

REFINITIV

# DELTA REPORT

## 10-Q

CHMI PR B - CHERRY HILL MORTGAGE INVE  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	983
CHANGES	230
DELETIONS	341
ADDITIONS	412

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2024** **June 30, 2024**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-36099

CHERRY HILL MORTGAGE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland  
(State or Other Jurisdiction of Incorporation or Organization)

46-1315605  
(I.R.S. Employer Identification No.)

1451 Route 34, Suite 303  
Farmingdale, New Jersey  
(Address of Principal Executive Offices)

07727  
(Zip Code)

(877) 870 – 7005  
(Registrant's Telephone Number, Including Area Code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	CHMI	New York Stock Exchange
8.20% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share	CHMI-PRA	New York Stock Exchange
8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, \$0.01 par value per share	CHMI-PRB	New York Stock Exchange

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

As of May 6, 2024 August 8, 2024, there were 30,019,969 30,080,156 outstanding shares of common stock, \$0.01 par value per share, of Cherry Hill Mortgage Investment Corporation.

## CHERRY HILL MORTGAGE INVESTMENT CORPORATION

### TABLE OF CONTENTS

	Page
<a href="#">FORWARD-LOOKING INFORMATION</a>	3
PART I. <a href="#">FINANCIAL INFORMATION</a>	5
Item 1. <a href="#">Consolidated Financial Statements</a>	5
<a href="#">Consolidated Balance Sheets</a>	5
<a href="#">Consolidated Statements of Income (Loss)</a>	6
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a>	7
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	8
<a href="#">Consolidated Statements of Cash Flows</a>	9
<a href="#">Notes to Consolidated Financial Statements</a>	10
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	44 46
Item 3. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	65 68
Item 4. <a href="#">Controls and Procedures</a>	69 71
PART II. <a href="#">OTHER INFORMATION</a>	70 71
Item 1. <a href="#">Legal Proceedings</a>	70 71
Item 1A. <a href="#">Risk Factors</a>	70 72
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	70 73
Item 3. <a href="#">Defaults Upon Senior Securities</a>	70 73
Item 4. <a href="#">Mine Safety Disclosures</a>	70 73
Item 5. <a href="#">Other Information</a>	70 73
Item 6. <a href="#">Exhibits</a>	71 74

## GLOSSARY

This glossary defines some, but not all, of the terms that we use elsewhere in this Quarterly Report on Form 10-Q. In this Quarterly Report on Form 10-Q, unless specifically stated otherwise or the context otherwise indicates, references to “we”, “us”, “our”, the “Company” or “CHMI” refer to Cherry Hill Mortgage Investment Corporation, a Maryland corporation, together with its consolidated subsidiaries; references to the “Manager” refer to Cherry Hill Mortgage Management, LLC, a Delaware limited liability company; and references to the “Operating Partnership” refer to Cherry Hill Operating Partnership, LP, a Delaware limited partnership.

“**Agency**” means a U.S. Government agency, such as Ginnie Mae, or a GSE.

“**Agency RMBS**” means RMBS issued by an Agency or for which an Agency guarantees payments of principal and interest on the securities.

“**ASC**” means an Accounting Standards Codification.

“**ASU**” means the Accounting Standards Update issued by the FASB.

“**ARM**” means an adjustable-rate residential mortgage loan.

“**CFTC**” means the U.S. Commodity Futures Trading Commission.

“**CMO**” means a collateralized mortgage obligation. CMOs are either loss share securities issued by a GSE or structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**credit enhancement**” means techniques to improve the credit ratings of securities, including overcollateralization, creating retained spread, creating subordinated tranches and insurance.

“**Excess MSR**” means an interest in an MSR, representing a portion of the interest payment collected from a pool of mortgage loans, net of a basic servicing fee paid to the mortgage servicer.

“**FASB**” means the Financial Accounting Standards Board.

“**Fannie Mae**” means the Federal National Mortgage Association.

“**Freddie Mac**” means the Federal Home Loan Mortgage Corporation.

“**GAAP**” means U.S. generally accepted accounting principles.

“**Ginnie Mae**” means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the U.S. Department of Housing and Urban Development.

“**GSE**” means a government-sponsored enterprise. When we refer to GSEs, we mean Fannie Mae or Freddie Mac.

“**hybrid ARM**” means a residential mortgage loan that has an interest rate that is fixed for a specified period of time (typically three, five, seven or ten years) and thereafter adjusts to an increment over a specified interest rate index.

“**inverse IO**” means an inverse interest-only security, which is a type of stripped security. These debt securities receive no principal payments and have a coupon rate which has an inverse relationship to its reference index.

“**IO**” means an interest-only security, which is a type of stripped security. IO strips receive a specified portion of the interest on the underlying assets.

“**MBS**” means mortgage-backed securities.

“**MSR**” means a mortgage servicing right. An MSR provides a mortgage servicer with the right to service a mortgage loan or a pool of mortgages in exchange for a portion of the interest payments made on the mortgage or the underlying mortgages. An MSR is made up of two components: a basic servicing fee and an Excess MSR. The basic servicing fee is the amount of compensation for the performance of servicing duties.

“**mortgage loan**” means a loan secured by real estate together with the right to receive the payment of principal and interest on the loan (including the servicing fee).

“**non-Agency RMBS**” means CMOs that either are loss share securities issued by a GSE or are not issued or guaranteed by an Agency, including investment grade (AAA through BBB rated) and non-investment grade (BB rated through unrated) classes.

“**REIT**” means a real estate investment trust under the Code.

**“residential mortgage pass-through certificate”** is a MBS that represents an interest in a “pool” of mortgage loans secured by residential real property where payments of both interest and principal (including principal prepayments) on the underlying residential mortgage loans are made monthly to holders of the security, in effect “passing through” monthly payments made by the individual borrowers on the mortgage loans that underlie the security, net of fees paid to the issuer/guarantor and servicer.

**“RMBS”** means a residential Agency RMBS or a non-Agency RMBS.

**“Servicing Related Assets”** means Excess MSRs and MSRs.

**“SIFMA”** means the Securities Industry and Financial Markets Association.

**“stripped security”** is an RMBS structured with two or more classes that receives different distributions of principal or interest on a pool of RMBS. Stripped securities include IOs and inverse IOs.

**“TBA”** means a forward-settling Agency RMBS where the pool is “to-be-announced.” In a TBA, a buyer will agree to purchase, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date.

**“TRS”** means a taxable REIT subsidiary.

**“UPB”** means unpaid principal balance.

**“U.S. Treasury”** means the U.S. Department of Treasury.

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

Cherry Hill Mortgage Investment Corporation (together with its consolidated subsidiaries, the “Company”, “we”, “our” or “us”) makes forward-looking statements in this Quarterly Report on Form 10-Q within the meaning of the Private Securities Litigation Reform Act of 1995 (as set forth in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). For these statements, the Company claims the protections of the safe harbor for forward-looking statements contained in such Sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond the Company’s control. These forward-looking statements include information about possible or assumed future results of the Company’s business, financial condition, liquidity, results of operations, plans and objectives. When the Company uses the words “believe”, “expect”, “anticipate”, “estimate”, “plan”, “continue”, “intend”, “should”, “could”, “would”, “may”, “potential” or the negative of these terms or other comparable terminology, the Company intends to identify forward-looking statements. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ materially from our beliefs, expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Statements regarding the following subjects, among others, may be forward-looking:

- the Company’s investment objectives and business strategy;
- the Company’s ability to complete its plan to internalize management and terminate the management agreement with its external manager, Cherry Hill Mortgage Management, LLC (the “Manager” and such agreement, the “Management Agreement”);
- the Company’s ability to raise capital through the sale of its equity and debt securities and to invest the net proceeds of any such offering in the target assets, if any, identified at the time of the offering;
- the Company’s ability to obtain future financing arrangements and refinance existing financing arrangements as they mature;
- the Company’s expected leverage;
- the Company’s expected investments and the timing thereof;
- the Company’s ability to acquire Servicing Related Assets and mortgage and real estate-related securities;
- the Company’s ability to make distributions to holders of the Company’s common and preferred stock;
- the Company’s ability to compete in the marketplace;
- the Company’s ability to hedge interest rate risk and prepayment risk associated with its assets;
- market, industry and economic trends;
- recent market developments and actions taken and to be taken by the U.S. Government, the U.S. Treasury, the Board of Governors of the Federal Reserve System, Fannie Mae, Freddie Mac, Ginnie Mae and the U.S. Securities and Exchange Commission (“SEC”);
- mortgage loan modification programs and future legislative actions;
- the Federal Reserve’s potential changes in interest rates;

- the Company's ability to qualify and maintain qualification as a REIT under the Code and limitations on the Company's business due to compliance with requirements for maintaining its qualification as a REIT under the Code;
- the Company's ability to maintain an exception from the definitions of "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), or otherwise not fall within those definitions;

[Table of Contents](#)

- projected capital and operating expenditures;
- availability of qualified personnel; and
- projected prepayment and/or default rates.

The Company's beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to it or are within its control. If any such change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in, or implied by, the Company's forward-looking statements. Important factors, among others, that may cause the Company's actual results, performance, liquidity or achievements to differ materially from those expressed or implied by the Company's forward-looking statements include:

- the factors discussed under "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and "Part I, Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023;
- general volatility of the capital markets;
- inflationary trends could result in further interest rate increases or sustained higher interest rates for longer than expected periods of time, which could lead to increased market volatility;
- changes in the Company's investment objectives and business strategy;
- availability, terms and deployment of capital;
- availability of suitable investment opportunities;
- the Company's ability to operate its licensed mortgage servicing subsidiary and oversee the activities of such subsidiary;
- the Company's ability to manage various operational and regulatory risks associated with its business;
- disputes, if any, between the Company and the Manager over the express terms of the Management Agreement could impact the timing of the Company's dependence on its external manager, Cherry Hill Mortgage plan to internalize management and terminate the Management LLC, Agreement and could increase the Company's ability cost to find a suitable replacement if the Company or the Manager were to terminate or not renew the management agreement the Company has entered into with the Manager; complete such actions;
- changes in the Company's assets, interest rates or the general economy;
- increased rates of default and/or decreased recovery rates on the Company's investments, including as a result of the effects of more severe weather and changes in traditional weather patterns;
- changes in interest rates, interest rate spreads, the yield curve, prepayment rates or recapture rates;
- limitations on the Company's business due to compliance with requirements for maintaining its qualification as a REIT under the Code and the Company's exception from the definitions of "investment company" under the Investment Company Act (or of otherwise not falling within those definitions);
- the degree and nature of the Company's competition, including competition for the residential mortgage assets in which the Company invests; and
- other risks associated with acquiring, investing in and managing residential mortgage assets.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements apply only as of the date of this Quarterly Report on Form 10-Q. Except as otherwise may be required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

[Table of Contents](#)

**PART I. FINANCIAL INFORMATION**

Item 1. Consolidated Financial Statements

Cherry Hill Mortgage Investment Corporation and Subsidiaries

Consolidated Balance Sheets

(in thousands — except share and par value data)

