



FORM 10-Q

ANNALY MORTGAGE MANAGEMENT INC – NLY

Filed: May 13, 1998 (period: March 31, 1998)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-13447

ANNALY MORTGAGE MANAGEMENT, INC.
(Exact name of Registrant as specified in its Charter)

MARYLAND 22-3479661
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

12 EAST 41ST STREET, SUITE 700
NEW YORK, NEW YORK
(Address of principal executive offices)

10017
(Zip Code)

(212) 696-0100
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding May 11, 1998
Common Stock, \$.01 par value	12,757,674

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ANNALY MORTGAGE MANAGEMENT, INC.

BALANCE SHEETS

DECEMBER 31, 1997 AND MARCH 31, 1998

	DECEMBER 31, 1997	MARCH 31, 1998
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 511,172	\$ 10,325
MORTGAGE-BACKED SECURITIES, At fair value, net of unamortized premium/discount	1,161,779,192	1,518,846,811
ACCRUED INTEREST RECEIVABLE	5,338,861	7,517,446
OTHER ASSETS	111,257	173,404
TOTAL ASSETS	\$1,167,740,482	\$1,526,547,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	\$ 918,869,000	\$1,361,070,000
Payable for Mortgage-Backed Securities purchased	105,793,723	19,529,331
Accrued interest payable	4,992,447	10,057,672
Dividends payable	2,797,058	4,082,456
Accounts payable	201,976	145,411
Total liabilities	1,032,654,204	1,394,884,870
STOCKHOLDERS' EQUITY:		
Common stock: par value \$.01 per share; 100,000,000 authorized; 12,713,900 and 12,757,674 shares issued and outstanding, respectively	127,139	127,577
Additional paid-in capital	132,705,765	132,768,779
Net unrealized gains (losses) on Mortgage-Backed Securities	2,023,751	(2,088,557)
Retained earnings	229,623	855,317
Total stockholders' equity	135,086,278	131,663,116
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,167,740,482	\$1,526,547,986

See notes to financial statements.

ANNALY MORTGAGE MANAGEMENT, INC.

STATEMENTS OF OPERATIONS

	FEBRUARY 18, 1997 THROUGH MARCH 31, 1997	FOR THE QUARTER ENDED MARCH 31, 1998
INTEREST INCOME:		
Mortgage-Backed Securities	\$1,031,038	\$20,078,691
Money market account	29,654	30
	-----	-----
Total interest income	1,060,692	20,078,721
INTEREST EXPENSE:		
Repurchase agreements	713,120	16,313,474
	-----	-----
NET INTEREST INCOME	347,572	3,765,247
GAIN ON SALE OF MORTGAGE-BACKED SECURITIES	0	1,427,084
GENERAL AND ADMINISTRATIVE EXPENSES	64,047	484,181
	-----	-----
NET INCOME	\$ 283,525	\$ 4,708,150
	=====	=====
NET INCOME PER SHARE:		
Basic	\$0.08	\$0.37
	=====	=====
Dilutive	\$0.07	\$0.36
	=====	=====
AVERAGE NUMBER OF SHARES OUTSTANDING	3,680,000	12,727,405
	=====	=====

See notes to financial statements.

ANNALY MORTGAGE MANAGEMENT, INC.
 STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE QUARTER ENDED MARCH 31, 1998

	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED GAIN	RETAINED EARNINGS	TOTAL
BALANCE, December 31, 1997	\$ 127,139	\$132,705,765	\$ 2,023,751	\$ 229,623	\$135,086,278
Exercise of stock options	438	193,262	-	-	193,700
Additional cost of Initial Public Offering		(130,248)			(130,248)
Available for sale securities - Fair value adjustment	-	-	(4,112,308)	-	(4,112,308)
Net income	-	-	-	4,708,150	4,708,150
Dividends declared - \$0.32 per average share	-	-	-	(4,082,456)	(4,082,456)
BALANCE, MARCH 31, 1998	\$ 127,577	\$132,768,779	\$ (2,088,557)	\$ 855,317	\$131,663,116

ANNALY MORTGAGE MANAGEMENT, INC.

STATEMENTS OF CASH FLOWS

	FEBRUARY 18, 1997 THROUGH MARCH 31, 1997	FOR THE QUARTER ENDED MARCH 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 283,525	\$ 4,708,150
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of mortgage premiums and discounts, net	85,436	1,622,343
Gain on sale of Mortgage-Backed Securities		(1,427,084)
Increase in accrued interest receivable	(1,521,374)	(2,178,585)
Increase in other assets	(8,040)	(62,147)
Increase in accrued interest payable	644,634	5,065,225
Increase (Decrease) in accounts payable	164,292	(56,565)
Net cash provided by operating activities	(351,527)	7,671,337
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Mortgage-Backed Securities	(248,747,733)	(685,643,269)
Proceeds from sale of Mortgage-Backed Securities		143,782,573
Principal payments on Mortgage-Backed Securities	483,312	94,221,118
Net cash used in investing activities	(248,264,420)	(447,639,578)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	241,601,000	2,632,120,000
Principal payments on repurchase agreements	(25,955,000)	(2,189,919,000)
Proceeds from exercise of stock options		193,700
Proceeds from private placement of equity capital	33,025,173	
Additional cost of initial public offering		(130,248)
Dividends paid		(2,797,058)
Net cash provided by financing activities	248,671,173	439,467,394
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,226	(500,847)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,011	511,172
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 67,237	\$ 10,325
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 68,487	\$ 11,248,249
NONCASH FINANCING ACTIVITIES:		
Net unrealized losses on available-for-sale securities	\$ (720,303)	\$ (2,088,557)
Dividends declared, not yet paid		\$ 4,082,456

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Annaly Mortgage Management, Inc. (the "Company") was incorporated in Maryland on November 25, 1996. The Company commenced its operations of purchasing and managing an investment portfolio of primarily adjustable-rate Mortgage-Backed Securities on February 18, 1997, upon receipt of the net proceeds from the private placement of equity capital. On July 31, 1997, the Company received additional proceeds from a direct offering to officers and directors. An initial public offering was completed on October 14, 1997.

