines, as well as Freddie Mac's mandates from the office of Federal Housing Enterprise Oversight. Additionally, the program is guided by relevant state laws and regulations. Periodically, the Company, as it reasonably deems necessary, will identify and categorize potential cybersecurity threats and vulnerabilities, determine acceptable risk tolerance for each such threat and vulnerability and implement adequate mitigation controls. At the senior executive level, the Chief Financial Officer ("CFO") is entrusted with the day-to-day oversight of the program's development, implementation, and maintenance. To help facilitate Company-wide compliance with the plan, the Company, as well as its subservicers, provide ongoing training to the appropriate employees. The CFO is responsible for ensuring that the board of directors comprehends the Company's risk profile and receives periodic updates on the program and its policies. Our current CFO is Michael Hutchby. Mr. Hutchby has a B. A. in Economics from The Johns Hopkins University and an M. B. A. from the Stern School of Business at New York University. Mr. Hutchby was appointed the Company's CFO, Treasurer and Secretary in June 2019 and previously served as the Company's Controller from October 2013 to June 2019. As mentioned above, the CFO is responsible for the initial assessment and management of potential incidents. Furthermore, the Company has established a response plan that serves as the foundation for addressing unauthorized cybersecurity occurrences from both a technical and regulatory perspective. The Cybersecurity Response Team ("CRT"), comprised of the CFO, Manager of Information Technology ("MIT") and other personnel, as each may designate, are responsible for leading all incident management and response activities. The MIT assumes a crucial role in overseeing and managing the technical facets of the CRT while the CFO provides strategic direction and decision-making, facilitating communication with other members of senior management, and disseminating pertinent information to the board of directors. In conjunction with the aforementioned plans, the Company conducts an annual business impact analysis to identify the critical business functions that are required by the Company to sustain business operations and potential impacts to the Company if any those critical functions are disrupted. Deriving from the analysis, the Company maintains a business continuity and disaster recovery plan to coordinate business recovery to resume any disrupted critical business operations. In the event of a critical cybersecurity business disruption, the President of the Company may activate the business continuity plan to implement risk-based strategies devised to maintain business continuity against distributed denial of service attacks or malware. To date, no risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the Company. Please refer to "Item 1A. Risk Factors—Risks Related to Our Business—We are highly dependent on information systems and third parties, and systems failures or cybersecurity incidents could disrupt our business".~~ Item 2. Properties Our business is operated from space provided through our Manager located at 1451 Route 34, Suite 303, Farmingdale, New Jersey 07727, telephone (877) 870-7005, and 1270 Avenue of the Americas, Suite 920, New York, New York 10020, telephone (877) 870-7005. Item 3. Legal Proceedings From time to time, the Company may be involved in various claims and legal actions in the ordinary course of business. As of December 31, 2023, the Company is not aware of any material legal or regulatory claims or proceedings. Item 4. Mine Safety Disclosures Not applicable. PART III Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Market Information Our common stock has been listed and traded on the NYSE under the symbol "CHMI" since October 4, 2013. Prior to October 4, 2013, our common stock was not listed on any exchange or over-the-counter market. Holders As of March 7, 2024, we had six holders of record of our common stock. The six holders of record include Cede & Co., which holds shares as nominee for The Depository Trust Company, which itself holds shares on behalf of the beneficial owners of our common stock. Such information was obtained from our registrar and transfer agent. Dividends U. S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common and preferred stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U. S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions, or, with respect to our common stock, we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We will make distributions only upon the authorization of our board of directors. The amount, timing and frequency of distributions will be authorized by our board of directors based upon a variety of factors,

including: • actual results of operations; • our level of retained cash flows; • our ability to make additional investments in our target assets; • restrictions under Maryland law; • the terms of our preferred stock; • any debt service requirements; • our taxable income; • the annual distribution requirements under the REIT provisions of the Code; and • other factors that our board of directors may deem relevant. Our ability to make distributions to our stockholders will depend upon the performance of our investment portfolio, and, in turn, upon our Manager’s management of our business. Distributions will be made quarterly in cash to the extent that cash is available for distribution. We may not be able to generate sufficient cash available for distribution to pay distributions to our stockholders. In addition, our board of directors may change our distribution policy with respect to our common stock in the future. No assurance can be given that we will be able to make any other distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time. We make distributions based on a number of factors, including an estimate of taxable earnings. Dividends distributed and taxable income will typically differ from GAAP earnings due to items such as fair value adjustments, differences in premium amortization and discount accretion, and nondeductible general and administrative expenses. Our common dividend per share may be substantially different than our taxable earnings and GAAP earnings per share. The following table sets forth the dividends declared on our common stock during each calendar quarter for 2023 and 2022:

Declaration Date	Record Date	Payment Date	Amount per Share
Fourth Quarter 12/8/2023	12/29/2023	1/31/2024	\$ 0.15
Third Quarter 9/14/2023	9/29/2023	10/31/2023	\$ 0.15
Second Quarter 6/15/2023	6/30/2023	7/31/2023	\$ 0.15
First Quarter 3/16/2023	3/31/2023	4/25/2023	\$ 0.27
Fourth Quarter 12/16/2022	12/30/2022	1/31/2023	\$ 0.27
Third Quarter 9/15/2022	9/30/2022	10/25/2022	\$ 0.27
Second Quarter 6/17/2022	6/30/2022	7/26/2022	\$ 0.27
First Quarter 3/11/2022	3/31/2022	4/26/2022	\$ 0.27

Stockholder Return Performance The following graph is a comparison of the cumulative total stockholder return on our common stock, the S & P 500 Index, the Russell 2000 Index and the S & P U. S. BMI Mortgage REITs Index, a peer group index, from December 31, 2018 to December 31, 2023. The graph assumes that \$ 100 was invested on December 31, 2017 in our common stock, the S & P 500 Index, the Russell 2000 Index and the S & P U. S. BMI Mortgage REITs Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our common stock will continue in line with the same or similar trends depicted in the graph below:

Date	Cherry Hill Mortgage Investment Corporation	Russell 2000	S & P U. S. BMI Mortgage REITs (A)	S & P 500
December 31, 2019	\$ 93.27	\$ 67.61	\$ 68.70	\$ 57.29
December 31, 2020	\$ 46.48	\$ 125.52	\$ 150.58	\$ 172.90
December 31, 2021	\$ 137.56	\$ 160.85	\$ 119.61	\$ 94.68
December 31, 2022	\$ 200.37	\$ 164.08	\$ 108.65	\$ 80.83
December 29, 2023	\$ 164.08	\$ 207.21	\$ 93.30	\$ 131.49

Source: S & P Capital IQ Pro (A) In addition to the Company, as of December 31, 2023, the S & P U. S. BMI Mortgage REITs Index comprised the following companies: AFC Gamma Inc., AG Mortgage Investment Trust, Inc., AGNC Investment Corp., Angel Oak Mortgage, Inc., Apollo Commercial Real Estate Finance, Inc., Arbor Realty Trust, Inc., Ares Commercial RE Corporation, Arlington Asset Invt Corp., ARMOUR Residential REIT, Inc., Blackstone Mortgage Trust, Inc., BrightSpire Capital, Inc., Broadmark Realty Capital Inc., Chimera Investment Corporation, Claros Mortgage Trust, Inc., Dynex Capital, Inc., Ellington Financial Inc., Ellington Residential Mortgage REIT, Franklin BSP Realty Trust, Inc., Granite Point Mortgage Trust, Inc., Great Ajax Corp., Hannon Armstrong Sustainable Infrastructure Capital, Inc., Invesco Mortgage Capital Inc., KKR Real Estate Finance Trust Inc., Ladder Capital Corp, Lument Finance Trust, Inc., MFA Financial, Inc., New York Mortgage Trust, Inc., NexPoint Real Estate Finance, Inc., Orchid Island Capital, Inc., PennyMae Mortgage Investment Trust, Ready Capital Corporation, Redwood Trust, Inc., Rithm Capital Corp., Sachem Capital Corp., Seven Hills Realty Trust, Starwood Property Trust, Inc., TPG RE Finance Trust, Inc. and Western Asset Mortgage Capital Corporation.