	(unaudited)		(unaudited)	
	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
<b>Assets</b>				
RMBS, at fair value (including pledged assets of \$1,008,806 and \$973,221, respectively)	\$ 1,046,649	\$ 1,012,130		
Investments in Servicing Related Assets, at fair value (including pledged assets of \$250,380 and \$253,629, respectively)	250,380	253,629		
RMBS, at fair value (including pledged assets of \$1,035,600 and \$973,221, respectively)			\$ 1,067,317	\$ 1,012,130
Investments in Servicing Related Assets, at fair value (including pledged assets of \$234,263 and \$253,629, respectively)			234,263	253,629
Cash and cash equivalents	47,518	52,886	52,424	52,886
Restricted cash	5,237	16,441	6,113	16,441
Derivative assets	19,998	19,504	21,232	19,504
Receivables and other assets	36,141	38,402	35,196	38,402
<b>Total Assets</b>	<b>\$ 1,405,923</b>	<b>\$ 1,392,992</b>	<b>\$ 1,416,545</b>	<b>\$ 1,392,992</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Liabilities</b>				
Repurchase agreements	\$ 965,005	\$ 903,489	\$ 994,764	\$ 903,489
Derivative liabilities	5,268	16,617	4,751	16,617
Notes payable	166,392	169,314	159,470	169,314
Dividends payable	6,500	6,650	6,761	6,650
Due to manager	1,797	1,789	1,756	1,789
Accrued expenses and other liabilities	10,822	36,758	11,290	36,758
<b>Total Liabilities</b>	<b>\$ 1,155,784</b>	<b>\$ 1,134,617</b>	<b>\$ 1,178,792</b>	<b>\$ 1,134,617</b>
<b>Stockholders' Equity</b>				
Series A Preferred stock, \$0.01 par value per share, 100,000,000 shares authorized and 2,781,635 shares issued and outstanding as of March 31, 2024 and 100,000,000 shares authorized and 2,781,635 shares issued and outstanding as of December 31, 2023, liquidation preference of \$69,541 as of March 31, 2024 and liquidation preference of \$69,541 as of December 31, 2023	\$ 67,311	\$ 67,311		
Series B Preferred stock, \$0.01 par value per share, 100,000,000 shares authorized and 1,703,028 shares issued and outstanding as of March 31, 2024 and 100,000,000 shares authorized and 2,000,000 shares issued and outstanding as of December 31, 2023, liquidation preference of \$42,576 as of March 31, 2024 and liquidation preference of \$50,000 as of December 31, 2023	40,931	48,068		
Common stock, \$0.01 par value per share, 500,000,000 shares authorized and 30,019,969 shares issued and outstanding as of March 31, 2024 and 500,000,000 shares authorized and 30,019,969 shares issued and outstanding as of December 31, 2023	305	305		
Preferred stock, par value \$0.01 per share, 100,000,000 shares authorized:				
8.20% Series A Cumulative Redeemable Preferred stock, 2,781,635 shares issued and outstanding as of June 30, 2024 and December 31, 2023, \$69,541 liquidation preference as of June 30, 2024 and December 31, 2023			\$ 67,311	\$ 67,311
8.25% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred stock, 1,604,103 shares issued and outstanding as of June 30, 2024 and 2,000,000 shares issued and outstanding as of December 31, 2023, \$40,103 liquidation preference as of June 30, 2024 and \$50,000 liquidation preference as of December 31, 2023			38,553	48,068
Common stock, \$0.01 par value per share, 500,000,000 shares authorized and 30,080,156 shares issued and outstanding as of June 30, 2024 and 500,000,000 shares authorized and 30,019,969 shares issued and outstanding as of December 31, 2023			307	305

Additional paid-in capital	375,546	375,498	375,612	375,498
Accumulated Deficit	(227,997)	(233,161)	(234,382)	(233,161)
Accumulated other comprehensive loss	(9,141)	(2,545)	(12,875)	(2,545)
<b>Total Cherry Hill Mortgage Investment Corporation Stockholders' Equity</b>	<b>\$ 246,955</b>	<b>\$ 255,476</b>	<b>\$ 234,526</b>	<b>\$ 255,476</b>
Non-controlling interests in Operating Partnership	3,184	2,899	3,227	2,899
<b>Total Stockholders' Equity</b>	<b>\$ 250,139</b>	<b>\$ 258,375</b>	<b>\$ 237,753</b>	<b>\$ 258,375</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,405,923</b>	<b>\$ 1,392,992</b>	<b>\$ 1,416,545</b>	<b>\$ 1,392,992</b>

See accompanying notes to consolidated financial statements.

5

[Table of Contents](#)

Cherry Hill Mortgage Investment Corporation and Subsidiaries  
**Consolidated Consolidated** Statements of Income (Loss)  
(Unaudited)  
(in thousands — except share and per share data)

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
<b>Income</b>						
Interest income	\$ 12,741	\$ 11,795	\$ 13,677	\$ 12,534	\$ 26,418	\$ 24,329
Interest expense	13,648	11,955	13,510	13,168	27,158	25,123
Net interest expense	(907)	(160)				
Net interest income (expense)			167	(634)	(740)	(794)
Servicing fee income	12,891	13,874	12,349	13,436	25,240	27,310
Servicing costs	2,634	2,765	3,455	2,464	6,089	5,229
Net servicing income	10,257	11,109	8,894	10,972	19,151	22,081
Other income (loss)						
Realized loss on RMBS, net	-	(981)	(1,859)	(10,274)	(1,859)	(11,255)
Realized gain (loss) on derivatives, net	6,252	(5,600)				
Realized gain on investments in MSRs, net			741	-	741	-
Realized gain on derivatives, net			9,430	11,640	15,682	6,040
Unrealized loss on RMBS, measured at fair value through earnings, net	(8,321)	(192)	(4,440)	(6,619)	(12,761)	(6,811)
Unrealized gain (loss) on derivatives, net	12,324	(12,246)	(3,042)	6,827	9,282	(5,419)
Unrealized loss on investments in Servicing Related Assets	(3,257)	(8,668)	(3,312)	(6,010)	(6,569)	(14,678)
<b>Total Income (Loss)</b>	<b>16,348</b>	<b>(16,738)</b>	<b>6,579</b>	<b>5,902</b>	<b>22,927</b>	<b>(10,836)</b>
<b>Expenses</b>						
General and administrative expense	1,841	1,523	3,371	1,995	5,212	3,518
Management fee to affiliate	1,748	1,680	1,760	1,694	3,508	3,374
<b>Total Expenses</b>	<b>3,589</b>	<b>3,203</b>	<b>5,131</b>	<b>3,689</b>	<b>8,720</b>	<b>6,892</b>
<b>Income (Loss) Before Income Taxes</b>	<b>12,759</b>	<b>(19,941)</b>	<b>1,448</b>	<b>2,213</b>	<b>14,207</b>	<b>(17,728)</b>
Provision for (Benefit from) corporate business taxes	703	(619)	664	587	1,367	(32)
<b>Net Income (Loss)</b>	<b>12,056</b>	<b>(19,322)</b>	<b>784</b>	<b>1,626</b>	<b>12,840</b>	<b>(17,696)</b>
Net (income) loss allocated to noncontrolling interests in Operating Partnership	(235)	377	(19)	(37)	(254)	340
Dividends on preferred stock	(2,307)	(2,463)	(2,555)	(2,465)	(4,862)	(4,928)
Gain on repurchase and retirement of preferred stock	152	-				
Gain (loss) on repurchase and retirement of preferred stock			(74)	-	78	-
<b>Net Income (Loss) Applicable to Common Stockholders</b>	<b>\$ 9,666</b>	<b>\$ (21,408)</b>	<b>\$ (1,864)</b>	<b>\$ (876)</b>	<b>\$ 7,802</b>	<b>\$ (22,284)</b>
<b>Net Income (Loss) Per Share of Common Stock</b>						
Basic	\$ 0.32	\$ (0.87)	\$ (0.06)	\$ (0.03)	\$ 0.26	\$ (0.88)
Diluted	\$ 0.32	\$ (0.87)	\$ (0.06)	\$ (0.03)	\$ 0.26	\$ (0.88)
<b>Weighted Average Number of Shares of Common Stock Outstanding</b>						
Basic	29,978,134	24,662,823	29,978,791	26,014,830	29,978,462	25,342,562
Diluted	30,019,969	24,685,241	30,029,960	26,034,399	30,025,173	25,363,547

See accompanying notes to consolidated financial statements.



[Table of Contents](#)

**Cherry Hill Mortgage Investment Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**  
**(in thousands)**

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Net income (loss)	\$ 12,056	\$ (19,322)	\$ 784	\$ 1,626	\$ 12,840	\$ (17,696)
Other comprehensive income (loss):						
Unrealized gain (loss) on RMBS, available-for-sale, net	(6,596)	14,639	(3,734)	(3,122)	(10,330)	11,517
Net other comprehensive income (loss)	(6,596)	14,639	(3,734)	(3,122)	(10,330)	11,517
<b>Comprehensive income (loss)</b>	<b>\$ 5,460</b>	<b>\$ (4,683)</b>	<b>\$ (2,950)</b>	<b>\$ (1,496)</b>	<b>\$ 2,510</b>	<b>\$ (6,179)</b>
Comprehensive (income) loss attributable to noncontrolling interests in Operating Partnership	(106)	91	57	27	(50)	119
Dividends on preferred stock	(2,307)	(2,463)	(2,555)	(2,465)	(4,862)	(4,928)
Gain on repurchase and retirement of preferred stock	152	-				
Comprehensive income (loss) attributable to common stockholders	\$ 3,199	\$ (7,055)				
Gain (loss) on repurchase and retirement of preferred stock			(74)	-	78	-
Comprehensive loss attributable to common stockholders			(5,522)	(3,934)	(2,324)	(10,988)

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**Cherry Hill Mortgage Investment Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**(Unaudited)**  
**(in thousands — except share and per share data)**

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Non- Controlling Interest in Operating Partnership	Stock E
<b>Balance, December 31, 2022</b>	<b>23,508,130</b>	<b>\$ 239</b>	<b>4,781,635</b>	<b>\$ 115,379</b>	<b>\$ 344,510</b>	<b>\$ (29,104)</b>	<b>\$ (168,989)</b>	<b>\$ 3,481</b>	<b>\$</b>
Issuance of common stock	2,140,000	22	-	-	12,672	-	-	-	-
Net Loss	-	-	-	-	-	-	(18,945)	(377)	-
Net Other Comprehensive Income	-	-	-	-	-	14,639	-	-	-
LTIP-OP Unit awards	-	-	-	-	-	-	-	117	-
Distribution paid on LTIP-OP Units	-	-	-	-	-	-	-	(109)	-
Common dividends declared, \$0.27 per share	-	-	-	-	-	-	(6,927)	-	-
Preferred Series A dividends declared, \$0.5125 per share	-	-	-	-	-	-	(1,432)	-	-
Preferred Series B dividends declared, \$0.5156 per share	-	-	-	-	-	-	(1,031)	-	-
<b>Balance, March 31, 2023</b>	<b>25,648,130</b>	<b>\$ 261</b>	<b>4,781,635</b>	<b>\$ 115,379</b>	<b>\$ 357,182</b>	<b>\$ (14,465)</b>	<b>\$ (197,324)</b>	<b>\$ 3,112</b>	<b>\$</b>
Issuance of common stock									
Net Income									
Net Other Comprehensive Loss									
LTIP-OP Unit awards									
Distribution paid on LTIP-OP Units									
Common dividends declared, \$0.15 per share									
Preferred Series A dividends declared, \$0.5125 per share									
Preferred Series B dividends declared, \$0.5156 per share									
<b>Balance, June 30, 2023</b>									
<b>Balance, December 31, 2023</b>	<b>30,019,969</b>	<b>\$ 305</b>	<b>4,781,635</b>	<b>\$ 115,379</b>	<b>\$ 375,498</b>	<b>\$ (2,545)</b>	<b>\$ (233,161)</b>	<b>\$ 2,899</b>	<b>\$</b>
Issuance of common stock	-	-	-	-	48	-	-	-	-