A summary of the Company's significant accounting policies follows:

CASH AND CASH EQUIVALENTS - Cash and cash equivalents includes cash on hand and money market funds. The carrying amounts of cash equivalents approximates their value.

MORTGAGE-BACKED SECURITIES - The Company invests primarily in mortgage pass-through certificates, collateralized mortgage obligations and other mortgage-backed securities representing interests in or obligations backed by pools of mortgage loans (collectively, "Mortgage-Backed Securities").

Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"), requires the Company to classify its investments as either trading investments, available-for-sale investments or held-to-maturity investments. Although the Company generally intends to hold most of its Mortgage-Backed Securities until maturity, it may, from time to time, sell any of its Mortgage-Backed Securities as part of its overall management of its balance sheet. Accordingly, this flexibility requires the Company to classify all of its Mortgage-Backed Securities as available-for-sale. 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.

Unrealized losses on Mortgage-Backed Securities that are considered other than temporary, as measured by the amount of decline in fair value attributable to factors other than temporary, are recognized in income and the cost basis of the Mortgage-Backed Securities is adjusted. There were no such adjustments for the period ended December 31, 1997 and the quarter ended March 31, 1998.

Interest income is accrued based on the outstanding principal amount of the Mortgage-Backed Securities and their contractual terms. Premiums and discounts associated with the purchase of the Mortgage-Backed Securities are amortized into interest income over the lives of the securities using the effective yield method.

Mortgage-Backed Securities transactions are recorded on the date the securities are purchased or sold. Purchases of newly issued securities are recorded when all significant uncertainties regarding

the characteristics of the securities are removed, generally shortly before settlement date. Realized gains and losses on Mortgage-Backed Securities transactions are determined on the specific identification basis.

CREDIT RISK - At March 31, 1998, the Company has limited exposure to credit losses on its portfolio of Mortgage-Backed Securities by only purchasing securities from Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), or Government National Mortgage Association ("GNMA"). The payment of principal and interest on the FHLMC and FNMA Mortgage-Backed Securities are guaranteed by those respective agencies and the payment of principal and interest on the GNMA Mortgage-Backed Securities are backed by the full-faith-and-credit of the U.S. government. At December 31, 1997 and March 31, 1998, all of the Company's Mortgage-Backed Securities have an implied "AAA" rating.

INCOME TAXES - The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") and intends to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") with respect thereto. Accordingly, the Company will not be subjected to Federal income tax to the extent of its distributions to shareholders and as long as certain asset, income and stock ownership tests are met.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. MORTGAGE-BACKED SECURITIES

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of December 31, 1997, which are carried at their fair value:

	FEDERAL HOME LOAN MORTGAGE CORPORATION	FEDERAL NATIONAL MORTGAGE ASSOCIATION	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	TOTAL MORTGAGE ASSETS
Mortgage-Backed Securities, gross	\$273,119,008	\$691,081,916	\$174,164,513	\$1,138,365,437
Unamortized discount	(3,619)	(110,567)	-	(114,186)
Unamortized premium	2,848,376	14,532,363	4,123,451	21,504,190
	-----	-----	-----	-----
Amortized cost	275,963,765	705,503,712	178,287,964	1,159,755,441
Gross unrealized gains	376,485	1,948,068	928,453	3,253,006
Gross unrealized losses	(115,190)	(802,801)	(311,264)	(1,229,255)
	-----	-----	-----	-----
Estimated fair value	\$276,225,060	\$706,648,979	\$178,905,153	\$1,161,779,192
	=====	=====	=====	=====

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of March 31, 1998, which are carried at their fair value:

	FEDERAL HOME LOAN MORTGAGE CORPORATION	FEDERAL NATIONAL MORTGAGE ASSOCIATION	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	TOTAL MORTGAGE ASSETS
Mortgage-Backed Securities, gross	\$409,333,869	\$917,302,552	\$169,034,486	\$1,495,670,907
Unamortized discount	(164,020)	(810,586)	-	(974,606)
Unamortized premium	7,166,509	15,205,704	3,866,853	26,239,066
	-----	-----	-----	-----
Amortized cost	416,336,358	931,697,670	172,901,339	1,520,935,367
Gross unrealized gains	590,111	1,966,279	3,819	2,560,209
Gross unrealized losses	(685,986)	(3,007,915)	(954,864)	(4,648,765)
	-----	-----	-----	-----
Estimated fair value	\$416,240,483	\$930,656,034	\$171,950,294	\$1,518,846,811
	=====	=====	=====	=====

FASB Statement No. 107, Disclosures About Fair Value of Financial Instruments, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the Company's Mortgage-Backed Securities are based on market prices provided by certain dealers who make markets in these financial instruments. The fair values reported reflect estimates and may not necessarily be indicative of the amounts the Company could realize in a current market exchange. Cash and cash equivalents, interest receivable, repurchase agreements and other liabilities are reflected in the financial statements at their amortized cost, which approximates their fair value because of the short-term nature of these instruments.

The adjustable rate Mortgage-Backed Securities are limited by periodic caps (generally interest rate adjustments are limited to no more than 1% every six months) and lifetime caps. At December 31, 1997, the weighted average lifetime cap was 10.8%. At March 31, 1998, the weighted average lifetime cap was 10.0%.

During the period ended December 31, 1997, the company realized \$735,303 in gains from sales of Mortgage-Backed Securities. During the quarter ended March 31, 1998, the Company realized \$1,427,084 in gains from sales of Mortgage-Backed Securities. There were no losses on sales of Mortgage-Backed Securities during the period ended December 31, 1997 or the quarter ended March 31, 1998.