Securities Authorized For Issuance Under Equity Compensation Plans During 2013, the board of directors approved and the Company adopted the Cherry Hill Mortgage Investment Corporation 2013 Equity Incentive Plan (the “2013 Plan”). The 2013 Plan, which expired by its terms in October 2023, provided for the grant of options to purchase shares of the Company’s common stock, stock awards, stock appreciation rights (“SARs”), performance units, incentive awards and other equity-based awards, including long term incentive plan units (“LTIP-OP Units”) of the Operating Partnership. In April 2023, the Company’s board of directors adopted the Cherry Hill Mortgage Investment Corporation 2023 Equity Incentive Plan (the “2023 Plan”). In June 2023, at the Company’s annual meeting of stockholders, the 2023 Plan was approved. The 2023 Plan, which expires by its term in April 2033, permits the Company to provide equity-based compensation in the form of options to purchase shares of the Company’s common stock, stock awards, SARs, performance units, incentive awards and other equity-based awards (including LTIP-OP Units). Each LTIP-OP Unit awarded is deemed equivalent to an award of one **None** share of our common stock under the 2023 Plan and reduces the 2023 Plan’s share authorization for other awards on a one-for-one basis. The 2023 Plan replaced the 2013 Plan upon the 2023 Plan’s approval by stockholders and no further awards will be made by the Company under the 2013 Plan. Currently outstanding awards granted under the 2013 Plan will remain effective in accordance with their terms. The following table presents information with respect to the Company’s equity compensation plans as of December 31, 2023:

Equity Incentive Plan Information	As of December 31, 2023	Number of Securities Issued or to be Issued Upon Exercise	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved By Shareholders	2,788,165	LTIP-OP Units 552,097	Forfeited LTIP-OP Units (5,832)
Converted LTIP-OP Units	(44,795)	Redeemed LTIP-OP Units (9,054)	Shares of Common Stock 220,256
Forfeited Shares of Common Stock	(3,155)		

Equity Compensation Plans Not Approved By Shareholders LTIP-OP Units are a special class of partnership interest in the Operating Partnership. LTIP-OP Units may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. Initially, LTIP-OP Units do not have full parity with the Operating Partnership’s common units of limited partnership interest (“OP Units”) with respect to liquidating distributions; however, LTIP-OP Units receive, whether vested or not, the same per-unit distributions as OP Units and are allocated their pro-rata share of the Operating Partnership’s net income or loss. Under the terms of the LTIP-OP Units, the Operating Partnership will revalue its assets upon the occurrence of certain specified events, and any increase in the Operating Partnership’s valuation

from the time of grant of the LTIP-OP Units until such event will be allocated first to the holders of LTIP-OP Units to equalize the capital accounts of such holders with the capital accounts of the holders of OP Units. Upon equalization of the capital accounts of the holders of LTIP-OP Units with the other holders of OP Units, the LTIP-OP Units will achieve full parity with OP Units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP-OP Units may be converted into an equal number of OP Units at any time and, thereafter, enjoy all the rights of OP Units, including redemption rights.

Item 6. Reserved

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the accompanying notes included in “Item 8. Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. All currency amounts are presented in thousands, except per share amounts or as otherwise noted.

General

We are a public residential real estate finance company focused on acquiring, investing in and managing residential mortgage assets in the United States. We were incorporated in Maryland on October 31, 2012, and we commenced operations on or about October 9, 2013 following the completion of our initial public offering and a concurrent private placement. Our common stock, our Series A Preferred Stock and our Series B Preferred Stock are listed and traded on the NYSE under the symbols “CHMI”, “CHMI-PRA” and “CHMI-PRB”, respectively. We are externally managed by our Manager, Cherry Hill Mortgage Management, LLC, an SEC-registered investment adviser. Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long term, primarily through dividend distributions and secondarily through capital appreciation. We attempt to attain this objective by selectively constructing and actively managing a portfolio of Servicing Related Assets and RMBS and, subject to market conditions, other cash flowing residential mortgage assets. We are subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, the risks normally associated with changes in the general economic climate, changes in the mortgage market, changes in tax laws, interest rate levels, and the availability of financing. We elected to be taxed as a REIT for U. S. federal income tax purposes commencing with our short taxable year ended December 31, 2013. We operate so as to continue to qualify to be taxed as a REIT. Our asset acquisition strategy focuses on acquiring a diversified portfolio of residential mortgage assets that balances the risk and reward opportunities our Manager observes in the marketplace. Aurora has or is in the process of obtaining the licenses necessary to invest in MSRs on a nationwide basis and is an approved seller/servicer for Fannie Mae and Freddie Mac. In addition to Servicing Related Assets, we invest in RMBS, primarily those backed by 30-, 20- and 15- year fixed rate mortgages that offer what we believe to be favorable prepayment and duration characteristics. Our RMBS consist solely of Agency RMBS on which the payments of principal and interest are guaranteed by an Agency. In the past, we have invested in Agency CMOs consisting of interest only securities (“IOs”) as well as non-Agency RMBS and may do so in the future subject to market conditions and availability of capital. We finance our RMBS with an amount of leverage, that varies from time to time depending on the particular characteristics of our portfolio, the availability of financing and market conditions. We do not have a targeted leverage ratio for our RMBS. Our borrowings for RMBS consist of short-term borrowings under master repurchase agreements. Subject to maintaining our qualification as a REIT, we utilize derivative financial instruments (or hedging instruments) to hedge our exposure to potential interest rate mismatches between the interest we earn on our assets and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives include, where desirable, locking in, on a long-term basis, a spread between the yield on our assets and the cost of our financing in an effort to improve returns to our stockholders. We also seek to operate our business in a manner that does not require us to register as an investment company under the Investment Company Act. We conduct substantially all of our operations and own substantially all of our assets through our Operating Partnership. We are the sole general partner of our Operating Partnership. As of December 31, 2023, we owned 98.1% of our Operating Partnership. Our Operating Partnership, in turn, owns all of the outstanding common stock of CHMI Sub-REIT, Inc. (the “Sub-REIT”). The Sub-REIT has elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 2020. From time to time, we may issue and sell shares of our common stock or preferred stock, including additional shares of our Series A Preferred Stock or Series B Preferred Stock. See “Item 8. Consolidated Financial Statements and Supplementary Data — Note 6. Equity and Earnings per Common Share — Common and Preferred Stock”. The Company has an at-the-market offering program for its common stock (the “Common Stock ATM Program”) pursuant to which it may offer and sell through one or more sales agents, up to \$100.0 million in shares of its common stock at prices prevailing at the time, subject to volume and other regulatory limitations. As of December 31, 2023, approximately \$4.8 million was remaining pursuant to the Common Stock ATM Program. During the year ended December 31, 2023, the Company issued and sold 6,470,004 shares of common stock under the Common Stock ATM Program. The shares were sold at a weighted average price of \$4.87 per share for aggregate gross proceeds of approximately \$31.5 million before fees of approximately \$631,000. During the year ended December 31, 2022, the Company issued and sold 5,212,841 shares of common stock pursuant to the Common Stock ATM Program. The shares were sold at a weighted average price of \$6.50 per share for aggregate gross proceeds of approximately \$33.9 million before fees of approximately \$677,000. Prior to January 29, 2024, the Company had an at-the-market offering program for its Series A Preferred Stock (the “Preferred Series A ATM Program”) pursuant to which it could offer and sell through one or more sales agents up to \$35.0 million in shares of its Series A Preferred Stock at prices prevailing at the time, subject to volume and other regulatory limitations. During the years ended December 31, 2023 and December 31, 2022, the Company did not issue and sell any shares of Series A Preferred Stock pursuant to the Preferred Series A ATM Program. The Company terminated the Preferred Series A ATM Program effective as of January 29, 2024. In September 2019, the Company initiated a share repurchase program that allows for the repurchase of up to an aggregate of \$10.0 million of its common stock. As of December 31, 2023, approximately \$4.7 million was remaining under the share repurchase program. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”);

or by any combination of such methods. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The share repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the years ended December 31, 2023 and December 31, 2022, the Company did not repurchase any common stock pursuant to the repurchase program. In December 2023, the Company initiated a Preferred Stock repurchase program that allows for the repurchase of up to an aggregate of \$ 50.0 million of its Preferred Stock. Shares may be repurchased from time to time through privately negotiated transactions or open market transactions, pursuant to a trading plan in accordance with Rules 10b5-1 under the Exchange Act. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules. The Preferred Stock repurchase program does not require the purchase of any minimum number of shares, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the year ended December 31, 2023, the Company did not repurchase any Preferred Stock pursuant to the repurchase program. Effects of Federal Reserve Policy on the Company Over the past two years, the Federal Reserve has substantially tightened monetary policy to combat an increase in U. S. inflation. Since March 2022, the Federal Reserve has increased its federal funds rate target from 0.0%–0.25% to the current target of 5.25–5.50%. In March 2022, the Federal Reserve also ended its net purchases of Treasury and agency securities (a policy known as quantitative easing) and then in June 2022 began reducing the size of its balance sheet by no longer reinvesting proceeds of up to \$ 60.0 billion (initially \$ 30.0 billion) of maturing Treasury securities and up to \$ 35.0 billion (initially \$ 17.5 billion) in maturing agency debt and mortgage-backed securities per month. Inflation peaked in June of 2022 with consumer prices rising at a rate of 9.0% on a year-over-year basis, but has since declined with consumer prices rising 3.4% on a year-over-year basis in December of 2023. Although inflation has eased over the past few months, it is still unclear how long the Federal Reserve will keep interest rates at elevated levels to bring inflation down to its 2% percent target. The Federal Reserve’s federal funds rate increases over the past two years and reductions in the size of its balance sheet have resulted in higher interest rates across asset classes, including for Agency RMBS. These actions also may reduce economic activity in the United States, as well as decrease spreads on interest rates, reducing our net interest income. They may also negatively impact our results as we have certain assets and liabilities that are sensitive to changes in interest rates. In addition, lower net interest income resulting from higher rates is expected to be partially offset by lower prepayments which extends the length of cash flows from the MSRs and slows the premium amortization on the RMBS portfolio. Any benefit we expect to receive from lower prepayments on the mortgages underlying our MSRs and RMBS could be offset by increased volatility in the market and increased hedging costs attributable to such volatility and by increased funding costs. The impact on our operating results of future actions by the Federal Reserve that change market interest rates is discussed further below. See “Factors Impacting our Operating Results”. Factors Impacting our Operating Results Our income is generated primarily by the net spread between the income we earn on our assets and the cost of our financing and hedging activities as well as the amortization of any purchase premiums or the accretion of discounts. Our net income includes the actual interest payments we receive on our RMBS, the net servicing fees we receive on our MSRs and the accretion / amortization of any purchase discounts / premiums. Changes in various factors such as market interest rates, prepayment speeds, estimated future cash flows, servicing costs and credit quality could affect the amount of premium to be amortized or discount to be accreted into interest income for a given period. Prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be affected by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers whose mortgage loans underlie the MSRs held by Aurora. Set forth below is the positive net spread between the yield on RMBS and our costs of funding those assets at the end of each of the quarters indicated below:

Average Net Yield Spread at Period End	Quarter Ended	Average Asset Yield	Cost of Funds (A)	Average Net Interest Rate
December 31, 2023	4.77%	0.96%	3.81%	September 30, 2023 4.66%
September 30, 2023	4.66%	0.87%	3.79%	June 30, 2023 4.49%
June 30, 2023	4.49%	0.53%	3.96%	March 31, 2023 4.40%
March 31, 2023	4.40%	0.73%	3.68%	December 31, 2022 4.29%
December 31, 2022	4.29%	0.69%	3.60%	September 30, 2022 3.90%
September 30, 2022	3.90%	0.77%	3.13%	June 30, 2022 3.56%
June 30, 2022	3.56%	0.32%	3.25%	March 31, 2022 2.98%
March 31, 2022	2.98%	0.49%	2.49%	(A) Average Cost of Funds

also includes the benefits of related swaps. Changes in the Market Value of Our Assets We hold our Servicing Related Assets as long-term investments. Our MSRs are carried at their fair value with changes in their fair value recorded in other income (loss) in our consolidated statements of income (loss). Those values may be affected by events or headlines that are outside of our control, such as events impacting the U. S. or global economy generally or the U. S. residential market specifically, and events or headlines impacting the parties with which we do business. See “Item 1A. Risk Factors—Risks Related to Our Business”. All of our investments in RMBS are reported at their fair value. At the time of purchase, ASC 320, Investments—Debt and Equity Securities requires us to designate a security as held-to-maturity, available-for-sale or trading, depending on our ability to hold such security to maturity. Alternatively, we may elect the fair value option of accounting for securities pursuant to ASC 825, Financial Instruments. Prior to January 1, 2023, we designated all our investments in RMBS as available-for-sale. On January 1, 2023, we began electing the fair value option of accounting for all RMBS acquired after such date. Unrealized gains and losses on RMBS classified as available-for-sale are reported in accumulated other comprehensive income, whereas unrealized gains and losses on RMBS for which we elected the fair value option are reported in the consolidated statements of income (loss). We evaluate the cost basis of our available-for-sale RMBS on a quarterly basis under ASC 326-30, Financial Instruments—Credit Losses: Available-for-Sale Debt Securities. When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security’s cost basis is considered impaired. If we determine that we intend to sell the security or it is more likely than not that we will be required to sell before recovery, we recognize the difference between the fair value and amortized cost as a loss in the consolidated statements of income (loss). If we determine we do not intend to sell the security or it is not more likely than not we will be required to sell the security before recovery, we must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related

factors. In our assessment of whether a credit loss exists, we perform a qualitative assessment around whether a credit loss exists and if necessary, we compare the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a “market participant” would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in provision for (reversal of) credit losses on securities in the consolidated statements of income (loss). If it is determined as of the financial reporting date that all or a portion of a security’s cost basis is not collectible, then we will recognize a realized loss to the extent of the adjustment to the security’s cost basis. This adjustment to the amortized cost basis of the security is reflected in realized gain (loss) on RMBS, net in the consolidated statements of income (loss). Impact of Changes in Market Interest Rates on Our Assets The value of our assets may be affected by prepayment speeds on mortgage loans. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise liquidated or charged off. Generally, in a declining interest rate environment, prepayment speeds tend to increase. Conversely, in an increasing interest rate environment, prepayment speeds tend to decrease. When we acquire Servicing Related Assets or RMBS, we anticipate that the underlying mortgage loans will prepay at a projected rate generating an expected cash flow (in the case of Servicing Related Assets) and yield. If we purchase assets at a premium to par value and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. In addition, we will have to reinvest the greater amounts of prepayments in that lower rate environment, thereby affecting future yields on our assets. If we purchase assets at a discount to par value, and borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments may reduce the expected yield on assets because we will not be able to accrete the related discount as quickly as originally anticipated. If prepayment speeds are significantly greater than expected, the fair value of the Servicing Related Assets could be less than their fair value as previously reported on our consolidated balance sheets. Such a reduction in the fair value of the Servicing Related Assets would have a negative impact on our book value. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from the Servicing Related Assets, and we could receive substantially less than what we paid for such assets. Our balance sheet, results of operations and cash flows are susceptible to significant volatility due to changes in the fair value of, or cash flows from, the Servicing Related Assets as interest rates change. A slower than anticipated rate of prepayment due to an increase in market interest rates also will cause the life of the related RMBS to extend beyond that which was projected. As a result, we would have an asset with a lower yield than current investments for a longer period of time. In addition, if we have hedged our interest rate risk, extension may cause the security to be outstanding longer than the related hedge, thereby reducing the protection intended to be provided by the hedge. Voluntary and involuntary prepayment rates may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of, or natural disasters affecting, the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors, none of which can be predicted with any certainty. We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements with Aurora’s subservicers. Under these agreements, the subservicer attempts to refinance specified mortgage loans. The subservicer sells the new mortgage loan to the applicable Agency, transfers the related MSR to Aurora and then subservices the new mortgage loan on behalf of Aurora. See “Item 8. Consolidated Financial Statements and Supplementary Data — Note 7. Transactions with Related Parties” for information regarding Aurora’s recapture agreements. With respect to our business operations, increases in interest rates, in general, may over time cause: • the interest expense associated with our borrowings to increase; • the value of our assets to fluctuate; • the coupons on any adjustable-rate and hybrid RMBS we may own to reset, although on a delayed basis, to higher interest rates; • prepayments on our RMBS to slow, thereby slowing the amortization of our purchase premiums and the accretion of our purchase discounts; and • an increase in the value of any interest rate swap agreements we may enter into as part of our hedging strategy. Conversely, decreases in interest rates, in general, may over time cause: • prepayments on our RMBS to increase, thereby accelerating the amortization of our purchase premiums and the accretion of our purchase discounts; • the interest expense associated with our borrowings to decrease; • the value of our assets to fluctuate; • a decrease in the value of any interest rate swap agreements we may enter into as part of our hedging strategy; and • coupons on any adjustable-rate and hybrid RMBS assets we may own to reset, although on a delayed basis, to lower interest rates. Regardless, we cannot predict the impact future actions by the Federal Reserve will have on our business, and any such actions may negatively impact us. Effects of Spreads on our Assets The spread between the yield on our assets and our funding costs affects the performance of our business. Wider spreads imply the potential for greater income on new asset purchases but may have a negative impact on our stated book value. Wider spreads may also negatively impact asset prices. In an environment where spreads are widening, counterparties may require additional collateral to secure borrowings which may require us to reduce leverage by selling assets. Conversely, tighter spreads imply the potential for lower income on new asset purchases but may have a positive impact on stated book value of our existing assets. In this case, we may be able to reduce the amount of collateral required to secure borrowings. Credit Risk We are subject to varying degrees of credit risk in connection with our assets. Although we expect relatively low credit risk with respect to our portfolios of Agency RMBS, we may become subject to the credit risk of borrowers under the loans backing any CMOs that we may own and to the credit enhancements built into the CMO structure. We also are subject to the credit risk of the borrowers under the mortgage loans underlying the MSRs that Aurora owns. Through loan-level due diligence, we attempt to mitigate this risk by seeking to acquire high quality assets at appropriate prices given anticipated and unanticipated losses. We also conduct ongoing monitoring of acquired MSRs. Nevertheless, unanticipated credit losses

could occur which could adversely impact our operating results. Critical Accounting Policies and Use of Estimates Our financial statements are prepared in accordance with US GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. Our most critical accounting policies involve decisions and assessments that could affect our reported amounts of assets and liabilities, as well as our reported amounts of revenues and expenses. We believe that the decisions and assessments upon which our financial statements are based were reasonable at the time made and based upon information available to us at that time. Our critical accounting policies and accounting estimates may change over time as we diversify our portfolio. The material accounting policies and estimates that we expect to be most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below. For additional information on our material accounting policies and estimates, see "Item 8. Consolidated Financial Statements and Supplementary Data — Note 2. Basis of Presentation and Significant Accounting Policies".