Repurchase and retirement of preferred stock	-	-	(296,972)	(7,137)	-	-	152	-	
Net Income	-	-	-	-	-	-	11,821	235	
Net Other Comprehensive Loss	-	-	-	-	-	(6,596)	-	-	
LTIP-OP Unit awards	-	-	-	-	-	-	-	124	
Distribution paid on LTIP-OP Units	-	-	-	-	-	-	-	(74)	
Common dividends declared, \$0.15 per share	-	-	-	-	-	-	(4,502)	-	
Preferred Series A dividends declared, \$0.5125 per share	-	-	-	-	-	-	(1,432)	-	
Preferred Series B dividends declared, \$0.5156 per share	-	-	-	-	-	-	(875)	-	
Balance, March 31, 2024	30,019,969	\$ 305	4,484,663	\$ 108,242	\$ 375,546	\$ (9,141)	\$(227,997)	\$ 3,184	\$
Issuance of common stock									
Repurchase and retirement of preferred stock									
Redemption of OP units for cash									
Net Income									
Net Other Comprehensive Loss									
LTIP-OP Unit awards									
Distribution paid on LTIP-OP Units									
Common dividends declared, \$0.15 per share									
Preferred Series A dividends declared, \$0.5125 per share									
Preferred Series B dividends declared, \$0.6995 per share									
Balance, June 30, 2024									

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

## Cherry Hill Mortgage Investment Corporation and Subsidiaries

### Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Cash Flows From Operating Activities</b>				
Net income (loss)	\$ 12,056	\$ (19,322)	\$ 12,840	\$ (17,696)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Realized loss on RMBS, net	-	981	1,859	11,255
Unrealized loss on investments in Servicing Related Assets	3,257	8,668	6,569	14,678
Realized (gain) loss on derivatives, net	(6,252)	5,600		
Realized gain on investments in MSRs, net			(741)	-
Realized gain on derivatives, net			(15,682)	(6,040)
Unrealized loss on RMBS, measured at fair value through earnings, net	8,321	192	12,761	6,811
Unrealized (gain) loss on derivatives, net	(12,324)	12,246	(9,282)	5,419
Amortization (accretion) of premiums on RMBS	(647)	(380)	(1,431)	(753)
Amortization of deferred financing costs	78	40	156	80
LTIP-OP Unit awards	124	117	248	234
Changes in:				
Receivables and other assets, net	2,264	(854)	3,216	1,825
Due to affiliates	8	33	(33)	(7)
Accrued expenses and other liabilities, net	(25,936)	(3,673)	(25,468)	(10,961)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (19,051)</b>	<b>\$ 3,648</b>	<b>\$ (14,988)</b>	<b>\$ 4,845</b>
<b>Cash Flows From Investing Activities</b>				
Purchase of RMBS	(65,752)	(251,255)	(154,003)	(470,809)
Principal paydown of RMBS	16,963	13,033	36,092	32,168
Proceeds from sale of RMBS	-	76,490	39,195	280,946
Proceeds from sale of MSRs			13,544	-
Acquisition of MSRs	(9)	129	(6)	154

Payments for settlement of derivatives	(6,752)	(1,553)	(5,604)	(8,944)
Proceeds from settlement of derivatives	-	5,901	-	3,366
<b>Net cash used in investing activities</b>	<b>\$ (55,550)</b>	<b>\$ (157,255)</b>	<b>\$ (70,782)</b>	<b>\$ (163,119)</b>
<b>Cash Flows From Financing Activities</b>				
Borrowings under repurchase agreements	2,433,783	1,922,370	4,842,602	4,688,098
Repayments of repurchase agreements	(2,372,267)	(1,756,714)	(4,751,327)	(4,534,153)
Proceeds from derivative financing	13,483	(6,014)	16,974	7,982
Principal paydown of bank loans	(3,000)	(6,000)	(10,000)	(9,000)
Dividends paid	(6,959)	(8,806)	(13,773)	(18,193)
LTIP-OP Units distributions paid	(74)	(109)	(165)	(241)
Redemption of OP units for cash	-	-	(9)	-
Issuance of common stock, net of offering costs	48	12,694	116	19,137
Repurchase and retirement of preferred stock	(6,985)	-	(9,438)	-
<b>Net cash provided by financing activities</b>	<b>\$ 58,029</b>	<b>\$ 157,421</b>	<b>\$ 74,980</b>	<b>\$ 153,630</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ (16,572)</b>	<b>\$ 3,814</b>		
<b>Net Decrease in Cash, Cash Equivalents and Restricted Cash</b>			<b>\$ (10,790)</b>	<b>\$ (4,644)</b>
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of Period</b>	<b>69,327</b>	<b>65,554</b>	<b>69,327</b>	<b>65,554</b>
<b>Cash, Cash Equivalents and Restricted Cash, End of Period</b>	<b>\$ 52,755</b>	<b>\$ 69,368</b>	<b>\$ 58,537</b>	<b>\$ 60,910</b>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid during the period for interest expense	\$ 7,640	\$ 6,494	\$ 16,095	\$ 13,847
Cash paid during the period for income taxes	-	-	28	54
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>				
Dividends declared but not paid	\$ 6,500	\$ 9,067	\$ 6,761	\$ 6,188

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

## Cherry Hill Mortgage Investment Corporation and Subsidiaries

### Notes to Consolidated Financial Statements

**March 31,**  
**June 30, 2024**

**(Unaudited)**

#### Note 1 — Organization and Operations

Cherry Hill Mortgage Investment Corporation (together with its consolidated subsidiaries, the "Company") was incorporated in Maryland on October 31, 2012 and was organized to invest in residential mortgage assets in the United States. Under the Company's charter, the Company is authorized to issue up to 500,000,000 shares of common stock and 100,000,000 shares of preferred stock, each with a par value of \$0.01 per share.

The accompanying consolidated financial statements include the accounts of the Company's subsidiaries, Cherry Hill Operating Partnership, LP (the "Operating Partnership"), CHMI Sub-REIT, Inc. (the "Sub-REIT"), Cherry Hill QRS I, LLC, Cherry Hill QRS II, LLC, Cherry Hill QRS III, LLC ("QRS III"), Cherry Hill QRS IV, LLC ("QRS IV"), Cherry Hill QRS V, LLC ("QRS V"), CHMI Solutions, Inc. ("CHMI Solutions") and Aurora Financial Group, Inc. ("Aurora").

The Company is party to a management agreement (the "Management Agreement") with Cherry Hill Mortgage the Management LLC (the "Manager"), Agreement and is externally managed by the Manager, a Delaware limited liability company established by Mr. Stanley Middleman. The Manager is a party to a services agreement (the "Services Agreement") with Freedom Mortgage Corporation ("Freedom Mortgage") (in such capacity, the "Services Provider"), which is owned and controlled by Mr. Middleman. Prior to April 18, 2024, the Manager was owned by a "blind trust" for the benefit of Mr. Middleman. On April 18, 2024, ownership of the Manager was transferred to Mr. Middleman. For a further discussion of the Management Agreement, see Note 7.

On July 9, 2024, the Company announced that the special committee of the Company's board of directors, which committee is comprised entirely of independent and disinterested members of the board, after consultation with its independent legal and financial advisors and as part of the special committee's previously announced exploration of strategic alternatives, determined and recommended to the board of directors that it is advisable and in the best interests of the Company and its stockholders to internalize management of the Company, terminate the Management Agreement and the Manager and take all steps necessary to begin operating the Company as a fully integrated, internally managed mortgage REIT (the "Internalization"). Following such recommendation from the special committee, the Company's board of directors authorized and approved the Internalization and authorized and directed the Company's officers to take all actions necessary to cause the Company to effect the Internalization.

The Company has elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with its short taxable year ended December 31, 2013. As long as the Company continues to comply with a number of requirements under federal tax law and maintains its qualification as a REIT, the Company generally will not be subject to U.S. federal income taxes to the extent that the Company distributes its taxable income to its stockholders on an annual basis and does not engage in prohibited transactions. However, certain activities that the Company may perform may cause it to earn income that will not be qualifying income for REIT purposes.

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 **March 31, 2024** **June 30, 2024**, we owned **98.1%** **98.0%** of our Operating Partnership. Our Operating Partnership, in turn, owns all of the outstanding common stock of the Sub-REIT. The Sub-REIT elected to be taxed as a REIT under the Code commencing with the taxable year ended December 31, 2020.

10

## Note 2 — Basis of Presentation and Significant Accounting Policies

### Basis of Accounting

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company consolidates those entities in which it has an investment of 50% or more and has control over significant operating, financial and investing decisions of the entity. The consolidated financial statements reflect all necessary and recurring adjustments for fair presentation of the results for the periods presented herein.

10

### [Table of Contents](#)

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of significant estimates and assumptions. These include estimates of the fair value of Servicing Related Assets, RMBS and derivatives; credit losses and other estimates that affect the reported amounts of certain assets, revenues, liabilities and expenses as of the date of, and for the periods covered by, the consolidated financial statements. It is likely that changes in these estimates will occur in the near term. The Company's estimates are inherently subjective. Actual results could differ from the Company's estimates, and the differences may be material.

### Risks and Uncertainties

In the normal course of business, the Company encounters primarily two significant types of economic risk: credit and market. Credit risk is the risk of default on the Company's investments in RMBS, Servicing Related Assets and derivatives that results from a borrower's or derivative counterparty's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of investments in RMBS, Servicing Related Assets and derivatives due to changes in interest rates, spreads or other market factors, including prepayment speeds on the Company's RMBS and Servicing Related Assets. The Company is 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.

The Company also is subject to certain risks relating to its status as a REIT for U.S. federal income tax purposes. If the Company were to fail to qualify as a REIT in any taxable year, the Company would be subject to U.S. federal income tax on its REIT income, which could be material. Unless entitled to relief under certain statutory provisions, the Company would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

### Investments in RMBS

**Classification** – The Company reports all of its investments in RMBS at fair value on its consolidated balance sheets. Pursuant to Accounting Standards Codification ("ASC") 320, Investments – Debt and Equity Securities, the Company may designate a security as held-to-maturity, available-for-sale or trading, at the time of purchase, depending on the Company's ability and intent to hold the security to maturity. Alternatively, the Company may elect the fair value option of accounting for securities pursuant to ASC 825, Financial Instruments. Prior to January 1, 2023, the Company designated its RMBS as available-for-sale. On January 1, 2023, the Company elected the fair value option of accounting for all RMBS acquired after such date. Unrealized gains and losses on securities classified as available-for-sale are reported in "Other comprehensive income (loss)" within the consolidated statements of comprehensive income (loss), whereas unrealized gains and losses on securities for which the Company elected the fair value option are reported in "Unrealized loss on RMBS, measured at fair value through earnings, net" within the consolidated statements of income (loss).

11

Fair value is determined under the guidance of ASC 820, *Fair Value Measurements and Disclosures*. **Disclosures**. Management's judgment is used to arrive at the fair value of the Company's RMBS investments, taking into account prices obtained from third-party pricing providers and other applicable market data. The third-party pricing providers use pricing models that generally incorporate such factors as coupons, primary and secondary mortgage rates, rate reset periods, issuer, prepayment speeds, credit enhancements and expected life of the security. The Company's application of ASC 820 guidance is discussed in further detail in Note 9.

Investment securities transactions are recorded on the trade date. At disposition, the net realized gain or loss on securities is determined on the basis of the cost of the specific investment and for securities designated as available-for-sale, the unrealized gain or loss is reclassified out of accumulated other comprehensive income into earnings. All RMBS purchased and sold during the **three-month** **six-month** period ended **March 31, 2024** **June 30, 2024** and the year ended December 31, 2023, were settled prior to **period-end** **period-end**.

**Revenue Recognition** – 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 and accreted, respectively, into interest income over the projected lives of the securities using the effective interest method. The Company's policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, consensus on prepayment speeds, and current market conditions. Adjustments are made for actual prepayment activity. We recognized interest receivable of approximately **\$4.2 million** **\$4.4 million** and \$4.0 million at

March 31, 2024, June 30, 2024 and December 31, 2023, respectively. Interest income receivable has been classified within "Receivables and other assets" on the consolidated balance sheets. For further discussion of Receivables and other assets, see Note 13.