3. REPURCHASE AGREEMENTS

The Company has entered into repurchase agreements to finance most of its Mortgage-Backed Securities. The repurchase agreements are secured by the market value of the Company's Mortgage-Backed Securities and bear interest rates that have historically moved in close relationship to LIBOR.

As of December 31, 1997, the Company had outstanding \$918,869,000 of repurchase agreements with a weighted average borrowing rate of 6.16% and a weighted average remaining maturity of 16

days. At December 31, 1997, Mortgage-Backed Securities actually pledged had an estimated fair value of \$936,859,658. As of March 31, 1998, the Company had outstanding \$1,361,070,000 of repurchase agreements with a weighted average borrowing rate of 5.58% and a weighted average remaining maturity of 20 days. At March 31, 1998, Mortgage-Backed Securities actually pledged had an estimated fair value of \$1,427,920,334.

At December 31, 1997 and March 31, 1998, the repurchase agreements had the following remaining maturities:

	December 31, 1997	March 31, 1998
	-----	-----
Within 30 days	\$590,960,000	\$1,031,027,000
30 to 59 days	51,776,000	322,064,000
60 to 89 days	-	-
90 to 119 days	103,391,000	7,979,000
Over 120 days	172,742,000	-
	-----	-----
	\$918,869,000	\$1,361,070,000
	=====	=====

4. COMMON STOCK

Options were exercised during the quarter increasing the total number of shares outstanding to 12,757,674. The number of stock options exercised was 43,774, with a total amount paid of \$193,700.

During the Company's quarter ending March 31, 1998, the Company declared dividends to shareholders totaling \$4,082,456, or \$.32 per weighted average share which was paid on April 20, 1998. For Federal income tax purposes dividends paid for the quarter is ordinary income to the Company stockholders.

5. EARNINGS PER SHARE (EPS)

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting No. 128, Earnings Per Share (SFAS No. 128), which requires dual presentation of Basic EPS and Diluted EPS on the face of the income statement for all entities with complex capital structures. SFAS No. 128 also requires a reconciliation of the numerator and denominator of Basic EPS and Diluted EPS computation. The reconciliation is as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
	-----	-----	-----
Net income	\$4,708,150		

Basic EPS	4,708,150	12,727,405	\$0.37

Effect of dilutive securities:			
Dilutive stock options	-	195,790	
	-----	-----	
Diluted EPS	\$4,708,150	12,923,195	\$0.36
	=====	=====	=====

Options to purchase 312,226 shares were outstanding during the period and were dilutive, as the exercise price (between \$4.00 and \$10.00) was less than the average stock price for the quarter of \$10.83. Options to purchase 2,426 shares of stock were granted during the quarter and are not considered dilutive. The exercise price of \$11.25 was greater than the average stock price for the quarter of \$10.83

6. LEASE COMMITMENTS

The Corporation's aggregate future minimum lease payments are as follows:

1998	\$ 67,787
1999	92,804
2000	95,299
2001	97,868
2002	100,515
2003 and thereafter	582,406

	\$1,036,679
	=====

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

SAFE HARBOR STATEMENT

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this discussion regarding the Company and its business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Form 10-K for the year ended December 31, 1997.

OVERVIEW

The Company is a real estate investment trust ("REIT") which acquires and manages Mortgage-Backed Securities which can be readily financed. The Company commenced operations on February 18, 1997 upon the closing of the Private Placement, which resulted in proceeds to the Company of \$33 million. The Company received additional proceeds of \$878,000 upon the closing of the Direct Offering on July 31, 1997. The Company's initial public offering was completed on October 14, 1997 raising net proceeds of \$99.0 million.

The Company's principal business objective is to generate net income for distribution to stockholders from the spread between the interest income on its Mortgage-Backed Securities and the costs of borrowing to finance its acquisition of Mortgage-Backed Securities. Since the commencement of operations on February 18, 1997, the Company has been in the process of building its balance sheet by acquiring Mortgage-Backed Securities. Therefore, the operating results of the Company reflected in the financial statements included in this Form 10-Q should be interpreted in light of this growth process and are not necessarily representative of what they may be in the future.

The Company will seek to generate growth in earnings and dividends per share in a variety of ways, including through (i) issuing new Common Stock and increasing the size of the balance sheet when opportunities in the market for Mortgage-Backed Securities are likely to allow growth in earnings per share, (ii) seeking to improve productivity by increasing the size of the balance sheet at a rate faster than the rate of increase in operating expenses, (iii) continually reviewing the mix of Mortgage-Backed Security types on the balance sheet in an effort to improve risk-adjusted returns, and (iv) attempting to improve the efficiency of the Company's balance sheet structure through the issuance of uncollateralized subordinated debt, preferred stock and other forms of capital, to the extent management deems such issuances appropriate.

RESULTS OF OPERATIONS: FOR THE QUARTER ENDED MARCH 31, 1998

The Company's 1997 fiscal year commenced with the start of operations on February 18, 1997 and concluded on December 31, 1997. The 317-day period from February 18, 1997 to December 31, 1997 is referred to herein as "the period ended December 31, 1997." The quarter ended March 31, 1998 is its calendar equivalent.

NET INCOME SUMMARY

For the quarter ended March 31, 1998, net income, as calculated according to Generally Accepted Accounting Principles ("GAAP"), was \$4,708,150, or \$0.37 per average share, as compared to the period ended March 31, 1997 of \$283,525, or \$0.08 per average share. Taxable income for the quarter ended March 31, 1998 was \$4,635,445, or \$0.36 per share. Net income per share is computed by dividing net income by the weighted average number of shares of outstanding Common Stock during the period, which was 12,727,405. Dividends per weighted average number of shares outstanding was \$0.32 per share, \$4,082,456 in total. Return on average equity was 13.97% on an annualized basis.