Investments in MSRs We have elected the fair value option to record our investments in MSRs in order to provide users of our consolidated financial statements with better information regarding the effects of prepayment risk and other market factors on the MSRs. Under this election, we record a valuation adjustment on our investments in MSRs on a quarterly basis to recognize the changes in fair value of our MSRs in net income as described below. Although transactions in MSRs are observable in the marketplace, the valuation includes unobservable market data inputs (prepayment speeds, delinquency levels, costs to service and discount rates). The change in fair value of MSRs is recorded within "Unrealized gain (loss) on investments in Servicing Related Assets" on the consolidated statements of income (loss). Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSRs and, therefore, may differ from their effective yields. In determining the valuation of MSRs, management uses internally developed pricing models that are based on certain unobservable market-based inputs. The Company classifies these valuations as Level 3 in the fair value hierarchy. For additional information on our fair value methodology, see "Item 8. Consolidated Financial Statements and Supplementary Data — Note 9. Fair Value".

Revenue Recognition on Investments in MSRs Mortgage servicing fee income represents revenue earned from the ownership of MSRs. The servicing fees are based on a contractual percentage of the outstanding principal balance and are recognized as revenue as the related mortgage payments are collected. Corresponding costs to service are charged to expense as incurred. Servicing fee income received and servicing expenses incurred are reported on the consolidated statements of income (loss).

Income Taxes We elected to be taxed as a REIT under the Code commencing with our short taxable year ended December 31, 2013. We expect to continue to qualify to be treated as a REIT. U. S. federal income tax law generally requires that a REIT distribute annually at least 90 % of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate income tax rates to the extent that it annually distributes less than 100 % of its taxable income. Our taxable REIT subsidiary, Solutions, and its wholly-owned subsidiary, Aurora, are subject to U. S. federal income taxes on their taxable income. We account for income taxes in accordance with ASC 740, Income Taxes. ASC 740 requires the recording of deferred income taxes that reflect the net tax effect of temporary differences between the carrying amounts of our assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, including operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. For information on our assessment of the realizability of deferred tax assets, see "Item 8. Consolidated Financial Statements and Supplementary Data — Note 15. Income Taxes". We assess our tax positions for all open tax years and determine if we have any material unrecognized liabilities in accordance with ASC 740. We record these liabilities to the extent we deem them more likely than not to be incurred. We record interest and penalties related to income taxes within the provision for income taxes in the consolidated statements of income (loss). We have not incurred any interest or penalties.

Investments in Securities Prior to fiscal year 2023, we designated all our investments in RMBS as available-for-sale pursuant to ASC 320, Investments—Debt and Equity Securities. Although we may hold most of our securities until maturity, we may, from time to time, sell any of our securities as part of our overall management of our asset portfolio. All assets classified as available-for-sale are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. On January 1, 2023, we began electing the fair value option of accounting pursuant to ASC 825, Financial Instruments, for all RMBS acquired after such date. Unrealized gains and losses on RMBS for which we elected the fair value option are reported in the consolidated statements of income (loss). Fair value of our investments in RMBS is determined based upon prices obtained from third-party pricing providers. Changes in underlying assumptions used in estimating fair value impact the carrying value of the investments in RMBS as well as their yield. For additional information on our assessment of credit-related impairment and our fair value methodology, see "Item 8. Consolidated Financial Statements and Supplementary Data — Note 4. Investments in RMBS and Note 9. Fair Value".

Revenue Recognition on Securities Interest income from coupon payments is accrued based on the outstanding principal amount of the RMBS and their contractual terms. Premiums and discounts associated with the purchase of the RMBS are amortized or accreted into interest income over the projected lives of the securities using the effective interest method. Our policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, consensus prepayment speeds, and current market conditions. Adjustments are made for actual prepayment activity. For information on how interest rates affect net interest income, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Effect on Net Interest Income".

Repurchase Transactions We finance the acquisition of our RMBS for our portfolio through repurchase transactions under master repurchase agreements. Repurchase transactions are treated as collateralized financing transactions and are carried at their contractual amounts as specified in the respective transactions. Accrued interest payable is included in "Accrued expenses and other liabilities" on the consolidated balance sheets. Securities financed through repurchase transactions remain on our consolidated balance sheet as an asset and cash received from the purchaser is recorded on our consolidated balance sheet as a

liability. Interest paid in accordance with repurchase transactions is recorded in interest expense on the consolidated statements of income (loss). Results of Operations Presented below is a comparison of the Company's results of operations for the periods indicated (dollars in thousands):

Results of Operations	Year Ended December 31, 2023	Income	Interest income	\$ 49,985	\$ 29,642	Interest expense	51,642	17,563	Net interest income (expense)	(1,657)	12,079	Servicing fee income	53,427	53,430	Servicing costs	11,248	11,837	Net servicing income	42,179	41,593	Other income (loss)	Realized loss on RMBS, net	(36,315)	(99,694)	Realized gain on derivatives, net	33,821	1,363	Realized gain on acquired assets, net	Unrealized gain on RMBS, measured at fair value through earnings, net	9,755	Unrealized gain (loss) on derivatives, net	(43,071)	61,864	Unrealized gain (loss) on investments in Servicing Related Assets	(25,937)	22,976	Total Income (Loss)	(21,202)	40,193	Expenses	General and administrative expense	6,900	6,305	Management fee to affiliate	6,830	6,629	Total Expenses	13,730	12,934	Income (Loss) Before Income Taxes	(34,932)	27,259	Provision for corporate business taxes	5,070	Net Income (Loss)	(35,455)	22,189	Net (income) loss allocated to noncontrolling interests in Operating Partnership	(450)	Dividends on preferred stock	9,853	9,853	Net Income (Loss) Applicable to Common Stockholders	(44,647)	\$ 11,886																
Presented below is summary financial data on our segments together with the data for the Company as a whole, for the periods indicated (dollars in thousands):																																																																																	
Segment Summary Data																																																																																	
	Servicing Related Assets	RMBS	All Other	Total	Income Statement	Year Ended December 31, 2023	Interest income	\$ 49,985	\$ 49,985	Interest expense	1,572	50,070	51,642	Net interest expense	(1,572)	(85)	(1,657)	Servicing fee income	53,427	53,427	Servicing costs	11,248	11,248	Net servicing income	42,179	42,179	Other expense	(29,443)	(32,281)	(61,724)	Other operating expenses	(2,231)	(664)	(10,835)	(13,730)	Provision for corporate business taxes	(523)	(523)	Net Income (Loss)	\$ 8,410	\$ (33,030)	\$ (10,835)	\$ (35,455)	Year Ended December 31, 2022	Interest income	\$ 29,642	\$ 29,642	Interest expense	3,837	13,726	17,563	Net interest income (expense)	(3,837)	15,916	12,079	Servicing fee income	53,430	53,430	Servicing costs	11,837	11,837	Net servicing income	41,593	41,593	Other income (expense)	(26,655)	(13,176)	(10,479)	Other operating expenses	(2,099)	(692)	(10,143)	(12,934)	Provision for corporate business taxes	(5,070)	(5,070)	Net Income (Loss)	\$ 3,932	\$ 28,400	\$ (10,143)	\$ 22,189
Balance Sheet																																																																																	
	December 31, 2023	Investments	\$ 253,629	\$ 1,012,130	\$ 1,265,759	Other assets	33,785	39,939	53,509	127,233	Total assets	287,414	1,052,069	53,509	1,392,992	Debt	169,314	903,489	1,072,803	Other liabilities	4,240	47,990	9,584	61,814	Total liabilities	173,554	951,479	9,584	1,134,617	Net Assets	\$ 113,860	\$ 100,590	\$ 43,925	\$ 258,375	December 31, 2022	Investments	\$ 279,739	\$ 931,431	\$ 1,211,170	Other assets	32,849	106,885	57,921	197,655	Total assets	312,588	1,038,316	57,921	1,408,825	Debt	183,888	825,962	1,009,850	Other liabilities	29,047	92,875	11,537	133,459	Total liabilities	212,935	918,837	11,537	1,143,309	Net Assets	\$ 99,653	\$ 119,479	\$ 46,384	\$ 265,516													