**Impairment** – When the fair value of an available-for-sale designated security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. If the Company determines that it intends to sell the security or it is more likely than not that it will be required to sell before recovery, the Company recognizes the difference between the fair value and amortized cost as a loss in the consolidated statements of income (loss). If the Company determines it does not intend to sell the security or it is not more likely than not it will be required to sell the security before recovery, the Company 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 its assessment of whether a credit loss exists, the Company performs a qualitative assessment around whether a credit loss exists and if necessary, it compares 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 credit losses on securities in the consolidated statements of income (loss). Since all of the Company's available-for-sale designated securities are Agency RMBS, the Company does not have an allowance for credit losses.

#### **Investments in MSRs**

**Classification** – MSRs represent the contractual right to service mortgage loans. The Company has elected the fair value option to record its investments in MSRs in order to provide users of the consolidated financial statements with better information regarding the effects of prepayment risk and other market factors on the MSRs. Under this election, the Company records a valuation adjustment on its investments in MSRs on a quarterly basis to recognize the changes in fair value of its 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). Changes in the fair value of MSRs are reported on the consolidated statements of income (loss). Fluctuations in the fair value of MSRs are 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 in accordance with ASC 820, 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. The Company's application of ASC 820 guidance is discussed in further detail in Note 9.

12

**Revenue Recognition** – Mortgage servicing fee income represents revenue earned for servicing mortgage loans. 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). Float income from custodial accounts associated with MSRs is included in "Net interest income" on the consolidated statements of income (loss). Late fees and ancillary income are included in "Servicing fee income" on the consolidated statements of income (loss).

As an owner of MSRs, the Company may be obligated to fund advances of principal and interest payments due to third-party owners of the loans underlying the MSRs, but not yet received from the individual borrowers. These advances are reported as servicing advances within the "Receivables and other assets" line item on the consolidated consolidated balance sheets. Reimbursable servicing advances, other than principal and interest advances, also have been classified within "Receivables and other assets" on the consolidated balance sheets. Advances on Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") MSRs made in accordance with the relevant guidelines are generally recoverable. The Company's servicing related assets were composed entirely of Fannie Mae and Freddie Mac MSRs as of March 31, 2024, June 30, 2024 and December 31, 2023. As a result, the Company has determined that no reserves for unrecoverable advances for the related underlying loans are necessary at March 31, 2024, June 30, 2024 and December 31, 2023. For further discussion on the Company's receivables and other assets, including the Company's servicing advances, see Note 13.

#### **Derivatives and Hedging Activities**

Derivative transactions include swaps, swaptions, U.S. treasury futures and "to-be-announced" securities ("TBAs"). A TBA contract is an agreement to purchase or sell, for future delivery, an Agency RMBS with a specified issuer, term and coupon. Swaps and swaptions are entered into by the Company solely for interest rate risk management purposes. TBAs and U.S. treasury futures are used to manage duration risk as well as basis risk and pricing risk on the Company's financing facilities for MSRs. The decision as to whether or not a given transaction/position (or portion thereof) is economically hedged is made on a case-by-case basis, based on the risks involved and other factors as determined by senior management, including restrictions imposed by the Code on REITs. In determining whether to economically hedge a risk, the Company may consider whether other assets, liabilities, firm commitments and anticipated transactions already offset or reduce the risk. All transactions undertaken as economic hedges are entered into with a view towards minimizing the potential for economic losses that could be incurred by the Company. Generally, derivatives entered into are not intended to qualify as hedges under GAAP, unless specifically stated otherwise.

From time to time, the Company enters into a TBA dollar roll which represents a transaction where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the "drop". The drop is a reflection of the expected net interest income from an investment in similar Agency RMBS, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, drop income on TBA dollar rolls generally represents the economic equivalent of the net interest income earned on the underlying Agency RMBS less an implied financing cost. TBA dollar roll transactions are accounted for under GAAP as a series of derivatives transactions.

The Company's bi-lateral derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. The Company reduces such risk by limiting its exposure to any one counterparty. In addition, the potential risk of loss with any one party resulting from this type of credit risk is

monitored. The Company's interest rate swaps and U.S. treasury futures are required to be cleared on an exchange, which further mitigates, but does not eliminate, credit risk. Management does not expect any material losses as a result of default by other parties to its derivative financial instruments.

13

**Classification** – All derivatives, including TBAs, are recognized as either assets or liabilities on the consolidated balance sheets and measured at fair value. The fair value of TBA derivatives is determined using methods similar to those used to value Agency RMBS. Due to the nature of these instruments, they may be in a receivable/asset position or a payable/liability position at the end of an accounting period. Derivative amounts payable to, and receivable from, the same party under a contract may be offset as long as the following conditions are met: (i) each of the two parties owes the other determinable amounts; (ii) the reporting party has the right to offset the amount owed with the amount owed by the other party; (iii) the reporting party intends to offset; and (iv) the right to offset is enforceable by law. The Company reports the fair value of derivative instruments gross of cash paid or received pursuant to credit support agreements, and fair value may be reflected on a net counterparty basis when the Company believes a legal right of offset exists under an enforceable master netting agreement. For further discussion on offsetting assets and liabilities, see Note 8.

#### [Table of Contents](#)

**Revenue Recognition** – With respect to derivatives that have not been designated as hedges, any payments under, or fluctuations in the fair value of, such derivatives have been recognized currently in "Realized gain (loss) on derivatives, net" and "Unrealized gain (loss) on derivatives, net", respectively, in the consolidated statements of income (loss). Interest rate swap periodic interest income (expense) is included in "Realized gain (loss) on derivatives, net" in the consolidated statements of income (loss).

#### **Cash and Cash Equivalents and Restricted Cash**

The Company considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. Restricted cash represents the Company's cash held by counterparties (i) as collateral against the Company's derivatives (approximately \$4.3 million, \$4.6 million and \$16.4 million at March 31, 2024, June 30, 2024 and December 31, 2023, respectively) and (ii) as collateral for borrowings under its repurchase agreements (approximately \$900,000, \$1.5 million and \$0 at March 31, 2024, June 30, 2024 and December 31, 2023, respectively).

The Company's centrally cleared interest rate swaps require that the Company post an "initial margin" amount determined by the clearing exchange, which is generally intended to be set at a level sufficient to protect the exchange from the interest rate swap's maximum estimated single-day price movement. The Company also exchanges "variation margin" based upon daily changes in fair value, as measured by the exchange. As a result of amendments to rules governing certain central clearing activities, the exchange of variation margin is a settlement of the interest rate swap, as opposed to pledged collateral. The Company has accounted for the receipt or payment of variation margin on interest rate swaps as a direct reduction or increase to the carrying value of the interest rate swap asset or liability. At March 31, 2024, June 30, 2024 and December 31, 2023, approximately \$75.7 million, \$68.9 million and \$75.8 million, respectively, of variation margin was reported as a decrease to the interest rate swap asset, at fair value.

#### **Due to Manager**

The sum under "Due to manager" on the consolidated consolidated balance sheets represents amounts due to the Manager pursuant to the Management Agreement. For further information on the Management Agreement, Agreement, see Note 7.

#### **Income Taxes**

The Company elected to be taxed as a REIT under Code Sections 856 through 860 beginning with its short taxable year ended December 31, 2013. 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. The Company's TRS, CHMI Solutions, as well as CHMI Solutions' wholly-owned subsidiary, Aurora, are subject to U.S. federal income taxes on their taxable income. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income to its stockholders and meet certain other requirements such as assets it may hold, income it may generate and its stockholder composition. 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 reduced the minimum amount of the total distribution that must be paid in cash to 10% for distributions declared on or after November 1, 2021, November 1, 2021, and on or before June 30, 2022, provided certain other parameters detailed in the Revenue Procedure are satisfied, satisfied. Pursuant to these revenue procedures, the Company has in the past elected elected to make distributions of its taxable income in a mixture of stock and cash, cash.

14

The Company accounts 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 the Company's 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. The Company assesses its tax positions for all open tax years and determines if it has any material unrecognized liabilities in accordance with ASC 740. The Company records these liabilities to the extent it deems them more-likely-than-not to be incurred. The Company records interest and penalties related to income taxes within the provision for income taxes in the consolidated statements of income (loss). The Company has not incurred any interest or penalties.

14

#### [Table of Contents](#)

#### **Realized Gain (Loss) on RMBS**

The Company did not sell any RMBS during the three-month period ended March 31, 2024. The following table presents realized gains or losses on RMBS for the periods indicated (dollars in thousands):



	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Realized loss on RMBS, net						
Loss on RMBS, available-for-sale, measured at fair value through OCI (A)	\$ -	\$ (981)	\$ -	\$ (10,274)	\$ -	\$ (11,255)
Loss on RMBS measured at fair value through earnings			(1,859)	-	(1,859)	-
<b>Realized loss on RMBS, net</b>	<b>\$ -</b>	<b>\$ (981)</b>	<b>\$ (1,859)</b>	<b>\$ (10,274)</b>	<b>\$ (1,859)</b>	<b>\$ (11,255)</b>

(A) Reclassified from accumulated other comprehensive income into earnings.

#### Repurchase Agreements and Interest Expense

The Company finances its investments in RMBS with short-term borrowings under master repurchase agreements. Borrowings under the repurchase agreements are generally short-term debt due within one year. These borrowings generally bear interest rates offered by the "lending" counterparty from time to time for the term of the proposed repurchase transaction (e.g. 30 days, 60 days etc.) of a specified margin over the overnight SOFR rate. The repurchase agreements represent uncommitted financing. Borrowings under these agreements are treated as collateralized financing transactions and are carried at their contractual amounts, as specified in the respective agreements. Interest is recorded at the contractual amount on an accrual basis.

#### Dividends Payable

Because the Company is organized as a REIT under the Code, it is required by law to distribute annually at least 90% of its REIT taxable income, which it does in the form of quarterly dividend payments. The Company accrues the dividend payable on outstanding shares on the accounting date, which causes an offsetting reduction in retained earnings.

#### Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period resulting from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For the Company's purposes, comprehensive income represents net income (loss), as presented in the consolidated statements of income (loss), adjusted for unrealized gains or losses on RMBS, which are designated as available for sale.

15

[Table of Contents](#)

#### Recent Accounting Pronouncements

**Segment Reporting** - In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This standard requires public companies to disclose information about their reportable segments' significant expenses on an interim and annual basis to provide more transparency about the expenses they incur from revenue generating business units. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect the adoption of the new standard to have a material effect on its Consolidated Financial Statements.

**Income Taxes** - In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This standard requires entities to provide additional information about federal, state and foreign income taxes and reconciling items in the rate reconciliation table, and to disclose further disaggregation of income taxes paid (net of refunds received) by federal (national), state and foreign taxes by jurisdiction. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance should be applied prospectively, but entities have the option to apply it retrospectively for each period presented. The Company has determined this ASU will not have a material impact on its Consolidated Financial Statements.

#### Changes in Presentation

Certain prior period amounts have been reclassified to conform to current period presentation.

16

[Table of Contents](#)

#### Note 3 — Segment Reporting

The Company conducts its business through the following segments: (i) investments in RMBS; (ii) investments in Servicing Related Assets; and (iii) "All Other," which consists primarily of general and administrative expenses, including fees paid to the Company's directors and management fees and reimbursements paid to the Manager pursuant to the Management Agreement (see Note 7). For segment reporting purposes, the Company does not allocate interest income on short-term investments or general and administrative expenses.