Comparing net income for the period February 18, 1997 through March 31, 1997 to the quarter ended March 31, 1998 may be deceptive. The 42-day period ended March 31, 1997 is a shortened operating period and not a full quarter. Secondly, during the period ended March 31, 1997 the Company's asset base was substantially

lower than at March 31, 1998. The reason for the asset size difference is twofold. First, the Company was in an asset acquisition period. Additionally, the Company's capital base was only \$32 million, as compared to \$133 million at March 31, 1998.

Management's policy is to focus on income and expense measures as a percentage of equity rather than as a percentage of assets. Therefore, improvements in asset-based measures such as net interest margin or operating expenses as a percentage of assets do not necessarily translate into improved stockholder returns. Improvements in net interest income or operating expenses as a percentage of equity, however, indicate that the Company is effectively utilizing its equity capital base. The Company seeks to increase net income as a percentage of equity consistent with its Capital Investment Policy.

NET INCOME SUMMARY

	Period Ended March 31, 1998 (dollars in thousands, except per share amounts)

	\$ 20,078
Interest Income	
Interest Expense	16,313

Net Interest Income	3,765
Gain on Sale of Mortgage-Backed Securities	1,427
General and Administrative Expenses	484

Net Income	4,708
	=====
Average Number of Outstanding Shares	12,727,405
Basic Net Income Per Share	\$ 0.37
Diluted Net Income Per Share	\$ 0.36
Average Total Assets	\$ 1,316,110
Average Equity	\$ 134,827
Annualized Return on Average Assets	1.43%
Annualized Return on Average Equity	13.97%

TAXABLE INCOME AND GAAP INCOME

For the quarter ended March 31, 1998, income as calculated for tax purposes (taxable income) differed from income as calculated according to generally accepted accounting principles (GAAP income). The differences were in the calculations of premium amortization and general and administrative expenses. For the period February 18, 1997 through March 31, 1997 there were no differences between GAAP and taxable income.

The distinction between taxable income and GAAP income is important to the Company's stockholders because dividends are declared on the basis of taxable income. While the Company does not pay taxes so long as it satisfies the requirements for exemption from taxation pursuant to the REIT Provisions of the Code, each year the Company completes a corporate tax form wherein taxable income is calculated as if the Company were to be taxed. This taxable income level determines the amount of dividends the Company can pay out over time. The table below presents the major differences between GAAP and taxable income for the Company.

TAXABLE INCOME

	GAAP Net Income	Taxable General & Administrative Differences	Taxable Mortgage Amortization Differences	Taxable Gain on Sale of Securities Differences	Taxable Net Income
For the Quarter Ended March 31, 1998	\$4,708	\$1	(\$74)		\$4,635
For the Period Ended December 31, 1997	\$4,919	\$3	(\$92)	\$54	\$4,884

INTEREST INCOME AND AVERAGE EARNING ASSET YIELD

The Company had average earning assets of \$1,307.1 million for the quarter ended March 31, 1998. The Company's primary source of income for the period ended March 31, 1998 was interest income. A portion of income was generated by gains on sales of Mortgage-Backed Securities. Interest income was \$20.1 million for the period ended March 31, 1998. The yield on average earning assets was 6.15% for the same period. The table below shows the Company's average balance of cash equivalents and Mortgage-Backed Securities, the yields earned on each type of earning assets, the yield on average earning assets and interest income.

AVERAGE EARNING ASSET YIELD

	Average Cash Equivalents	Average Amortized Cost of Mortgage- Backed Securities	Average Earning Assets	Yield on Average Cash Equivalents	Yield on Average Amortized Cost of Mortgage- Backed Securities	Yield on Average Earning Assets	Interest Income
	(dollars in thousands)						
For the Quarter Ended March 31, 1998	\$ 2	\$1,307,088	\$1,307,090	4.45%	6.15%	6.15%	\$20,079
For the Period Ended December 31, 1997	\$30	\$ 448,276	\$ 448,306	4.20%	6.34%	6.34%	\$24,713

The Constant Prepayment Rate (or "CPR") on the Company's portfolio of Mortgage-Backed Securities for the quarter ended March 31, 1998 was 21%. "CPR" means an assumed rate of prepayment for the Company's Mortgage-Backed Securities, expressed as an annual rate of prepayment relative to the outstanding principal balance of the Company's Mortgage-Backed Securities. This CPR does not purport to be either a historical description of the prepayment experience of the Company's Mortgage-Backed Securities or a prediction of the anticipated rate of prepayment of the Company's Mortgage-Backed Securities. Since a large portion of the Company's assets was purchased at a premium to par value and only a small portion of the Company's assets was purchased at a discount to par value, the premium balance in the Company's portfolio is substantially higher than the discount balance. Principal prepayments had a negative effect on the Company's earning asset yield for the quarter ended March 31, 1998 because the Company adjusts its rates of premium amortization and discount accretion monthly based on actual payments received.

INTEREST EXPENSE AND THE COST OF FUNDS

The Company anticipates that its largest expense will usually be the cost of borrowed funds. The Company had average borrowed funds of \$1,167.5 million and total interest expense of \$16.3 million for the quarter ended March 31, 1998. Interest expense for the period February 18, 1997 through March 31, 1997 was \$713,120. The average cost of funds was 5.59% for the quarter ended March 31, 1998. Interest expense is calculated in the same manner for GAAP and tax purposes.