Interest income for the year ended December 31, 2023 was \$ 50.0 million as compared to \$ 29.6 million for the year ended December 31, 2022. The \$ 20.4 million increase in interest income for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to purchases of new securities, as well as replacing lower yielding securities with higher yielding securities coupled with portfolio positioning, which resulted in a decrease in price premium amortization driven by lower prepayment speeds. Interest Expense Interest expense for the year ended December 31, 2023 was \$ 51.6 million as compared to \$ 17.6 million for the year ended December 31, 2022. The \$ 34.0 million increase in interest expense for the year ended December 31, 2023 as compared to the year ended December 31, 2022, was due to a rise in financing rates of all assets. The rise in RMBS financing costs was the primary driver. Servicing Fee Income Servicing fee income for each of the years ended December 31, 2023 and December 31, 2022 was \$ 53.4 million because the Company did not make any substantial MSR purchases during the year ended December 31, 2023. Servicing Costs Servicing costs for the year ended December 31, 2023 were \$ 11.2 million as compared to \$ 11.8 million for the year ended December 31, 2022. The \$ 589,000 decrease in servicing costs for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was primarily due to changes in the delinquency profile. Realized Loss on RMBS, Net Realized loss on RMBS for the year ended December 31, 2023 was \$ 36.3 million as compared to \$ 99.7 million for the year ended December 31, 2022. The \$ 63.4 million decrease in realized loss on RMBS for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to a decline in the number of RMBS securities sold during the year ended December 31, 2023. Realized Gain on Derivatives, Net Realized gain on derivatives for the year ended December 31, 2023 was \$ 33.8 million as compared to \$ 1.4 million for the year ended December 31, 2022. The \$ 32.4 million increase in realized gain on derivatives for the year ended December 31, 2023 as compared to December 31, 2022 was substantially comprised of an increase of \$ 40.8 million in gains on TBAs and an increase of \$ 23.9 million in interest income on interest rate swaps, offset by an increase of \$ 32.7 million in losses on U.S. treasury futures. Unrealized Gain on RMBS, Measured at Fair Value through Earnings, Net Unrealized gain on RMBS measured at fair value through earnings for the year ended December 31, 2023 was \$ 9.8 million as compared to \$ 0 for the year ended December 31, 2022. The increase of \$ 9.8 million in unrealized gain on RMBS measured at fair value through earnings was because there were no RMBS measured at fair value through earnings during the year ended December 31, 2022. On January 1, 2023, the Company elected the fair value option of accounting for all RMBS acquired after such date. Unrealized Gain (Loss) on Derivatives Unrealized loss on derivatives for the year ended December 31, 2023 was \$ 43.1 million as compared to a gain of \$ 61.9 million for the year ended December 31, 2022. The \$ 105.0 million increase in unrealized loss on derivatives for the year ended December 31, 2023 as compared to December 31, 2022 was primarily due to changes in interest rates and the composition of our derivatives relative to the prior year. Unrealized Gain (Loss) on Investments in Servicing Related Assets Unrealized loss on our investments in Servicing Related Assets for the year ended December 31, 2023 was \$ 25.9 million as compared to a gain of \$ 23.0 million for the year ended December 31, 2022. The \$ 48.9 million increase in unrealized loss on our investments in Servicing Related Assets for December 31, 2023 as compared to December 31, 2022 was primarily due to changes in valuation inputs or assumptions. General and Administrative Expense General and administrative expense for the year ended December 31, 2023 was \$ 6.9 million as compared to \$ 6.3 million for the year ended December 31, 2022. The \$ 595,000 increase in general and administrative expense for the year ended December 31, 2023 as compared to the year ended

December 31, 2022 was primarily due to an increase in professional fees. Net Income Allocated to Noncontrolling Interests in Operating Partnership Net income allocated to noncontrolling interests in the Operating Partnership, which are LTIP-OP Units owned by our directors and officers and by certain other individuals who provide services to us through the Manager, represented approximately 1.9% and 2.0% of net income for the years ended December 31, 2023 and December 31, 2022, respectively. For the period indicated below, our accumulated other comprehensive income (loss) changed as a result of the indicated gains and losses (dollars in thousands):

Accumulated Other Comprehensive Income (Loss) Year Ended December 31, 2023	Accumulated other comprehensive loss, December 31, 2022	Other comprehensive income 26, 559
Accumulated other comprehensive loss, December 31, 2023	\$ (2, 545)	
Year Ended December 31, 2022	Accumulated other comprehensive income, December 31, 2021	\$ 7, 527
	Other comprehensive loss	(36, 631)
	Accumulated other comprehensive loss, December 31, 2022	\$ (29, 104)

Our GAAP equity changes as the values of our RMBS are marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and nominal spreads. During the year ended December 31, 2023, volatility in the 10-Year U. S. Treasury rate and tightening of credit spreads caused a net unrealized gain on our available-for-sale RMBS, which was chiefly driven by the interest and mortgage rate rally that occurred in the fourth quarter of the year and positioning of securities. During the year ended December 31, 2022, increases in the 10-Year U. S. Treasury rate and widening of credit spreads caused a net unrealized loss on our available-for-sale RMBS. Unrealized gain (loss) on available-for-sale RMBS is recorded in accumulated other comprehensive income (loss). Non-GAAP Financial Measures This Management's Discussion and Analysis of Financial Condition and Results of Operations section contains analysis and discussion of non-GAAP financial measures, including: earnings available for distribution; and earnings available for distribution per average common share. Earnings available for distribution ("EAD") is a non-GAAP financial measure that we define as GAAP net income (loss), excluding realized gain (loss) on RMBS, unrealized gain (loss) on RMBS measured at fair value through earnings, realized and unrealized gain (loss) on derivatives, realized gain (loss) on acquired assets, realized and unrealized gain (loss) on investments in MSRs (net of any estimated MSR amortization) and any tax expense (benefit) on realized and unrealized gain (loss) on MSRs. MSR amortization refers to the portion of the change in fair value of the MSR that is primarily due to the realization of cashflows, runoff resulting from prepayments and an adjustment for any gain or loss on the capital used to purchase the MSR. EAD also includes interest rate swap periodic interest income (expense) and drop income on TBA dollar roll transactions, which are included in "Realized gain (loss) on derivatives, net" on the consolidated statements of income (loss). EAD is adjusted to exclude outstanding LTIP-OP Units in our Operating Partnership and dividends paid on our preferred stock. EAD is provided for purposes of potential comparability to other issuers that invest in residential mortgage-related assets. We believe providing investors with EAD, in addition to related GAAP financial measures, may provide investors some insight into our ongoing operational performance. However, the concept of EAD does have significant limitations, including the exclusion of realized and unrealized gains (losses), and given the apparent lack of a consistent methodology among issuers for defining EAD, it may not be comparable to similarly titled measures of other issuers, which define EAD differently from us and each other. As a result, EAD should not be considered a substitute for our GAAP net income (loss) or as a measure of our liquidity. While EAD is one indicia of the Company's earnings capacity, it is not the only factor considered in setting a dividend and is not the same as REIT taxable income which is calculated in accordance with the rules of the IRS. Earnings Available for Distribution EAD for the year ended December 31, 2023 as compared to the year ended December 31, 2022, decreased by approximately \$ 3.4 million or \$ 0.40 per average common share primarily due to changes in interest rates. The following table reconciles the GAAP measure of net income (loss) to EAD and related per average common share amounts, for the periods indicated (dollars in thousands):

Year Ended December 31, 2023	Year Ended December 31, 2022
Net Income (Loss)	\$ (35, 455)
Realized loss on RMBS, net	36, 315
Realized loss on derivatives, net	4, 377
Realized gain on acquired assets, net	(23)
Unrealized gain on RMBS measured at fair value through earnings, net	(9, 755)
Unrealized loss (gain) on derivatives, net	43, 071
Unrealized gain on investments in MSRs, net of estimated MSR amortization	(12, 593)
Tax expense on realized and unrealized gain on MSRs	2, 876
Total EAD	\$ 28, 813
EAD attributable to noncontrolling interests in Operating Partnership	(537)
Dividends on preferred stock	9, 853
EAD Attributable to Common Stockholders	\$ 18, 423
GAAP Net Income (Loss) Per Share of Common Stock, per Diluted Share	\$(1.70)
EAD Excludes drop income on TBA dollar rolls	\$ 3.2 million and \$ 6.3 million
Interest rate swap periodic interest income	\$ 35.0 million and \$ 11.1 million

Our Portfolio MSRs Aurora's MSR portfolio of Fannie Mae and Freddie Mac MSRs have an aggregate UPB of approximately \$ 20.0 billion as of December 31, 2023. The following tables set forth certain characteristics of the mortgage loans underlying those MSRs as of the dates indicated (dollars in thousands):

MSR Collateral Characteristics	As of December 31, 2023	As of December 31, 2022
Current Carrying Amount	\$ 253, 629	\$ 279, 739
Current Principal Balance	\$ 19, 972, 994	\$ 21, 688, 353
WA Coupon (A)	3.48%	3.49%
WA Servicing Fee (A)	0.25%	0.25%
WA Maturity (months)	0.1%	0.1%
WA Loan Age (months)		
ARMs % (B)		
MSRs		
MSR Total / Weighted Average		

The following tables summarize the characteristics of our RMBS portfolio and certain characteristics of the collateral underlying our RMBS as of the dates indicated (dollars in thousands):

RMBS Characteristics	As of December 31, 2023
Gross Unrealized Weighted Average Asset Type	Original Face Value Book Value Gains Losses Carrying Value (A)
Number of Securities	Rating
Coupon Yield (C)	Maturity (Years)
RMBS, available-for-sale, measured at fair value through OCI	Fannie Mae \$ 211, 773