Summary financial data with respect to the Company's segments is given below, together with the data for the Company as a whole (dollars in thousands):

	Servicing Related Assets	RMBS	All Other	Total
<b>Income Statement</b>				
<b>Three Months Ended March 31, 2024</b>				
Interest income	\$ 6	\$ 12,735	\$ -	\$ 12,741
Interest expense	767	12,881	-	13,648
Net interest expense	(761 )	(146 )	-	(907 )
Servicing fee income	12,891	-	-	12,891
Servicing costs	2,634	-	-	2,634
Net servicing income	10,257	-	-	10,257
Other income (expense)	(4,238 )	11,236	-	6,998
Other operating expenses	(761 )	(158 )	(2,670 )	(3,589 )
Provision for corporate business taxes	(703 )	-	-	(703 )
Net Income (Loss)	\$ 3,794	\$ 10,932	\$ (2,670 )	\$ 12,056
<b>Three Months Ended March 31, 2023</b>				
Interest income	\$ -	\$ 11,795	\$ -	\$ 11,795
Interest expense	873	11,082	-	11,955
Net interest income (expense)	(873 )	713	-	(160 )
Servicing fee income	13,874	-	-	13,874
Servicing costs	2,765	-	-	2,765
Net servicing income	11,109	-	-	11,109
Other expense	(4,934 )	(22,753 )	-	(27,687 )
Other operating expenses	(563 )	(165 )	(2,475 )	(3,203 )
Benefit from corporate business taxes	619	-	-	619
Net Income (Loss)	\$ 5,358	\$ (22,205 )	\$ (2,475 )	\$ (19,322 )

	Servicing Related Assets	RMBS	All Other	Total
<b>Income Statement</b>				
<b>Three Months Ended June 30, 2024</b>				
Interest income	\$ -	\$ 13,677	\$ -	\$ 13,677
Interest expense	164	13,346	-	13,510
Net interest income (expense)	(164 )	331	-	167
Servicing fee income	12,349	-	-	12,349
Servicing costs	3,455	-	-	3,455
Net servicing income	8,894	-	-	8,894
Other income (expense)	(2,869 )	387	-	(2,482 )
Other operating expenses	(744 )	(157 )	(4,230 )	(5,131 )
Provision for corporate business taxes	(664 )	-	-	(664 )
Net Income (Loss)	\$ 4,453	\$ 561	\$ (4,230 )	\$ 784
<b>Three Months Ended June 30, 2023</b>				
Interest income	\$ -	\$ 12,534	\$ -	\$ 12,534
Interest expense	359	12,809	-	13,168
Net interest expense	(359 )	(275 )	-	(634 )
Servicing fee income	13,436	-	-	13,436
Servicing costs	2,464	-	-	2,464
Net servicing income	10,972	-	-	10,972
Other income (expense)	(13,283 )	8,847	-	(4,436 )
Other operating expenses	(570 )	(167 )	(2,952 )	(3,689 )
Provision for corporate business taxes	(587 )	-	-	(587 )
Net Income (Loss)	\$ (3,827 )	\$ 8,405	\$ (2,952 )	\$ 1,626
<b>Six Months Ended June 30, 2024</b>				



Interest income	\$ 6	\$ 26,412	\$ -	\$ 26,418
Interest expense	931	26,227	-	27,158
Net interest income (expense)	(925 )	185	-	(740 )
Servicing fee income	25,240	-	-	25,240
Servicing costs	6,089	-	-	6,089
Net servicing income	19,151	-	-	19,151
Other income (expense)	(7,107 )	11,623	-	4,516
Other operating expenses	(1,505 )	(315 )	(6,900 )	(8,720 )
Provision for corporate business taxes	(1,367 )	-	-	(1,367 )
Net Income (Loss)	\$ 8,247	\$ 11,493	\$ (6,900 )	\$ 12,840

#### Six Months Ended June 30, 2023

Interest income	\$ -	\$ 24,329	\$ -	\$ 24,329
Interest expense	1,232	23,891	-	25,123
Net interest income (expense)	(1,232 )	438	-	(794 )
Servicing fee income	27,310	-	-	27,310
Servicing costs	5,229	-	-	5,229
Net servicing income	22,081	-	-	22,081
Other expense	(18,217 )	(13,906 )	-	(32,123 )
Other operating expenses	(1,133 )	(332 )	(5,427 )	(6,892 )
Benefit from corporate business taxes	32	-	-	32
Net Income (Loss)	\$ 1,531	\$ (13,800 )	\$ (5,427 )	\$ (17,696 )

	Servicing Related Assets	RMBS	All Other	Total
<b>Balance Sheet</b>				
<b>March 31, 2024</b>				
Investments	\$ 250,380	\$ 1,046,649	\$ -	\$ 1,297,029
Other assets	31,228	29,474	48,192	108,894
Total assets	281,608	1,076,123	48,192	1,405,923
Debt	166,392	965,005	-	1,131,397
Other liabilities	5,143	9,502	9,742	24,387
Total liabilities	171,535	974,507	9,742	1,155,784
Net Assets	\$ 110,073	\$ 101,616	\$ 38,450	\$ 250,139
<b>December 31, 2023</b>				
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

17 16

	Servicing Related Assets	RMBS	All Other	Total
<b>Balance Sheet</b>				
<b>June 30, 2024</b>				
Investments	\$ 234,263	\$ 1,067,317	\$ -	\$ 1,301,580
Other assets	30,457	31,784	52,724	114,965
Total assets	264,720	1,099,101	52,724	1,416,545
Debt	159,470	994,764	-	1,154,234

Other liabilities	5,020	8,568	10,970	24,558
Total liabilities	164,490	1,003,332	10,970	1,178,792
Net Assets	\$ 100,230	\$ 95,769	\$ 41,754	\$ 237,753

#### 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

#### Note 4 — Investments in RMBS

At **March 31, 2024** **June 30, 2024**, the Company's investments in RMBS consist solely of Agency RMBS. The Company's investments in RMBS may also include, from time to time, any of the following: CMOs, which are either loss share securities issued by Fannie Mae or Freddie Mac; or non-Agency RMBS, sometimes called "private label MBS," "MBS", which are structured debt instruments representing interests in specified pools of mortgage loans subdivided into multiple classes, or tranches, of securities, with each tranche having different maturities or risk profiles and different ratings by one or more nationally recognized statistical rating organizations.

The following is a summary of the Company's investments in RMBS as of the dates indicated (dollars in thousands):

#### Summary of RMBS Assets

As of **March 31, 2024** **June 30, 2024**

Asset Type	Original Face Value	Book Value	Gross Unrealized		Carrying Value <sup>(A)</sup>	Number of Securities	Rating	Weighted Average		Matur (Year)
			Gains	Losses				Coupon	Yield <sup>(C)</sup>	
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	\$ 211,773	\$ 184,956	\$ 1,560	\$ (3,174)	\$ 183,342	15	(B)	4.55 %	4.70 %	
Freddie Mac	262,695	231,302	478	(7,888)	223,892	19	(B)	4.44 %	4.50 %	
RMBS, measured at fair value through earnings										
Fannie Mae	242,799	225,608	2,932	(2,407)	226,133	19	(B)	4.88 %	5.02 %	
Freddie Mac	445,562	412,373	5,186	(4,277)	413,282	33	(B)	4.83 %	4.96 %	
Total/weighted average RMBS	\$ 1,162,829	\$ 1,054,239	\$ 10,156	\$ (17,746)	\$ 1,046,649	86		4.71 %	4.83 %	

As of December 31, 2023

Asset Type	Original Face Value	Book Value	Gross Unrealized		Carrying Value <sup>(A)</sup>	Number of Securities	Rating	Weighted		Yield
			Gains	Losses				Coupon		
RMBS, available-for-sale, measured at fair value through OCI										
Fannie Mae	\$ 211,773	\$ 187,746	\$ 2,970	\$ (1,607)	\$ 189,109	15	(B)	4.55 %		4.
Freddie Mac	262,695	235,260	1,075	(4,865)	231,470	19	(B)	4.45 %		4.
RMBS, measured at fair value through earnings										
Fannie Mae	221,965	208,487	4,606	(1,076)	212,017	17	(B)	4.78 %		4.
Freddie Mac	401,287	373,310	7,515	(1,291)	379,534	29	(B)	4.72 %		4.
Total/weighted average RMBS	\$ 1,097,720	\$ 1,004,803	\$ 16,166	\$ (8,839)	\$ 1,012,130	80		4.64 %		4.

(A) See Note 9 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.

## Summary of RMBS Assets by Maturity

As of **March 31, 2024** **June 30, 2024**

	Original Face Value	Book Value	Gross Unrealized		Carrying Value <sup>(A)</sup>	Number of Securities	Rating	Weighted Average		Maturity (Years)
			Gains	Losses				Coupon	Yield <sup>(C)</sup>	
Years to Maturity										
RMBS, available-for-sale, measured at fair value through OCI										
Over 10 Years	\$ 474,468	\$ 416,258	\$ 2,038	\$ (11,062)	\$ 407,234	34	(B)	4.49 %	4.59 %	2
RMBS, measured at fair value through earnings										
Over 10 Years	688,361	637,981	8,118	(6,684)	639,415	52	(B)	4.85 %	4.98 %	2
Total/weighted average RMBS	\$ 1,162,829	\$ 1,054,239	\$ 10,156	\$ (17,746)	\$ 1,046,649	86		4.71 %	4.83 %	2

As of December 31, 2023

Years to Maturity	Original Face Value	Book Value	Gross Unrealized			Carrying Value <sup>(A)</sup>	Number of Securities	Rating	Weighted A	
			Gains	Losses	Coupon				Yield <sup>(C)</sup>	
RMBS, available-for-sale, measured at fair value through OCI										
Over 10 Years	\$ 474,467	\$ 423,006	\$ 4,045	\$ (6,472 )	\$ 420,579	34	(B)	4.49 %		4.5
RMBS, measured at fair value through earnings										
Over 10 Years	623,253	581,797	12,121	(2,367 )	591,551	46	(B)	4.74 %		4.5
Total/weighted average RMBS	\$ 1,097,720	\$ 1,004,803	\$ 16,166	\$ (8,839 )	\$ 1,012,130	80		4.64 %		4.7

(A) See Note 9 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.

18

At **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company pledged Agency RMBS with a carrying value of approximately \$1.0 billion and \$973.2 million, respectively, as collateral for borrowings under repurchase agreements. At **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company did not have any securities purchased from and financed with the same counterparty that did not meet the conditions of ASC 860, Transfers and Servicing, to be considered linked transactions and, therefore, classified as derivatives.

Based on management's analysis of the Company's available-for-sale designated securities, the performance of the underlying loans and changes in market factors, management determined that unrealized losses as of the balance sheet date on the Company's available-for-sale designated securities were primarily the result of changes in market factors, rather than issuer-specific credit impairment. The Company performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding periods. Such market factors include changes in market interest rates and credit spreads and certain macroeconomic events, none of which will directly impact the Company's ability to collect amounts contractually due. Management continually evaluates the credit status of each of the Company's securities and the collateral supporting those securities. This evaluation includes a review of the credit of the issuer of the security (if applicable), the credit rating of the security (if applicable), the key terms of the security (including credit support), debt service coverage and loan to value ratios, the performance of the pool of underlying loans and the estimated value of the collateral supporting such loans, including the effect of local, industry and broader economic trends and factors. Significant judgment is required in this analysis for available-for-sale designated investments in RMBS that are not guaranteed by U.S. government agencies or U.S. government sponsored enterprises. All of the Company's available-for-sale designated investments in RMBS are guaranteed by U.S. government agencies or U.S. government sponsored enterprises.

19

### [Table of Contents](#)

Both credit related and non-credit related unrealized losses on available-for-sale securities that the Company (i) intends to sell, or (ii) will more likely than not be required to sell before recovering their cost basis, are recognized in earnings. The Company did not record an allowance for credit losses on the balance sheet at **March 31, 2024** **June 30, 2024** and December 31, 2023, nor any impairment charges in earnings during the **three-month** **three and six-month** periods ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**.