With the Company's current asset/liability management strategy, changes in the Company's cost of funds are expected to be closely correlated with changes in short-term LIBOR, although the Company may choose to extend the maturity of its liabilities at any time. The Company's average cost of funds was 0.05% below one-month LIBOR for the quarter ended March 31, 1998. The Company generally has structured its borrowings to adjust with one-month LIBOR because the Company believes that one-month LIBOR may continue to be lower than six-month LIBOR in the present interest rate environment. During the quarter ended March 31, 1998, average one-month LIBOR, which was 5.64%, was 0.04% lower than average six-month LIBOR, which was 5.68%.

The table below shows the Company's average borrowed funds and average cost of funds as compared to average one- and average six-month LIBOR.

AVERAGE COST OF FUNDS

	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average One-Month LIBOR	Average Six-Month LIBOR	Average One-Month LIBOR Relative to Average Six-Month LIBOR	Average Cost of Funds Relative to Average One-Month LIBOR	Average Cost of Funds Relative to Average Six-Month LIBOR
	(dollars in thousands)							
For the Quarter Ended March 31, 1998	\$1,167,483	\$16,313	5.59%	5.64%	5.68%	(0.04%)	(0.05%)	(0.09%)
For the Period Ended December 31, 1997	\$ 404,140	\$19,677	5.61%	5.67%	5.87%	(0.20%)	(0.06%)	(0.26%)

NET INTEREST RATE AGREEMENT EXPENSE

The Company did not enter into any interest rate agreements to date. As part of its asset/liability management process, the Company may enter into interest rate agreements such as interest rate caps, floors and swaps. These agreements would be entered into to reduce interest rate risk and would be designed to provide income and capital appreciation to the Company in the event of certain changes in interest rates. The Company reviews the need for interest rate agreements on a regular basis consistent with its Capital Investment Policy.

NET INTEREST INCOME

Net interest income, which equals interest income less interest expense, totaled \$3.8 million for the quarter ended March 31, 1998 and \$347,572 for the period February 18, 1997 through March 31, 1997. Net interest spread, which equals the yield on the Company's average assets for the period less the average cost of funds for the period, was 0.56% for the quarter ended March 31, 1998. Net interest margin, which equals net interest income divided by average total assets, was 1.14% on an annualized basis. Taxable net interest income was \$74,132 less than GAAP net interest income because of differing premium amortization. The principal reason that annualized net interest margin exceeded net interest spread is that average assets exceeded average liabilities. A portion of the Company's assets are funded with equity rather than borrowings. The Company did not have any interest rate agreement expenses for the quarter ended March 31, 1998.

The table below shows interest income by earning asset type, average earning assets by type, total interest income, interest expense, average repurchase agreements, average cost of funds, and net interest income for the quarter ended March 31, 1998 and the period ended December 31, 1997.

GAAP NET INTEREST INCOME

	Average Amortized Cost of Mortgage-Backed Securities Held	Interest Income on Mortgage-Backed Securities	Average Cash Equivalents	Interest Income on Cash Equivalents	Total Interest Income	Yield on Average Interest Earning Assets	Average Balance of Repurchase Agreements	Interest Expense	Average Cost of Funds	Net Interest Income
	(dollars in thousands)									
For the Quarter Ended March 31, 1998	\$1,307,088	\$20,079	\$ 2	\$30	\$20,079	6.15%	\$1,167,483	\$16,313	5.59%	\$3,765
For the Period Ended December 31, 1997	\$ 448,276	\$24,682	\$30	\$31	\$24,713	6.34%	\$ 404,140	\$19,677	5.61%	\$5,036

GAINS AND LOSSES ON SALES OF MORTGAGE-BACKED SECURITIES

For the quarter ended March 31, 1998, the Company sold Mortgage-Backed Securities with an aggregate historical amortized cost of \$142.4 million for an aggregate gain of \$1.4 million. During the period February 18, 1997 through March 31, 1997 Mortgage-Backed Securities were not sold. The difference between the sale price and the historical amortized cost of the Mortgage-Backed Securities is a realized gain and increased income accordingly. The Company does not expect to sell assets on a frequent basis, but may from time to time sell existing assets to move into new assets which management believes might have higher risk-adjusted returns or to manage its balance sheet as part of management's asset/liability management strategy.

CREDIT EXPENSES

The Company has not experienced credit losses on its portfolio of Mortgage- Backed Securities to date, but losses may be experienced in the future. At March 31, 1998, the Company had limited its exposure to credit losses on its portfolio of Mortgage-Backed Securities by purchasing only Agency Certificates, which, although not rated, carry an implied "AAA" rating.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses ("operating expense" or "G&A expense") were \$484,181 for the quarter ended March 31, 1998. For the period February 18, 1997 through March 31, 1997, G&A expenses were \$64,047. Taxable G&A expenses were \$1,427 less than for GAAP purposes for the quarter ended March 31, 1998.

GAAP G&A EXPENSE AND OPERATING EXPENSE RATIOS

	Cash Comp and Benefits Expense	Other GA Expense	Total GA Expense	Total GA Expense/Average Assets (annualized)	Total GA Expense/Average Equity (annualized)
	(dollars in thousands)				
For the Quarter Ended March 31, 1998	\$259	\$225	\$484	0.15%	1.44%
For the Period Ended December 31, 1997	\$492	\$360	\$852	0.21%	1.61%

Certain compensation expenses will increase commensurate with growth in the Company's equity base. Despite these increases in operating expenses, management believes that the Company's operating expenses over time are likely to grow at a slower rate than its asset or equity base and thus management believes that the Company's operating expense ratios are likely to continue to improve over time.

NET INCOME AND RETURN ON AVERAGE EQUITY

Net income was \$4.7 million in the quarter ended March 31, 1998. Return on average equity was 13.97% on an annualized basis. The table below shows, on an annualized basis, the Company's net interest income, gain on sale of Mortgage- Backed Securities and G&A expense each as a percentage of average equity, and the return on average equity.