187,746 \$ 2,970 \$ (1,607) \$ 189,109 (B) 4.55 % 4.70 % Freddie Mac 262,695 235,260 1,075 (4,865) 231,470 (B) 4.45 % 4.50 % RMBS, measured at fair value through earnings Fannie Mae 221,965 208,487 4,606 (1,076) 212,017 (B) 4.78 % 4.94 % Freddie Mac 401,287 373,310 7,515 (1,291) 379,534 (B) 4.72 % 4.88 % Total / weighted average RMBS \$ 1,097,720 \$ 1,004,803 \$ 16,166 \$ (8,839) \$ 1,012,130 4.64 % 4.77 % As of December 31, 2022 Gross Unrealized Weighted Average Asset Type Original Face Value Book Value Gains Losses Carrying Value (A) Number of Securities Rating Coupon Yield (C) Maturity (Years) RMBS, available-for-sale, measured at fair value through OCI Fannie Mae \$ 550,740 \$ 497,038 \$ 2,843 \$ (16,484) \$ 483,397 (B) 4.27 % 4.34 % Freddie Mac 500,873 463,380 1,384 (16,730) 448,034 (B) 4.18 % 4.24 % Total / weighted average RMBS \$ 1,051,613 \$ 960,418 \$ 4,227 \$ (33,214) \$ 931,431 4.23 % 4.29 % (A) See “Item 8. Consolidated Financial Statements and Supplementary Data—Note 9. Fair Value” regarding the estimation of fair value, which approximates carrying value for all securities. (B) The Company used an implied AAA rating for the Agency RMBS. (C) The weighted average yield is based on the most recent gross monthly interest income, which is then annualized and divided by the book value of settled securities. The following table summarizes the net interest spread of our RMBS portfolio as of the dates indicated: Net Interest Spread December 31, 2023 December 31, 2022 Weighted Average Asset Yield 5.33 % 4.44 % Weighted Average Interest Expense (A) 1.51 % 0.67 % Net Interest Spread 3.82 % 3.77 % (A) Weighted average interest expense includes the benefits of related swaps.

Liquidity and Capital Resources Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments and other general business needs. Additionally, to maintain our status as a REIT under the Code, we must distribute annually at least 90 % of our REIT taxable income. In 2017, the Internal Revenue Service issued a revenue procedure permitting “publicly offered” REITs to make elective stock dividends (i.e., dividends paid in a mixture of stock and cash), with at least 20 % of the total distribution being paid in cash, to satisfy their REIT distribution requirements. In December 2021, the Internal Revenue Service issued a revenue procedure that temporarily reduces the minimum amount of the total distribution that must be paid in cash to 10 % for distributions declared on or after November 1, 2021, and on or before June 30, 2022, provided certain other parameters detailed in the Revenue Procedure are satisfied. Pursuant to these revenue procedures, the Company has in the past elected to make distributions of its taxable income in a mixture of stock and cash. Our primary sources of funds for liquidity consist of cash provided by operating activities (primarily income from our investments in RMBS and net servicing income from our MSR), sales or repayments of RMBS and borrowings under repurchase agreements and our MSR financing arrangements. In the future, sources of funds for liquidity may include additional MSR financing, warehouse agreements, securitizations and the issuance of equity or debt securities, when feasible, including, without limitation, the issuance of shares of our common stock pursuant to our Common Stock ATM program or any other ATM program we have in place. For more information regarding issuances of our securities pursuant to our ATM programs, including our Common Stock ATM Program, please refer to “—General” above. In the past we have used, and we anticipate that in the future we will use a significant portion of the paydowns of the RMBS to purchase MSRs. We may also sell certain RMBS and deploy the net proceeds from such sales to the extent necessary to fund the purchase price of MSRs. Our primary uses of funds are the payment of interest, management fees, outstanding commitments, other operating expenses, investments in new or replacement assets, margin calls and the repayment of borrowings, as well as dividends. Although we continue to maintain a higher level of unrestricted cash than prior to the pandemic, we expect to invest more of that unrestricted cash in our targeted assets if normalization of the economy continues. We may also use capital resources to repurchase additional shares of common stock under our stock repurchase program when we believe such repurchases are appropriate and / or the stock is trading at a significant discount to net asset value. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls resulting from decreases in value related to a reasonably possible (in the opinion of management) change in interest rates. As of the date of this filing, we believe we have sufficient liquid assets to satisfy all of our short-term recourse liabilities and to satisfy covenants in our financing documents. With respect to the next twelve months, we expect that our cash on hand combined with the cash flow provided by our operations will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls and operating expenses. While it is inherently more difficult to forecast beyond the next twelve months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from repurchase agreements and similar financings, proceeds from equity offerings and the liquidation or refinancing of our assets. Our operating cash flow differs from our net income due primarily to: (i) accretion of discount or premium on our RMBS, (ii) unrealized gains or losses on our RMBS and Servicing Related Assets, and (iii) impairment on our securities, if any.

Repurchase Agreements As of December 31, 2023, we had repurchase agreements with 35 counterparties and approximately \$ 903.5 million of outstanding repurchase agreement borrowings from 14 of those counterparties, which were used to finance RMBS. As of December 31, 2023, our exposure (defined as the amount of cash and securities pledged as collateral, less the borrowing under the repurchase agreement) to any of the counterparties under the repurchase agreements did not exceed five percent of the Company’s equity. Under these agreements, which are uncommitted facilities, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date at the same price that we initially sold the security plus the interest charged. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or “haircut.” The weighted average haircut on our repurchase debt at December 31, 2023 was approximately 4.3 %. During the term of the repurchase transaction, which can be as short as a few days, the counterparty holds the security and posts margin as collateral. The counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the transaction. If this value declines by more than a de minimis threshold, the counterparty requires us to post additional collateral (or “margin”) in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we are, from time to time, a party to derivative agreements or financing arrangements that may be

subject to margin calls based on the value of such instruments. Set forth below is the average aggregate balance of borrowings under the Company's repurchase agreements for each of the periods shown and the aggregate balance as of the end of each such period (dollars in thousands):

Repurchase Agreement	Average	Maximum	Quarter Ended	Average Monthly
Amount	Maximum	Month-End	Amount	Quarter-Ending
December 31, 2023	\$ 897,547	\$ 903,489	\$ 903,489	
September 30, 2023	\$ 972,935	\$ 984,931	\$ 967,289	
June 30, 2023	\$ 992,631	\$ 1,010,934	\$ 979,907	
March 31, 2023	\$ 972,138	\$ 991,618	\$ 991,618	
December 31, 2022	\$ 808,623	\$ 825,962	\$ 825,962	
September 30, 2022	\$ 776,544	\$ 865,414	\$ 865,414	
June 30, 2022	\$ 679,702	\$ 702,130	\$ 683,173	
March 31, 2022	\$ 820,270	\$ 859,726	\$ 764,885	

The increase in the Company's borrowings under its repurchase agreements for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to the Company financing new security purchases during the year. These short-term borrowings were used to finance certain of our investments in RMBS. The RMBS repurchase agreements are guaranteed by the Company. The weighted average difference between the market value of the assets and the face amount of available financing for the RMBS repurchase agreements, or the haircut, was 4.3% as of December 31, 2023 and December 31, 2022. The following tables provide additional information regarding borrowings under our repurchase agreements (dollars in thousands):

Repurchase Agreement	Characteristics	As of December 31, 2023	RMBS Market Value	Repurchase Agreements	Weighted Average Rate
Less than one month		\$ 833,443	\$ 772,466	5.55%	
	One to three months	139,778	131,023	5.55%	
	Total / Weighted Average	\$ 973,221	\$ 903,489	5.55%	
As of December 31, 2022		\$ 750,218	\$ 715,899	4.39%	
	One to three months	114,418	110,063	4.53%	
	Total / Weighted Average	\$ 864,636	\$ 825,962	4.41%	

The amount of collateral as of December 31, 2023 and December 31, 2022, including cash, was \$ 984.2 million and \$ 869.0 million, respectively. The weighted average term to maturity of our borrowings under repurchase agreements as of December 31, 2023 and December 31, 2022 was 21 days and 18 days, respectively.

MSR Financing As of December 31, 2023, the Company had two separate MSR financing facilities: (i) the Freddie Mac MSR Revolver, which is a revolving credit facility for up to \$ 100.0 million that is secured by all Freddie Mac MSRs owned by Aurora; and (ii) the Fannie Mae MSR Revolving Facility, which is a revolving credit facility for up to \$ 150.0 million, that is secured by all Fannie Mae MSRs owned by Aurora. Both financing facilities are available for MSRs as well as certain servicing related advances associated with MSRs.

Freddie Mac MSR Revolver. In July 2018, the Company, Aurora and QRS V (collectively with Aurora and the Company, the "Borrowers") entered into a \$ 25.0 million revolving credit facility (the "Freddie Mac MSR Revolver") pursuant to which Aurora pledged all of its existing and future MSRs on loans owned or securitized by Freddie Mac. The term of the Freddie Mac MSR Revolver is 364 days with the Borrowers' option for two renewals for similar terms followed by a one-year term out feature with a 24-month amortization schedule. The Freddie Mac MSR Revolver was upsized to \$ 45.0 million in September 2018. The Company also has the ability to request up to an additional \$ 5.0 million of borrowings. On April 2, 2019, Aurora and QRS V entered into an amendment that increased the maximum amount of the Freddie Mac MSR Revolver to \$ 100.0 million. In July 2023, the Borrowers entered into an amendment to the Freddie Mac MSR Revolver that extended the revolving period for an additional 364 days with the option for one more renewal of 364 days. At the end of the revolving period, the outstanding amount will be converted to a one-year term loan. Amounts borrowed bear interest at a weighted average borrowing rate of 7.7%. At December 31, 2023 and December 31, 2022, approximately \$ 64.5 million and \$ 68.5 million, respectively, was outstanding under the Freddie Mac MSR Revolver.