The following tables summarize the Company's available-for-sale securities measured at fair value through OCI in an unrealized loss position as of the dates indicated (dollars in thousands):

### Available-For-Sale RMBS Unrealized Loss Positions

As of **March 31, 2024** **June 30, 2024**

Duration in Loss Position	Original Face Value	Book Value	Gross Unrealized Losses	Carrying Value <sup>(A)</sup>	Number of Securities	Weighted Average		
						Rating	Coupon	Yield
RMBS, available-for-sale, measured at fair value through OCI								
Less than Twelve Months	\$ 61,499	\$ 51,389	\$ (916)	\$ 50,473	5	(B)	4.44 %	4.24 %
Twelve or More Months	255,884	225,792	(10,146)	215,646	17	(B)	4.19 %	4.04 %
Total/weighted average RMBS, available-for-sale, measured at fair value through OCI	\$ 317,383	\$ 277,181	\$ (11,062)	\$ 266,119	22		4.24 %	4.14 %

As of December 31, 2023

Duration in Loss Position	Original Face Value	Book Value	Gross Unrealized Losses	Carrying Value <sup>(A)</sup>	Number of Securities	Weighted Average	
						Rating	Coupon
RMBS, available-for-sale, measured at fair value through OCI							
Less than Twelve Months	\$ 126,949	\$ 109,425	\$ (813 )	\$ 108,612	8	(B)	4.2%
Twelve or More Months	163,190	148,241	(5,659 )	142,582	12	(B)	4.0%
Total/weighted average RMBS, available-for-sale, measured at fair value through OCI	\$ 290,139	\$ 257,666	\$ (6,472 )	\$ 251,194	20		4.1%

(A) See Note 9 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.

2019

[Table of Contents](#)

#### Note 5 — Investments in Servicing Related Assets

The Company's portfolio of Servicing Related Assets consists of Fannie Mae and Freddie Mac MSRs with an aggregate UPB of approximately \$19.6 billion \$18.0 billion as of March 31, 2024 June 30, 2024.

The following is a summary of the Company's Servicing Related Assets as of the dates indicated (dollars in thousands):

#### Servicing Related Assets Summary

As of March 31, 2024 June 30, 2024

	Unpaid Principal Balance	Carrying Value <sup>(A)</sup>	Weighted Average Coupon	Weighted Average Maturity (Years) <sup>(B)</sup>	Year to Date Changes in Fair Value Recorded in Other Income (Loss)	Unpaid Principal Balance	Carrying Value <sup>(A)</sup>	Weighted Average Coupon	Weighted Average Maturity (Years) <sup>(B)</sup>	Year to Date Changes in Fair Value Recorded in Other Income (Loss)
MSRs	\$ 19,623,261	\$ 250,380	3.48%	24.8	\$ (3,257)	\$ 18,026,784	\$ 234,263	3.50%	24.9	\$ (25,937)
MSR Total/Weighted Average	\$ 19,623,261	\$ 250,380	3.48%	24.8	\$ (3,257)	\$ 18,026,784	\$ 234,263	3.50%	24.9	\$ (25,937)

As of December 31, 2023

	Unpaid Principal Balance	Carrying Value <sup>(A)</sup>	Weighted Average Coupon	Weighted Average Maturity (Years) <sup>(B)</sup>	Year to Date Changes in Fair Value Recorded in Other Income (Loss)
MSRs	\$ 19,972,994	\$ 253,629	3.48%	25.0	\$ (25,937)
MSR Total/Weighted Average	\$ 19,972,994	\$ 253,629	3.48%	25.0	\$ (25,937)

(A) See Note 9 regarding the estimation of fair value, which approximates carrying value for all pools.

(B) Weighted average maturity of the underlying residential mortgage loans in the pool is based on the unpaid principal balance.

2120

The tables below summarize the geographic distribution for the states representing 5% or greater of the aggregate UPB of the residential mortgage loans underlying the Servicing Related Assets as of the dates indicated:

### Geographic Concentration of Servicing Related Assets

As of **March 31, 2024** **June 30, 2024**

	Percentage of Total Outstanding Unpaid Principal Balance	
California	13.7	14.5 %
New York Virginia	8.3	8.7 %
Virginia New York	8.3	8.4 %
Maryland	6.4	6.7 %
Texas		5.9 %
Florida	5.4	5.3 %
North Carolina	5.0	5.1 %
All other	47.0	45.4 %
Total		100.0 %

As of December 31, 2023

	Percentage of Total Outstanding Unpaid Principal Balance	
California		13.7 %
Virginia		8.3 %
New York		8.3 %
Maryland		6.4 %
Texas		5.9 %
Florida		5.4 %
North Carolina		5.0 %
All other		47.0 %
Total		100.0 %

Geographic concentrations of investments expose the Company to the risk of economic downturns within the relevant states. Any such downturn in a state where the Company holds significant investments could affect the underlying borrower's ability to make the mortgage payment and, therefore, could have a meaningful, negative impact on the Company's Servicing Related Assets.

22

21

### Note 6 — Equity and Earnings per Common Share

#### Common Stock

On October 9, 2013, the Company completed an initial public offering (the "IPO") and a concurrent private placement of its common stock. The Company did not conduct any activity prior to the IPO and the concurrent private placement.

#### Redeemable Preferred Stock

The Company's charter provides that it has authority to issue up to 100,000,000 shares of preferred stock, \$0.01 par value per share, of which 2,781,635 shares are classified as shares of 8.20% Series A Cumulative Redeemable Preferred Stock par value \$0.01 per share (the "Series A Preferred Stock") and 1,604,103 shares are classified as shares of 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock").

The Series A Preferred Stock ranks senior to the Company's common stock with respect to rights to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up. The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted by the holders of the Series A Preferred Stock into the Company's common stock in connection with certain changes of control. Beginning on August 17, 2022, the Company may, at its option, redeem any or all of the shares of Series A Preferred Stock, at any time or from time to time, for cash at a redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption of the shares of Series A Preferred Stock. The Company did not redeem any shares of Series A Preferred Stock during the three-month period three and six-month periods ended March

31, 2024 June 30, 2024 and the year ended December 31, 2023. If the Company does not exercise its option redemption right, upon certain changes in control, the holders of the Series A Preferred Stock have the right to convert some or all of their shares of Series A Preferred Stock into a number of shares of the Company's common stock based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each share of Series A Preferred Stock is 2.62881 shares of common stock, subject to certain adjustments. The Company pays cumulative cash dividends at the rate of 8.20% per annum of the \$25.00 per share liquidation preference (equivalent to \$2.05 per annum per share) on the Series A Preferred Stock, in arrears, on or about the 15th day of January, April, July and October of each year.

The Company's 8.250% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock par value \$0.01 per share (the "Series B Preferred Stock") ranks senior to the Company's common stock with respect to rights to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up, and on parity with the Company's Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up. The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted by the holders of the Series B Preferred Stock into the Company's common stock in connection with certain changes of control. The Series B Preferred Stock was not redeemable by the Company prior to April 15, 2024, except under circumstances intended to preserve the Company's qualification as a REIT for U.S. federal income tax purposes and except upon the occurrence of certain changes of control. On and after April 15, 2024, the Company may, at its option, redeem the Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. If the Company does not exercise its rights to redeem the Series B Preferred Stock upon certain changes in control, the holders of the Series B Preferred Stock have the right to convert some or all of their shares of Series B Preferred Stock into a number of shares of the Company's common stock based on a defined formula, subject to a share cap, or alternative consideration. The share cap on each share of Series B Preferred Stock is 2.68962 shares of common stock, subject to certain adjustments. Holders of shares of Series B Preferred Stock are entitled to receive, when, as and if authorized by the Company's board of directors and declared by the Company, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for the Series B Preferred Stock from, and including, the date of original issuance to, but excluding, April 15, 2024 was 8.250% of the \$25.00 per share liquidation preference per annum (equivalent to \$2.0625 per annum per share). On and after April 15, 2024 (the "Floating Rate Period"), dividends on the Series B Preferred Stock accumulate at a percentage of the \$25.00 \$25.00 liquidation preference equal to an annual floating rate of the Three-Month Three-month CME Term SOFR plus a spread of 5.89261%.

Dividends on the Series A and B Preferred Stock are payable quarterly in arrears on the 15<sup>th</sup> day of each January, April, July and October, when and as authorized by the Company's board of directors and declared by the Company.

23 22

[Table of Contents](#)

#### Common Stock ATM Program

In August 2018, the Company instituted an at-the-market offering program (the "Common Stock ATM Program") of up to \$50.0 million \$50.0 million of its common stock. In November 2022, the Company entered into amendments to the existing At Market Issuance Sales Agreements, increasing the aggregate offering price to up to an aggregate of \$100.0 million \$100.0 million of its common stock, of which, approximately \$4.8 \$4.8 million was remaining as of March 31, 2024. June 30, 2024. Under the Common Stock ATM Program, the Company may, but is not obligated to, sell shares of common stock from time to time through one or more selling agents. The Common Stock ATM Program has no set expiration date and may be renewed or terminated by the Company at any time. During the three-month period three and six-month periods ended March 31, 2024 June 30, 2024 the Company did not issue any shares of common stock pursuant to the Common Stock ATM Program. During the year ended December 31, 2023, 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 \$4.87 per share for aggregate gross proceeds of approximately \$31.5 million \$31.5 million before fees of approximately \$631,000. \$631,000.

#### Common Stock Repurchase Program

In September 2019, the Company instituted a share repurchase program that allows for the repurchase of up to an aggregate of \$10.0 million of its common stock. Shares of common stock 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, or 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 common stock repurchase program does not require the purchase of any minimum number of shares of common stock, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the three-month period three and six-month periods ended March 31, 2024 June 30, 2024 and the year ended December 31, 2023, the Company did not not repurchase any shares of its common stock pursuant to the common stock repurchase program.

#### Preferred Stock 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 shares of Series A Preferred Stock and Series B Preferred Stock. Shares of preferred stock 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 of preferred stock, and, subject to SEC rules, purchases may be commenced or suspended at any time without prior notice. During the three-month period three and six-month periods ended March 31, 2024 June 30, 2024, the Company repurchased 296,972 98,925 and 395,897 shares of its Series B Preferred Stock, respectively, at a weighted average purchase price of \$23.44 per share of \$24.76 and \$23.77, respectively, and paid aggregate brokerage commissions of approximately \$8,900 \$3,000 and \$11,900, respectively, on such repurchases. The difference between the consideration transferred and the carrying value of the preferred stock repurchased resulted in a loss attributable to common stockholders of \$74,000 for the three-month period ended June 30, 2024 and a gain attributable to common stockholders of \$152,000 \$78,000 for the three months six-month period ended March 31, 2024 June 30, 2024. During the year ended December 31, 2023, the Company did not not repurchase any shares of its preferred stock pursuant to the preferred stock repurchase program. Shares of preferred stock that are repurchased by the Company cease to be outstanding but remain authorized for future issuance.

#### Equity Incentive Plan

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). 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.

24

23

#### [Table of Contents](#)

The maximum aggregate number of shares of common stock issuable pursuant to the 2023 Plan pursuant to the exercise of options and SARs, the grant of stock awards or other equity-based awards (including LTIP-OP Units) and the settlement of incentive awards and performance units is equal to 2,830,000 shares. Other equity-based awards that are LTIP-OP Units will reduce the maximum aggregate number of shares of common stock issuable pursuant to the 2023 Plan on a one-for-one basis—that is, each such LTIP-OP Unit will be treated as an award of common stock; provided, however, for the avoidance of doubt, the conversion of any such LTIP-OP Units at a later date into a share of common stock will not count as an award of common stock under the 2023 Plan for purposes of determining the aggregate limit to avoid any double counting of the same award. In connection with stock splits, dividends, recapitalizations and certain other events, the Company’s board of directors will make equitable adjustments that it deems appropriate in the aggregate number of shares of common stock issuable pursuant to the 2023 Plan and the terms of outstanding awards.