COMPONENTS OF RETURN ON AVERAGE EQUITY

	Net Interest Income/Average Equity	Gain on Sale of Mortgage-Backed Securities/ Average Equity	GAExpense/ Average Equity	Return on Average Equity
For the Period Ended March 31, 1998 (on an annualized basis)	11.18%	4.23%	1.44%	13.97%
For the Period Ended December 31, 1997 (on an annualized basis)	9.49%	1.39%	1.61%	9.27%

DIVIDENDS AND TAXABLE INCOME

The Company elected to be taxed as a REIT under the Code. Accordingly, the Company intends to distribute substantially all of its taxable income for each year to stockholders, including income resulting from gains on sales of Mortgage-Backed Securities. Through March 31, 1998, earned taxable income exceeded dividend declarations by \$742,769, or \$0.06 per share, based on the number of shares of Common Stock outstanding at period end.

DIVIDEND SUMMARY

	Taxable Net Income	Weighted Average Common Shares Outstanding	Taxable Net Income Per Share	Dividends Declared Per Share	Total Dividends	Dividend Pay-out Ratio	Cumulative Undistributed Taxable Income
	(dollars in thousands, except per share data)						
For the Quarter Ended March 31, 1998	\$4,635	12,727,405	\$0.36	\$0.32	\$4,082	88.07%	\$742
For the Period Ended December 31, 1997	\$4,884	5,952,123	\$0.82	\$0.79	\$4,690	96.0%	\$194

FINANCIAL CONDITION

MORTGAGE-BACKED SECURITIES

All of the Company's Mortgage-Backed Securities at March 31, 1998 were adjustable-rate or fixed-rate Mortgage-Backed Securities backed by Single-Family Mortgage Loans. All of the mortgage assets underlying such Mortgage-Backed Securities were secured with a first lien position with respect to the underlying single-family properties. At March 31, 1998, all the Company's Mortgage-Backed Securities were Agency Certificates, which carry an implied "AAA" rating. All of the Company's earning assets are marked-to-market at liquidation value.

Discount balances are accreted as an increase in interest income over the life of discount Mortgage-Backed Securities and premium balances are amortized as a decrease in interest income over the life of premium Mortgage-Backed Securities. At March 31, 1998, the Company had on its balance sheet a total of \$974,606 of unamortized discount (which is the difference between the remaining principal value and current historical amortized cost of Mortgage-Backed Securities acquired at a price below principal value) and a total of \$26.2 million of unamortized premium (which is the difference between the remaining principal value and the current historical amortized cost of Mortgage-Backed Securities acquired at a price above principal value).

Mortgage principal repayments received were \$94.2 million for the quarter ended March 31, 1998. Given the Company's current portfolio composition, if mortgage principal prepayment rates increase over the life of the Mortgage-Backed Securities comprising the current portfolio, all other factors being equal, the Company's net interest income should decrease during the life of such Mortgage-Backed Securities as the Company will be required to amortize its net premium balance into income over a shorter time period. Similarly, if mortgage principal prepayment rates decrease over the life of such Mortgage-Backed Securities, all other factors being equal, the Company's net interest income should increase during the life of such Mortgage-Backed Securities as the Company will amortize its net premium balance over a longer time period.

The table below summarizes the Company's Mortgage-Backed Securities at March 31, 1998 and December 31, 1997.

MORTGAGE-BACKED SECURITIES

	Principal Value	Net Premium	Amortized Cost	Amortized Cost/Principal Value	Estimated Fair Value	Estimated Fair Value/Principal Value	Weighted Average Yield
	(dollars in thousands)						
At March 31, 1998	\$1,495,670	\$25,265	\$1,520,935	101.70%	\$1,518,847	101.55%	6.51%
At December 31, 1997	\$1,138,365	\$21,390	\$1,159,755	101.88%	\$1,161,779	102.06%	6.57%

At March 31, 1998, the Company's Mortgage-Backed Securities consisted solely of Agency Certificates. However, the Company may purchase other types of Mortgage-Backed Securities in the future.

The tables below set forth certain characteristics of the Company's Mortgage-Backed Securities at March 31, 1998 and December 31, 1997. The index level for adjustable-rate Mortgage-Backed Securities is the weighted average rate of the various short-term interest rate indices which determine the coupon rate.

ADJUSTABLE-RATE MORTGAGE-BACKED SECURITY CHARACTERISTICS

	Principal Value	Weighted Average Coupon Rate	Weighted Average Index Level	Weighted Average Net Margin	Weighted Average Term to Next Adjustment	Weighted Average Lifetime Cap	Weighted Average Asset Yield	Principal Value at Period End as % of Mortgage-Backed Securities
	(dollars in thousands)							
At March 31, 1998	\$1,176,716	6.89%	5.45%	1.61%	12 months	10.00%	6.46%	78.68%
At December 31, 1997	\$ 994,653	7.13%	5.52%	1.61%	22 months	10.78%	6.50%	87.38%

FIXED-RATE MORTGAGE-BACKED SECURITY CHARACTERISTICS

	Principal Value	Weighted Average Coupon Rate	Weighted Average Asset Yield	Principal Value as % of Mortgage-Backed Securities
	(dollars in thousands)			
At March 31, 1998	\$318,954	6.85%	6.70%	21.32%
At December 31, 1997	\$143,712	7.50%	7.08%	12.62%

At March 31, 1998 and December 31, 1997, the Company held Mortgage-Backed Securities with coupons linked to the one- and three-year Treasury Indices, one-month LIBOR and the six-month CD rate. The table below segments the Company's adjustable-rate Mortgage-Backed Securities by type of adjustment index, coupon adjustment frequency and annual and lifetime cap adjustment.