Fannie Mae MSR Revolving Facility. In October 2021, Aurora and QRS III entered into a loan and security agreement (the "Fannie Mae MSR Revolving Facility"), pursuant to which Aurora and QRS III pledged their respective rights in all existing and future MSRs for loans owned or securitized by Fannie Mae to secure borrowings outstanding from time to time. The maximum credit amount outstanding at any one time under the Fannie Mae MSR Revolving Facility is \$ 150.0 million. The revolving period is 24 months which may be extended by agreement with the lender. In October 2023, Aurora and QRS III entered into an amendment to the Fannie Mae MSR Revolving Facility that extended the revolving period for an additional 24 months. Amounts borrowed bear interest at a weighted average borrowing rate of 7.8%. At the end of the revolving period, the outstanding amount will be converted to a three-year term loan that will bear interest at a rate calculated at a spread over the rate for one-year interest rate swaps. The Company has guaranteed repayment of all indebtedness under the Fannie Mae MSR Revolving Facility. At December 31, 2023 and December 31, 2022, approximately \$ 106.0 million and \$ 116.0 million, respectively, was outstanding under the Fannie Mae MSR Revolving Facility.

Cash Flows Operating and Investing Activities Our operating activities provided cash of approximately \$ 40.7 million and \$ 59.9 million for the years ended December 31, 2023 and December 31, 2022, respectively. Our investing activities used cash of approximately \$ 104.1 million and \$ 128.2 million for the years ended December 31, 2023 and December 31, 2022, respectively. The cash used by our investing activities during the years ended December 31, 2023 and December 31, 2022 resulted from RMBS purchases offset by RMBS sales and principal paydowns of RMBS.

Dividends U. S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common and preferred stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U. S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions, or, with respect to our common stock, we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We will make distributions only upon the authorization of our board of directors. The amount, timing and frequency of distributions will be authorized by our board of directors based upon a variety of factors, including: • actual results of operations; • our level of retained cash flows; • our ability to make additional investments in our target assets; • restrictions under Maryland law; • the terms of our preferred stock; • any debt

service requirements; • our taxable income; • the annual distribution requirements under the REIT provisions of the Code; and • other factors that our board of directors may deem relevant. Our ability to make distributions to our stockholders will depend upon the performance of our investment portfolio, and, in turn, upon our Manager's management of our business. Distributions will be made quarterly in cash to the extent that cash is available for distribution. We may not be able to generate sufficient cash available for distribution to pay distributions to our stockholders. In addition, our board of directors may change our distribution policy with respect to our common stock in the future. No assurance can be given that we will be able to make any other distributions to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve a market yield or increase or even be maintained over time. We make distributions based on a number of factors, including an estimate of taxable earnings. Dividends distributed and taxable income will typically differ from GAAP earnings due to items such as fair value adjustments, differences in premium amortization and discount accretion, and nondeductible general and administrative expenses. Our common dividend per share may be substantially different than our taxable earnings and GAAP earnings per share. Our GAAP loss per share for the year ended December 31, 2023 was \$ 1.70 and our GAAP earnings per share for the year ended December 31, 2022 were \$ 0.60.

Contractual Obligations Our contractual obligations as of December 31, 2023 and December 31, 2022 included repurchase agreements, borrowings under our MSR financing arrangements, our Management Agreement with our Manager, and our subservicing agreements. The following table summarizes our contractual obligations for borrowed money as of the dates indicated (dollars in thousands):

Contractual Obligations Characteristics	As of December 31, 2023	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Repurchase agreements	\$ 903,489	\$ -	\$ -	\$ 903,489	\$ -	\$ 903,489
Interest on repurchase agreement borrowings (A)	\$ 3,930	\$ -	\$ -	\$ 3,930	\$ -	\$ 3,930
Freddie Mac MSR Revolver Borrowings under Freddie Mac MSR Revolver	\$ 64,500	\$ -	\$ -	\$ 64,500	\$ -	\$ 64,500
Interest on Freddie Mac MSR Revolver borrowings	\$ 1,329	\$ -	\$ -	\$ 1,329	\$ -	\$ 1,329
Fannie Mae MSR Revolving Facility Borrowings under Fannie Mae MSR Revolving Facility	\$ 8,679	\$ 97,321	\$ -	\$ 106,000	\$ -	\$ 211,999
Interest on Fannie Mae MSR Revolving Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
As of December 31, 2022						
Repurchase agreements	\$ 825,962	\$ -	\$ -	\$ 825,962	\$ -	\$ 825,962
Interest on repurchase agreement borrowings (A)	\$ 2,797	\$ -	\$ -	\$ 2,797	\$ -	\$ 2,797
Freddie Mac MSR Revolver Borrowings under Freddie Mac MSR Revolver	\$ 68,500	\$ -	\$ -	\$ 68,500	\$ -	\$ 68,500
Interest on Freddie Mac MSR Revolver borrowings	\$ 1,010	\$ -	\$ -	\$ 1,010	\$ -	\$ 1,010
Fannie Mae MSR Revolving Facility Borrowings under Fannie Mae MSR Revolving Facility	\$ 16,406	\$ 98,967	\$ -	\$ 116,000	\$ -	\$ 213,373
Interest on Fannie Mae MSR Revolving Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(A) Interest expense is calculated based on the interest rate in effect at December 31, 2023 and December 31, 2022, respectively, and includes all interest expense incurred through those dates.

Management Agreement The Management Agreement with our Manager provides that our Manager is entitled to receive a management fee, the reimbursement of certain expenses and, in certain circumstances, a termination fee. The management fee is an amount equal to 1.5% per annum of our stockholders' equity, adjusted as set forth in the Management Agreement, and calculated and payable quarterly in arrears. We will also be required to pay a termination fee equal to three times the average annual management fee earned by our Manager during the two four-quarter periods ending as of the end of the most recently completed fiscal quarter prior to the effective date of the termination. Such termination fee will be payable upon termination or non-renewal of the Management Agreement by us without cause or by our Manager if we materially breach the Management Agreement. The Management Agreement requires the Company and the Manager to terminate the Management Agreement without payment of any termination fee in connection with the consummation of an internalization event (as defined in the Management Agreement). We pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the Management Agreement. Our Manager is responsible for all costs incident to the performance of its duties under the Management Agreement. We believe that our Manager uses the proceeds from its management fee in part to pay the Services Provider for services provided under the Services Agreement. Our officers receive no cash compensation directly from us. Our Manager provides us with our officers. Our Manager is entitled to be reimbursed for an agreed-upon portion of the costs of the wages, salary and other benefits with respect to our chief financial officer, and, prior to January 1, 2022, our general counsel, originally based on the percentages of their working time and efforts spent on matters related to the Company. The amount of the wages, salary and benefits reimbursed with respect to the officers our Manager provides to us is subject to the approval of the compensation committee of our board of directors. The term of the Management Agreement expires on October 22, 2024 and will be automatically renewed for a one-year term on each anniversary of such date thereafter unless terminated or not renewed as described below. Either we or our Manager may elect not to renew the Management Agreement upon expiration of its initial term or any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event we elect not to renew the term, we will be required to pay our Manager the termination fee described above unless such non-renewal occurs in connection with the consummation of an internalization event. We may terminate the Management Agreement at any time for cause effective upon 30 days prior written notice of termination from us to our Manager, in which case no termination fee would be due. Our board of directors will review our Manager's performance prior to the automatic renewal of the Management Agreement and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of our board of directors or of the holders of a majority of our outstanding common stock, we may terminate the Management Agreement based upon unsatisfactory performance by our Manager that is materially detrimental to us or a determination by our independent directors that the management fees payable to our Manager are not fair, subject to the right of our Manager to prevent such a termination by agreeing to a reduction of the management fees payable to our Manager. Upon any termination of the Management Agreement based on unsatisfactory performance or unfair management fees, we are required to pay our Manager the termination fee described above. Our Manager may terminate the Management Agreement, without payment of the termination fee, in the event we become regulated as an investment company under the Investment Company Act. Our Manager may also terminate the Management Agreement upon 60 days' written notice if we default in the performance of any material term of the Management Agreement and the default continues for a period of 30 days

after written notice to us, whereupon we would be required to pay our Manager the termination fee described above.