If any options or stock appreciation rights terminate, expire or are cancelled, forfeited, exchanged or surrendered without having been exercised or are paid in cash without delivery of common stock or if any stock awards, performance units or other equity-based awards (including LTIP-OP Units) are forfeited, the shares of common stock subject to such awards will again be available for purposes of the 2023 Plan. Shares of common stock tendered or withheld to satisfy the exercise price or for tax withholding are not available for future grants under the 2023 Plan.

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.

An LTIP-OP Unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Holders of LTIP-OP Units that have reached parity with OP Units have the right to redeem their LTIP-OP Units, subject to certain restrictions. The redemption is required to be satisfied in cash, or at the Company’s option, the Company may purchase the OP Units for common stock, calculated as follows: one share of the Company’s common stock, or cash equal to the fair value of a share of the Company’s common stock at the time of redemption, for each LTIP-OP Unit. When an LTIP-OP Unit holder redeems an OP Unit (as described above), non-controlling interest in the Operating Partnership is reduced and the Company’s equity is increased.

LTIP-OP Units vest ratably over the first three annual anniversaries of the grant date. The fair value of each LTIP-OP Unit was determined based on the closing price of the Company’s common stock on the applicable grant date in all other cases.

On May 30, 2024, the Company granted certain eligible participants of the 2023 Plan other equity-based awards in the form of a total of 181,942 restricted stock units (“RSUs”) under the 2023 Plan. Each granted RSU represents the right to receive one share of common stock. Subject to the terms and conditions of an RSU award agreement and the 2023 Plan, each award of RSUs vests ratably over a three-year period beginning on the one-year anniversary of the grant date of the RSUs. To the extent the RSUs have not otherwise been forfeited or cancelled prior to the applicable settlement date, each award recipient will be paid a cash payment on the applicable settlement date equal to the number of shares of common stock delivered multiplied by the total amount of dividend payments made in relation to one share of common stock with respect to record dates occurring during the period between the grant date and the applicable settlement date.

24

On June 14, 2024, the Company granted an aggregate of 55,704 shares of restricted common stock to the Company’s independent directors (18,568 shares each) subject to the terms and conditions of a restricted stock award agreement and the 2023 Plan. Unless sooner vested in accordance with the terms of the restricted stock award agreement and the 2023 Plan, each independent director’s interest in the shares of common stock covered by the June 14, 2024 stock award become vested and nonforfeitable on the one-year anniversary of the grant date.

On June 26, 2024, the Company granted 7,712 shares of common stock to the Company’s Chief Financial Officer, Treasurer and Secretary (“CFO”), subject to the terms and conditions of a stock award agreement and the 2023 Plan. The shares of common stock granted to the CFO were vested and nonforfeitable as of the grant date. Of the 7,712 shares of common stock granted to the CFO, 3,229 shares of common stock were withheld by the Company to satisfy tax withholding requirements on the grant of unrestricted shares of common stock.

#### [Table of Contents](#)

The following table sets forth the number of shares of the Company’s common stock as well as LTIP-OP Units and the values thereof (based on the closing prices on the respective dates of grant) granted under the 2013 Plan and the 2023 Plan. As noted above, effective as of June 15, 2023, (the date of the Company’s 2023 annual meeting of stockholders) the 2023 Plan replaced the 2013 Plan. No further awards will be made by the Company under the 2013 Plan, and currently outstanding awards granted under the 2013 Plan will remain effective in accordance with their terms. Except as otherwise indicated, all shares shown in the table below are fully vested.

#### **Equity Incentive Plan Information**



	LTIP-OP Units				Shares of Common Stock		Number of Securities Remaining Available For	Weighted Average
	Issued	Forfeited	Converted	Redeemed	Issued	Forfeited	Future Issuance Under Equity Compensation Plans	Issuance Price
<b>December 31, 2022</b>	(459,897)	5,832	44,795	9,054	(178,421)	3,155	915,464	
Number of securities issued or to be issued upon exercise	(92,200) <sup>(A)</sup>	-	-	-	-	-	(92,200)	\$
<b>March 31, 2023</b>	(552,097)	5,832	44,795	9,054	(178,421)	3,155	823,264	
Number of securities issued or to be issued upon exercise								
Increase in the number of securities available for issuance								
<b>June 30, 2023</b>								
<b>December 31, 2023</b>	(552,097)	5,832	44,795	9,054	(220,256)	3,155	2,788,165	
Number of securities issued or to be issued upon exercise	(111,395) <sup>(B)</sup>	-	-	-	-	-	(111,395)	\$
<b>March 31, 2024</b>	(663,492)	5,832	44,795	9,054	(220,256)	3,155	2,676,770	
Number of securities redeemed								
Number of securities issued or to be issued upon exercise								
Number of securities issued or to be issued upon exercise								
Number of securities issued or to be issued upon exercise								
<b>June 30, 2024</b>								

- (A) If any award or grant under the 2023 Plan (including LTIP-OP Units) expires, is forfeited or is terminated without having been exercised or is paid in cash without a requirement for the delivery of common stock, then any common stock covered by such lapsed, cancelled, expired, unexercised or cash-settled portion of such award or grant and any forfeited, lapsed, cancelled or expired LTIP-OP Units will be available for the grant or settlement of other awards under the 2023 Plan.
- (B) Any shares of common stock tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award reduces the number of shares of common stock available under the 2023 Plan and those shares will not be available for future grants or awards under the 2023 Plan.
- (C) Subject to forfeiture in certain circumstances prior to January 10, 2026.
- (B) (D) Subject to forfeiture in certain circumstances prior to January 16, 2027.
- (E) Subject to forfeiture in certain circumstances prior to May 30, 2027.
- (F) Subject to forfeiture in certain circumstances prior to June 14, 2025.

25

The Company recognized share-based compensation expense of approximately ~~\$176,000~~ \$194,000 and ~~\$184,000~~ \$152,000 during the three-month periods ended ~~March 31, 2024~~ June 30, 2024 and ~~March 31, 2023~~ June 30, 2023, respectively and \$370,000 and \$286,000 during the six-month periods ended June 30, 2024 and June 30, 2023, respectively. There was approximately ~~\$901,000~~ \$1.6 million of total unrecognized share-based compensation expense as of ~~March 31, 2024~~ June 30, 2024, which was related to unvested LTIP-OP Units, and directors compensation paid in stock subject to forfeiture, forfeiture and unvested RSUs. This unrecognized share-based compensation expense is expected to be recognized ratably over the remaining vesting period of up to three ~~years~~ years. The aggregate expense related to the LTIP-OP Unit grants and the RSUs is presented as "General and administrative expense" in the Company's consolidated statements of income (loss).

#### Non-Controlling Interests in Operating Partnership

Non-controlling interests in the Operating Partnership in the accompanying consolidated financial statements relate to LTIP-OP Units and OP Units issued upon conversion of LTIP-OP Units, in either case, held by parties other than the Company.

As of ~~March 31, 2024~~ June 30, 2024, the non-controlling interest holders in the Operating Partnership owned ~~584,225~~ 593,024 LTIP-OP Units, or approximately ~~1.9%~~ 2.0% of the units of the Operating Partnership. Pursuant to ASC 810, *Consolidation*, changes in a parent's ownership interest (and transactions with non-controlling interest unit holders in the Operating Partnership) while the parent retains its controlling interest in its subsidiary should be accounted for as equity transactions. The carrying amount of the non-controlling interest will be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the Company.

#### Earnings per Common Share

The Company is required to present both basic and diluted earnings per common share ("EPS"). Basic EPS is calculated by dividing net income applicable to common stockholders by the weighted average number of shares of common stock outstanding during each period. Diluted EPS is calculated by dividing net income applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of common stock equivalents during each period. In accordance with ASC 260, *Earnings Per Share*, if there is a loss from continuing operations, the common stock equivalents are deemed anti-dilutive and earnings (loss) per share is calculated excluding the potential common shares.

26

[Table of Contents](#)

The following table presents basic and diluted earnings per share of common stock for the periods indicated (dollars in thousands, except per share data):



## Earnings per Common Share Information

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
<b>Numerator:</b>						
Net income (loss)	\$ 12,056	\$ (19,322)	\$ 784	\$ 1,626	\$ 12,840	\$ (17,696)
Net (income) loss allocated to noncontrolling interests in Operating Partnership	(235)	377	(19)	(37)	(254)	340
Dividends on preferred stock	(2,307)	(2,463)	(2,555)	(2,465)	(4,862)	(4,928)
Gain on repurchase and retirement of preferred stock	152	-				
Gain (loss) on repurchase and retirement of preferred stock			(74)	-	78	-
Net income (loss) applicable to common stockholders	\$ 9,666	\$ (21,408)	\$ (1,864)	\$ (876)	\$ 7,802	\$ (22,284)
<b>Denominator:</b>						
Weighted average common shares outstanding	29,978,134	24,662,823	29,978,791	26,014,830	29,978,462	25,342,562
Weighted average diluted shares outstanding	30,019,969	24,685,241	30,029,960	26,034,399	30,025,173	25,363,547
<b>Basic and Diluted EPS:</b>						
Basic	\$ 0.32	\$ (0.87)	\$ (0.06)	\$ (0.03)	\$ 0.26	\$ (0.88)
Diluted	\$ 0.32	\$ (0.87)	\$ (0.06)	\$ (0.03)	\$ 0.26	\$ (0.88)

There were no participating securities or equity instruments outstanding that were anti-dilutive for purposes of calculating earnings per share for the periods presented.

## Note 7 — Transactions with Related Parties

### Manager

The Company has entered into the Management Agreement with the Manager, pursuant to which the Manager provides for the day-to-day management of the Company's operations. The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the policies that are approved and monitored by the Company's board of directors. Pursuant to the Management Agreement, the Manager, under the supervision of the Company's board of directors, formulates investment strategies, arranges for the acquisition of assets, arranges for financing, monitors the performance of the Company's assets and provides certain advisory, administrative and managerial services in connection with the operations of the Company. For performing these services, the Company pays the Manager the management fee which is payable in cash quarterly in arrears, in an amount equal to 1.5% per annum of the Company's stockholders' equity (as defined in the Management Agreement).

The term of the Management Agreement expires on October 22, 2024 and will be automatically renewed for a one-year term on such date and on each anniversary of such date thereafter unless terminated or not renewed as described below. Either the Company or the 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. No such written notice of non-renewal has been provided in 2024. In the event the Company elects not to renew the term, the Company will be required to pay the Manager a termination fee equal to three times the average annual management fee amount earned by the Manager during the two four-quarter periods ending as of the end of the most recently completed fiscal quarter prior to the non-renewal. The Company may terminate the Management Agreement at any time for cause effective upon 30 days prior written notice of termination from the Company to the Manager, in which case no termination fee would be due. The Company's board of directors will review the 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 the Company's board of directors or of the holders of a majority of the Company's outstanding common stock, the Company may terminate the Management Agreement based upon unsatisfactory performance by the Manager that is materially detrimental to the Company or a determination by the Company's independent directors that the management fees payable to the Manager are not fair, subject to the right of the Manager to prevent such a termination by agreeing to a reduction of the management fees payable to the Manager. Upon any termination of the Management Agreement based on unsatisfactory performance or unfair management fees, the Company would be required to pay the Manager the termination fee described above. The Manager may terminate the Management Agreement in the event that the Company becomes regulated as an investment company under the Investment Company Act of 1940, as amended, in which case the Company would not be required to pay the termination fee described above. The Manager may also terminate the Management Agreement upon 60 days' written notice if the Company defaults 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 the Company, whereupon the Company would be required to pay the Manager the termination fee described above. The Management Agreement also requires the Company and the Manager to terminate the Management Agreement without payment of any termination fee pursuant to the consummation of an internalization event (as defined in the Management Agreement).

The Manager is a party to the Services Agreement with the Services Provider, pursuant to which the Services Provider provides to the Manager personnel and payroll and benefits administration services as needed by the Manager to carry out its obligations and responsibilities under the Management Agreement. The Company is a named third-party beneficiary to the Services Agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against the Services Provider in the event of any breach by the Manager of any of its duties, obligations or agreements under the Management Agreement that arise out of or result from any breach by the Services Provider of its obligations under the Services Agreement. The Services Agreement will terminate upon the termination of the Management Agreement.