ADJUSTABLE-RATE MORTGAGE-BACKED SECURITIES BY INDEX

MARCH 31, 1998

	One-Month LIBOR	Six-Month CD Rate	1-Year Treasury Index	3-Year Treasury Index
	-----	-----	-----	-----
Weighted Average Adjustment Frequency	1 mo.	6 mo.	45 mo.	36 mo.
Weighted Average Term to Next Adjustment	1 mo.	3 mo.	31 mo.	12 mo.
Weighted Average Annual Period Cap	none	2.00%	1.97%	2.00%
Weighted Average Lifetime Cap at March 31, 1998	9.15%	10.88%	10.69%	14.16%
Mortgage Principal Value as Percentage of Mortgage-Backed Securities at March 31, 1998	36.29%	5.51%	36.75	.13%

ADJUSTABLE-RATE MORTGAGE-BACKED SECURITIES BY INDEX

DECEMBER 31, 1997

	One-Month LIBOR	Six-Month CD Rate	1-Year Treasury Index	3-Year Treasury Index
	-----	-----	-----	-----
Weighted Average Adjustment Frequency	1 mo.	6 mo.	12 mo.	36 mo.
Weighted Average Term to Next Adjustment	1 mo.	3 mo.	6 mo.	12 mo.
Weighted Average Annual Period Cap	none	2.00%	1.78%	2.00%
Weighted Average Lifetime Cap at December 31, 1997	9.21%	10.88%	11.77%	14.16%
Mortgage Principal Value as Percentage of Mortgage-Backed Securities at December 31, 1997	30.94%	7.81%	48.45%	.18%

The table below shows unrealized gains and losses on the Mortgage-Backed Securities in the Company's portfolio.

UNREALIZED GAINS AND LOSSES

	At March 31, 1998 (dollars in thousands)	At December 31, 1997 (dollars in thousands)
	-----	-----
Unrealized Gain	\$ 2,622	\$ 3,253
Unrealized Loss	(4,710)	(1,229)
Net Unrealized Gain (Loss)	(2,088)	2,024
Net Unrealized Gain as % of Mortgage-Backed Securities Principal Value	0.14%	0.20%
Net Unrealized Gain as % of Mortgage-Backed Securities Amortized Cost	0.14%	0.20%

INTEREST RATE AGREEMENTS

Interest rate agreements are assets that are carried on a balance sheet at estimated liquidation value. At March 31, 1998, there were no interest rate agreements on the Company's balance sheet.

BORROWINGS

To date, the Company's debt has consisted entirely of borrowings collateralized by a pledge of the Company's Mortgage-Backed Securities. These borrowings appear on the balance sheet as repurchase agreements. At March 31, 1998, the Company had established uncommitted borrowing facilities in this market with twenty-four lenders in amounts which the Company believes are in excess of its needs. All of the Company's Mortgage-Backed Securities are currently accepted as collateral for such borrowings. The Company, however, limits its borrowings, and thus its potential asset growth, in order to maintain unused borrowing capacity and thus increase the liquidity and strength of its balance sheet.

For the quarter ended March 31, 1998, the term to maturity of the Company's borrowings has ranged from one day to six months, with a weighted average original term to maturity of 66 days and a weighted average remaining maturity of 20 days at March 31, 1998. Many of the Company's borrowings have a cost of funds which adjust monthly based on a fixed spread over or under one-month LIBOR or based on the daily Fed Funds rate. As a result, the average term to the next rate adjustment for the Company's borrowings is typically shorter than the term to maturity for the Company's Mortgage-Backed Securities. At March 31, 1998, the weighted average cost of funds for all of the Company's borrowings was 5.58% and the weighted average term to next rate adjustment was 20 days.

LIQUIDITY

Liquidity, which is the Company's ability to turn non-cash assets into cash, allows the Company to purchase additional Mortgage-Backed Securities and to pledge additional assets to secure existing borrowings should the value of pledged assets decline. Potential immediate sources of liquidity for the Company include cash balances and unused borrowing capacity. Unused borrowing capacity will vary over time as the market value of the Company's Mortgage-Backed Securities varies. The Company's balance sheet also generates liquidity on an on-going basis through mortgage principal repayments and net earnings held prior to payment as dividends. Should the Company's needs ever exceed these on-going sources of liquidity plus the immediate sources of liquidity discussed above, management believes that the Company's Mortgage-Backed Securities could in most circumstances be sold to raise cash. The maintenance of liquidity is one of the goals of the Company's Capital Investment Policy. Under this policy, asset growth is limited in order to preserve unused borrowing capacity for liquidity management purposes.

STOCKHOLDERS' EQUITY

The Company uses "available-for-sale" treatment for its Mortgage-Backed Securities; these assets are carried on the balance sheet at estimated market value rather than historical amortized cost. Based upon such "available-for-sale" treatment, the Company's equity base at March 31, 1998 was \$131.7 million, or \$10.32 per share. If the Company had used historical amortized cost accounting, the Company's equity base at March 31, 1998 would have been \$133.8 million, or \$10.48 per share.

With the Company's "available-for-sale" accounting treatment, unrealized fluctuations in market values of assets do not impact GAAP or taxable income but rather are reflected on the balance sheet by changing the carrying value of the asset and reflecting the change in stockholders' equity under "Net Unrealized Losses on Assets Available for Sale." By accounting for its assets in this manner, the Company hopes to provide useful information to stockholders and creditors and to preserve flexibility to sell assets in the future without having to change accounting methods.

As a result of this mark-to-market accounting treatment, the book value and book value per share of the Company are likely to fluctuate far more than if the Company used historical amortized cost accounting. As a result, comparisons with companies that use historical cost accounting for some or all of their balance sheet may be misleading.