Subservicing Agreements As of December 31, 2023, Aurora had four subservicing agreements in place, one of which is with Freedom Mortgage. Following the sale of the Ginnie Mae MSR to Freedom Mortgage in June 2020, Freedom Mortgage continued to subservice certain loans that had been purchased from Ginnie Mae pools due to delinquency or default. Freedom Mortgage ceased subservicing these loans during 2021 because these loans and any related advance claims had been rehabilitated or liquidated. One of the other subservicing agreements is with RoundPoint Mortgage Servicing Corporation (“RoundPoint”). Freedom Mortgage acquired RoundPoint and it became a wholly-owned subsidiary of Freedom Mortgage in August 2020. On September 30, 2023, RoundPoint ceased being a wholly-owned subsidiary of Freedom Mortgage when it was acquired by Matrix Financial Services Corporation. The agreements have varying initial terms (three years, for Freedom Mortgage, and two years for the other three sub-servicers) and are subject to automatic renewal for additional terms equal to the applicable initial term unless either party chooses not to renew. Each agreement may be terminated without cause by either party by giving notice as specified in the agreement. If an agreement is not renewed by the Company or terminated by the Company without cause, de-boarding fees will be due to the subservicer. Under each agreement, the subservicer agrees to service the applicable mortgage loans in accordance with applicable law and the requirements of the applicable Agency and the Company pays customary fees to the applicable subservicer for specified services. All expiring agreements to date have been automatically renewed for the extended terms.

Joint Marketing Recapture Agreement We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements with Aurora’s subservicers. In May 2018, Aurora entered into a recapture purchase and sale agreement with RoundPoint, one of Aurora’s subservicers and from August 2020 to September 2023, a wholly-owned subsidiary of Freedom Mortgage. Pursuant to this agreement, RoundPoint attempts to refinance certain mortgage loans underlying Aurora’s MSR portfolio subserviced by RoundPoint as directed by Aurora. If a loan is refinanced, RoundPoint will sell the loan to Fannie Mae or Freddie Mae, as applicable, retain the sale proceeds and transfer the related MSR to Aurora. During the period where RoundPoint was a wholly-owned subsidiary of Freedom Mortgage, RoundPoint outsourced such recapture services to Freedom Mortgage on RoundPoint’s behalf.

Inflation Substantially all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. As discussed above under “— Effects of Federal Reserve Policy on the Company”, the Federal Reserve has raised its federal funds rate over the past two years in response to the increase in inflation. The higher interest rates imposed by the Federal Reserve to address inflation may increase our interest expense, which expense may not be fully offset by any resulting increase in our interest income. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based on our REIT taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and /or fair market value without considering inflation.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk We seek to manage our risks related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk-adjusted returns through ownership of our capital stock. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest Rate Risk Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We are subject to interest rate risk in connection with our assets and our related financing obligations. In general, we finance the acquisition of certain of our assets through financings in the form of repurchase agreements and bank facilities. We expect to make use of additional MSR financing, as well as possibly warehouse facilities, securitizations, re-securitizations, and public and private equity and debt issuances in addition to transaction or asset specific funding arrangements. In addition, the values of our Servicing Related Assets are highly sensitive to changes in interest rates, historically increasing when rates rise and decreasing when rates decline. Subject to maintaining our qualification as a REIT, we attempt to mitigate interest rate risk and financing pricing risk through utilization of hedging instruments, primarily interest rate swap agreements and U. S. treasury futures, respectively. We may also use financial futures, options, interest rate cap agreements, and forward sales. These instruments are intended to serve as a hedge against future interest rate or pricing changes on our borrowings.

Interest Rate Effect on Net Interest Income Our operating results depend in large part on differences between the income earned on our assets and our cost of borrowing and hedging activities. The costs of our borrowings are generally based on prevailing market interest rates. During a period of rising interest rates, our borrowing costs generally will increase (1) while the yields earned on our leveraged fixed-rate mortgage assets will remain static and (2) at a faster pace than the yields earned on our leveraged adjustable-rate and hybrid adjustable-rate RMBS, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset / liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an increase in short-term interest rates could also have a negative impact on the market value of our assets, other than our Servicing Related Assets. A decrease in interest rates could have a negative impact on the market value of our Servicing Related Assets. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations. Hedging techniques are partly based on assumed levels of prepayments of our assets, specifically our RMBS. If prepayments are slower or faster than assumed, the life of the investment will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivatives are highly complex and may produce volatile returns.

Interest Rate Cap Risk Any adjustable-rate RMBS that we acquire will generally be subject to interest rate caps, which potentially could cause such RMBS to acquire many of the characteristics of fixed-rate securities if interest rates were to rise above the cap levels. This issue will be magnified to the extent we acquire adjustable-rate and hybrid adjustable-rate RMBS

that are not based on mortgages which are fully indexed. In addition, adjustable-rate and hybrid adjustable-rate RMBS may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of less cash income on such assets than we would need to pay the interest cost on our related borrowings. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above under “Interest Rate Risk”. Actual economic conditions or implementation of decisions by our Manager may produce results that differ significantly from the estimates and assumptions used in our models.

Prepayment Risk; Extension Risk The following tables summarize the estimated change in fair value of our MSR as of the dates indicated given several parallel shifts in the discount rate, voluntary prepayment rate and servicing cost (dollars in thousands):

MSR Fair Value Changes As of	December 31, 2023	(20) %	(10) %	0 %	10 %	20 %
Discount Rate Shift in %	Estimated FV \$ 278, 018	\$ 265, 310	\$ 253, 629	\$ 242, 863	\$ 232, 917	Change in FV \$ 24, 389
Voluntary Prepayment Rate Shift in %	Estimated FV \$ 265, 422	\$ 259, 981	\$ 253, 629	\$ 246, 972	\$ 240, 306	Change in FV \$ 11, 793
Servicing Cost Shift in %	Estimated FV \$ 262, 597	\$ 258, 113	\$ 253, 629	\$ 249, 144	\$ 244, 660	Change in FV \$ 8, 968

MSR Fair Value Changes As of	December 31, 2022	(20) %	(10) %	0 %	10 %	20 %
Discount Rate Shift in %	Estimated FV \$ 305, 821	\$ 292, 241	\$ 279, 739	\$ 268, 201	\$ 257, 526	Change in FV \$ 26, 082
Voluntary Prepayment Rate Shift in %	Estimated FV \$ 296, 237	\$ 288, 025	\$ 279, 739	\$ 271, 707	\$ 264, 005	Change in FV \$ 16, 498
Servicing Cost Shift in %	Estimated FV \$ 288, 345	\$ 284, 042	\$ 279, 739	\$ 275, 436	\$ 271, 133	Change in FV \$ 8, 606

The following tables summarize the estimated change in fair value of our RMBS as of the dates indicated given several parallel shifts in interest rates (dollars in thousands):

RMBS Fair Value Changes As of	December 31, 2023	December 31, 2022	(0. 75) %	(0. 50) %	(0. 25) %	0. 25 %	0. 50 %	0. 75 %
RMBS Portfolio RMBS, net of swaps	\$ 749, 491	Estimated FV \$ 753, 297	\$ 752, 391	\$ 751, 103	\$ 747, 569	\$ 745, 369	\$ 742, 833	Change in FV \$ 3, 806
RMBS Portfolio RMBS, net of swaps	\$ 785, 308	Estimated FV \$ 781, 962	\$ 783, 468	\$ 784, 625	\$ 785, 583	\$ 785, 537	\$ 785, 188	Change in FV \$ (3, 346)

The sensitivity analysis is hypothetical and is presented solely to assist an analysis of the possible effects on the fair value under various scenarios. It is not a prediction of the amount or likelihood of a change in any particular scenario. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption. In practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. In addition, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

Counterparty Risk When we engage in repurchase transactions, we generally sell securities to lenders (i. e., the repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). As of December 31, 2023, the Company’s exposure (defined as the amount of cash and securities pledged as collateral, less the borrowing under the repurchase agreement) to any of the counterparties under the repurchase agreements did not exceed five percent of the Company’s equity. Our interest rate swaps and U. S. treasury futures contracts are required to be cleared on an exchange which greatly mitigates, but does not entirely eliminate, counterparty risk. Our investments in Servicing Related Assets are dependent on the applicable mortgage sub-servicer to perform its sub-servicing obligations. If our sub-servicer fails to perform its obligations and is terminated by one or more Agencies as an approved servicer, the value of the MSR being subserviced by that sub-servicer may be adversely affected. In addition, when we purchase MSRs from third parties, we rely, to a certain extent, on the ability and willingness of the sellers to perform their contractual obligations to remedy breaches of representations and warranties or to repurchase the affected loan and indemnify us for any losses.

Funding Risk To the extent available on desirable terms, we expect to continue to finance our RMBS with repurchase agreement financing. We also anticipate continuing to finance our MSR with bank loans secured by a pledge of those MSR. Over time, as market conditions change, in addition to these financings, we may use other forms of leverage. Weakness in the financial markets, the residential mortgage markets and the economy generally could adversely affect one or more of our potential lenders and could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing.

Liquidity Risk Our Servicing Related Assets, as well as some of the assets that may in the future comprise our portfolio, are not publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

Credit Risk Although we expect relatively low credit risk with respect to our portfolio of Agency RMBS, our investments in MSR and any CMOs we may acquire expose us to the credit risk of borrowers.

Inflation Risk Almost all of our assets and liabilities are financial in nature. As a result, changes in interest rates and other factors drive our performance more directly than does inflation. However, changes in interest rates generally correlate with inflation rates or changes in inflation rates, and therefore adverse changes in inflation or changes in inflation expectations can lead to lower returns on our investments than originally anticipated. Our consolidated financial statements are prepared in accordance with GAAP. Our activities and consolidated balance sheets are measured primarily with reference to fair value without considering inflation.