Unrealized changes in the estimated net market value of Mortgage-Backed Securities have one direct effect on the Company's potential earnings and dividends: positive market-to-market changes will increase the Company's equity base and allow the Company to increase its borrowing capacity while negative changes will tend to limit borrowing capacity under the Company's Capital Investment Policy. A very large negative change in the net market value of the Company's Mortgage-Backed Securities might impair the Company's liquidity position, requiring the Company to sell assets with the likely result of realized losses upon sale. "Net Unrealized Losses on Assets Available for Sale" was \$2.1 million, or 0.14% of the amortized cost of Mortgage-Backed Securities at March 31, 1998.

The table below shows the Company's equity capital base as reported and on a historical amortized cost basis at March 31, 1998 and December 31, 1997. Issuances of Common Stock, the level of GAAP earnings as compared to dividends declared, and other factors influence the historical cost equity capital base. The GAAP

reported equity capital base is influenced by these factors plus changes in the "Net Unrealized Losses on Assets Available for Sale" account.

STOCKHOLDERS' EQUITY

	Historical Amortized Cost Equity Base	GAAP Net Unrealized Losses on Assets Available for Sale	Reported Equity Base (Book Value)	Historical Amortized Cost Equity Per Share	GAAP Reported Equity (Book Value) Per Share
	(dollars in thousands, except per share data)				
At March 31, 1998	\$133,751	(\$2,088)	\$131,663	\$10.48	\$10.32
At December 31, 1997	\$133,063	\$2,024	\$135,087	\$10.47	\$10.62

LEVERAGE

The Company's debt-to-GAAP reported equity ratio at March 31, 1998 was 10:1. The Company generally expects to maintain a ratio of debt-to-equity of between 8:1 and 12:1, although the ratio may vary from time to time based upon various factors, including management's opinion of the level of risk of its assets and liabilities, the Company's liquidity position, the level of unused borrowing capacity and over-collateralization levels required by lenders when the Company pledges assets to secure borrowings.

The target debt-to-GAAP reported equity ratio is determined under the Company's Capital Investment Policy. Should the actual debt-to-equity ratio of the Company increase above the target level due to asset acquisition and/or market value fluctuations in assets, management will cease to acquire new assets. Management will, at such time, present a plan to its Board of Directors to bring the Company back to its target debt-to-equity ratio; in many circumstances, this would be accomplished in time by the monthly reduction of the balance of Mortgage-Backed Securities through principal repayments.

ASSET/LIABILITY MANAGEMENT AND EFFECT OF CHANGES IN INTEREST RATES

Management continually reviews the Company's asset/liability management strategy with respect to interest rate risk, mortgage prepayment risk, credit risk and the related issues of capital adequacy and liquidity. The Company seeks attractive risk-adjusted stockholder returns while maintaining a strong balance sheet.

The Company seeks to manage the extent to which net income changes as a function of changes in interest rates by matching adjustable-rate assets with variable-rate borrowings. In addition, although it has not done so to date, the Company may seek to mitigate the potential impact on net income of periodic and lifetime coupon adjustment restrictions in its portfolio of Mortgage-Backed Securities by entering into interest rate agreements such as interest rate caps and interest rate swaps.

Changes in interest rates may also have an effect on the rate of mortgage principal prepayments and, as a result, prepayments on Mortgage-Backed Securities. The Company will seek to mitigate the effect of changes in the mortgage principal repayment rate from an economic point of view by balancing assets purchased at a premium with assets purchased at a discount. To date, the aggregate premium exceeds the aggregate discount on Mortgage-Backed Securities in the Company's portfolio. As a result, prepayments, which result in the expensing of unamortized premium, will reduce the Company's net income compared to what net income would be absent such prepayments.

INFLATION

Virtually all of the Company's assets and liabilities are financial in nature. As a result, interest rates and other factors drive the Company's performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. The Company's financial statements are prepared in accordance with GAAP and the Company's dividends are determined by the Company's net income as

calculated for tax purposes; in each case, the Company's activities and balance sheet are measured with reference to historical cost or fair market value without considering inflation.

OTHER MATTERS

The Company calculated its qualified REIT Assets, as defined in the Internal Revenue Code of 1986, as amended (the "Code"), to be 99.5% of its total assets, as compared to the Code requirement that at least 75% of its total assets must be qualified REIT Assets. The Company also calculates that 93.4% of its revenue qualifies for the 75% source of income test and 100% of its revenue qualifies for the 95% source of income test under the REIT rules. The Company also met all REIT requirements regarding the ownership of its common stock and the distributions of its net income. Therefore, as of March 31, 1998, the Company believes that it qualified as a REIT under the provisions of the Code.

The Company at all times intends to conduct its business so as not to become regulated as an investment company under the Investment Company Act of 1940. If the Company were to become regulated as an investment company, then the Company's use of leverage would be substantially reduced. The Investment Company Act exempts entities that are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" ("Qualifying Interests"). Under current interpretation of the staff of the Commission, in order to qualify for this exemption, the Company must maintain at least 55% of its assets directly in Qualifying Interests. In addition, unless certain mortgage securities represent all the certificates issued with respect to an underlying pool of mortgages, such mortgage securities may be treated as securities separate from the underlying mortgage loans and, thus, may not be considered Qualifying Interests for purposes of the 55% requirement. As of March 31, 1998, the Company calculates that it is in compliance with this requirement.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 1 - Financial Data Schedule

(b) Reports

None

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SIGNATURES

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

ANNALY MORTGAGE MANAGEMENT, INC.

Dated: May 11, 1998

By: /s/ Michael A.J. Farrell

Michael A.J. Farrell
Chairman of the Board and Chief Executive
Officer
(authorized officer of registrant)

Dated: May 11, 1998

By: /s/ Kathryn F. Fagan

Kathryn F. Fagan
Chief Financial Officer and Treasurer
(principal accounting officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MARCH 31, 1998 QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH.

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	MAR-30-1998	11
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