The Management Agreement between the Company and the Manager was negotiated between related parties, and the terms, including fees payable, may not be as favorable to the Company as if it had been negotiated with an unaffiliated third party. At the time the Management Agreement was negotiated, both the Manager and the Services

Provider were controlled by Mr. Stanley Middleman. In 2016, ownership of the Manager was transferred to CHMM Blind Trust, a grantor trust for the benefit of Mr. Middleman. On April 18, 2024, ownership of the Manager was transferred back to Mr. Middleman.

The Management Agreement provides that the Company will reimburse the Manager for (i) various expenses incurred by the Manager or its officers, and agents on the Company's behalf, including costs of software, legal, accounting, tax, administrative and other similar services rendered for the Company by providers retained by the Manager and (ii) an agreed upon portion of the compensation paid to specified officers of the Company.

The amounts included in "Management fee to affiliate" on the consolidated statements of income (loss) consisted of the following for the periods indicated (dollars in thousands):

#### Management Fees and Compensation Reimbursement to Manager

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Management fees	\$ 1,598	\$ 1,540	\$ 1,610	\$ 1,554	\$ 3,208	\$ 3,094
Compensation reimbursement	150	140	150	140	300	280
<b>Total</b>	<b>\$ 1,748</b>	<b>\$ 1,680</b>	<b>\$ 1,760</b>	<b>\$ 1,694</b>	<b>\$ 3,508</b>	<b>\$ 3,374</b>

28

#### Table

On July 9, 2024, the Company announced that the special committee of Contents

the Company's board of directors, which committee is comprised entirely of independent and disinterested members of the board, after consultation with its independent legal and financial advisors and as part of the special committee's previously announced exploration of strategic alternatives, determined and recommended to the board of directors that it is advisable and in the best interests of the Company and its stockholders to internalize management of the Company, terminate the Management Agreement and take all steps necessary to begin operating the Company as a fully integrated, internally managed mortgage REIT. Following such recommendation from the special committee, the Company's board of directors authorized and approved the Internalization and authorized and directed the Company's officers to take all actions necessary to cause the Company to effect the Internalization.

#### Subservicing Agreements

In August 2020, Freedom Mortgage acquired RoundPoint Mortgage Servicing Corporation ("RoundPoint"), one of Aurora's subservicers and a seller of Fannie Mae and Freddie Mac MSRs pursuant to a flow purchase agreement with Aurora. In September 2023, RoundPoint ceased being a wholly owned subsidiary of Freedom Mortgage when it was acquired by an unaffiliated entity, Matrix Financial Services Corporation. The subservicing agreement with RoundPoint had an initial term of two years and is subject to automatic renewal every two years for an additional two-year term unless either party chooses not to renew. The current renewal term expires in August 2025. The subservicing agreement may be terminated without cause by either party by giving notice as specified in the agreement. If the agreement is not renewed by Aurora or terminated by Aurora without cause, de-boarding fees will be due to the subservicer. Under the subservicing agreement, RoundPoint agrees to service the applicable mortgage loans in accordance with applicable law. During the three-month period three and six-month periods ended March 31, 2023 June 30, 2023, Aurora received \$8.2 million \$7.9 million and \$16.1 million, respectively, in servicing fee income from RoundPoint. During the three-month period three and six-month periods ended March 31, 2023 June 30, 2023, Aurora paid RoundPoint \$1.3 million \$1.1 million and \$2.4 million, respectively, in servicing costs. The flow purchase agreement provides that RoundPoint may offer, and Aurora may purchase mortgage servicing rights from time to time on loans originated through RoundPoint's network of loan sellers. RoundPoint's sellers sell the loans to Fannie Mae or Freddie Mac and sell the mortgage servicing rights to RoundPoint which sells the MSR to Aurora. RoundPoint then subservices the loans for Aurora pursuant to the subservicing agreement.

29

During the three-month six-month period ended March 31, 2023 June 30, 2023, Aurora purchased MSRs with an aggregate UPB of approximately \$987,000 from RoundPoint pursuant to the flow agreement for a purchase price of \$5,000.

#### Joint Marketing Recapture Agreements

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 Mac, 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.

#### Other Transactions with Related Parties

Aurora leases three employees from Freedom Mortgage and reimburses Freedom Mortgage on a monthly basis.

#### Note 8 — Derivative Instruments

##### Interest Rate Swap Agreements, Swaptions, TBAs and U.S. Treasury Futures

In order to help mitigate exposure to higher short-term interest rates in connection with borrowings under its repurchase agreements, the Company enters into interest rate swap agreements and swaption agreements. Interest rate swap agreements establish an economic fixed rate on related borrowings because the variable-rate payments received on

the interest rate swap agreements largely offset interest accruing on the related borrowings, leaving the fixed-rate payments to be paid on the interest rate swap agreements as the Company's effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the interest rate swap agreements and actual borrowing rates. A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. The Company's interest rate swap agreements and swaptions have not been designated as qualifying hedging instruments for GAAP purposes.

In order to help mitigate duration risk and manage basis risk and the pricing risk under the Company's financing facilities, the Company utilizes U.S. treasury futures and forward-settling purchases and sales of RMBS where the underlying pools of mortgage loans are TBAs. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. Unless otherwise indicated, references to U.S. treasury futures include options on U.S. treasury futures.

Table of Contents

The following table summarizes the outstanding notional amounts of derivative instruments as of the dates indicated (dollars in thousands):

Derivatives	June 30, 2024	December 31, 2023
Notional amount of interest rate swaps	\$ 1,148,550	\$ 1,057,000
Notional amount of TBAs, net	(427,000 )	(376,600 )
Notional amount of U.S. treasury futures	232,400	274,100
Total notional amount	\$ 953,950	\$ 954,500

Derivatives	March 31, 2024	December 31, 2023
Notional amount of interest rate swaps	\$ 1,129,250	\$ 1,057,000
Notional amount of TBAs, net	(418,200 )	(376,600 )
Notional amount of U.S. treasury futures	256,600	274,100
Total notional amount	\$ 967,650	\$ 954,500

The following table presents information about the Company's interest rate swap agreements as of the dates indicated (dollars in thousands):

Notional Amount (A)	Fair Value	Weighted Average Pay Rate	Notional Amount (A)
March 31, June 30, 2024			\$ 1,129,250 1,148,550
December 31, 2023			\$ 1,057,000

(A) Includes \$865.3 million \$885.0 million notional of receive SOFR and pay fixed of 5.3% 5.3% and \$264.0 million \$264.0 million

The following tables present information about the Company's TBA derivatives as of the dates indicated (dollars in thousand)

Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis
Purchase contracts	\$ 191,900	\$ 193,242
Sale contracts	(618,900 )	(585,856 )
Net TBA derivatives	\$ (427,000 )	\$ (392,614 )

Purchase contracts  
Sale contracts  
Net TBA derivatives

Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis
---	----------	--------------------

Purchase contracts	\$	368,300	\$	357,472
Sale contracts		(744,900 )		(702,557 )
<b>Net TBA derivatives</b>	<b>\$</b>	<b>(376,600 )</b>	<b>\$</b>	<b>(345,085 )</b>

[Table of Contents](#)

The following tables present information about the Company's U.S. treasury futures agreements as of the dates indicated (in

2 years  
5 years  
10 years<sup>(A)</sup>  
**Total**

2 years  
5 years  
10 years<sup>(A)</sup>  
**Total**

(A) Includes 10-year Ultra futures and Long Bond futures contracts.

The following table presents information about realized gain (loss) on derivatives, which is included on the consolidated state

Derivatives	Three Months Ended June 30,	
	2024	2023
Interest rate swaps <sup>(A)</sup>	\$ -	\$ 12,663
TBAs	3,486	(2,535 )
U.S. Treasury futures	(2,339 )	(7,243 )
U.S. treasury futures options	-	(147 )
<b>Total</b>	<b>\$ 1,147</b>	<b>\$ 2,738</b>

Derivatives	
Interest rate swaps <sup>(A)</sup>	\$
TBAs	
U.S. Treasury futures	
U.S. treasury futures options	
<b>Total</b>	<b>\$</b>

(A) Excludes interest rate swap periodic interest income of \$8.7 million \$8.3 million and \$7.9 million \$8.9 million, for the three-mon

[Table of Contents](#)

**Offsetting Assets and Liabilities**

The Company has netting arrangements in place with all of its derivative counterparties pursuant to standard documentation

The following tables present information about the Company's assets and liabilities that are subject to master netting arrange

**Assets**  
Interest rate swaps  
TBAs  
U.S. treasury futures  
**Total Assets**

**Liabilities**  
Repurchase agreements  
Interest rate swaps  
TBAs  
U.S. treasury futures  
**Total Liabilities**

**Assets**  
Interest rate swaps  
TBAs  
U.S. treasury futures  
**Total Assets**

Liabilities					
Repurchase agreements	\$	903,489	\$	-	\$ 903,489 \$ (933,042)
Interest rate swaps		2,799		-	2,799 (2,799)
TBAs		15,517		(3,350 )	12,167 (1,162)
U.S. treasury futures		8,685		(7,034 )	1,651 3,785
<b>Total Liabilities</b>	<b>\$</b>	<b>930,490</b>	<b>\$</b>	<b>(10,384 )</b>	<b>\$ 920,106 \$ (933,218)</b>

(A) Includes cash pledged / received as collateral. Amounts presented are limited to collateral pledged sufficient to reduce the net

[Table of Contents](#)

**Note 9 — Fair Value**

**Fair Value Measurements**

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly trans

ASC 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument's categoriz

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date under current mark
- Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical

- Level 3 unobservable inputs are supported by little or no market activity. The unobservable inputs represent the assumptions that

[Table of Contents](#)

**Recurring Fair Value Measurements**

The following is a description of the methods used to estimate the fair values of the Company's assets and liabilities measure

**RMBS**

The Company holds a portfolio of RMBS that are carried at fair value in the consolidated balance sheets. The Company dete

**MSRs**

The Company, through its subsidiary Aurora, holds a portfolio of MSRs that are reported at fair value in the consolidated bala

**Derivative Instruments**

The Company enters into a variety of derivative instruments as part of its economic hedging strategies. The Company execu

Both the Company and the derivative counterparties under their netting arrangements are required to post cash collateral ba

[Table of Contents](#)

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of the dates

**Recurring Fair Value Measurements**

**Assets**

RMBS

Fannie Mae

Freddie Mac

RMBS total

Derivative assets

Interest rate swaps

U.S. treasury futures

Derivative assets total

Servicing related assets

**Total Assets**

**Liabilities**

Derivative liabilities

Interest rate swaps

TBAs, net

U.S. treasury futures

Derivative liabilities total

**Total Liabilities**

As of December 31, 2023

	Level 1	Level 2
<b>Assets</b>		
RMBS		
Fannie Mae	\$ -	\$ 401,126
Freddie Mac	-	611,004
RMBS total	-	1,012,130

Derivative assets		
Interest rate swaps	-	19,504
Derivative assets total	-	19,504
Servicing related assets	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,031,634</b>
<b>Liabilities</b>		
Derivative liabilities		
Interest rate swaps	-	2,799
TBAs, net	-	12,167
U.S. treasury futures	-	1,651
Derivative liabilities total	-	16,617
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 16,617</b>

The Company may be required to measure certain assets or liabilities at fair value from time to time. These periodic fair value

**Level 3 Assets and Liabilities**

The valuation of Level 3 assets and liabilities requires significant judgment by management. The Company estimates the fair

[Table of Contents](#)

Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could res

The tables below present the reconciliation for the Company's Level 3 assets (Servicing Related Assets) measured at fair va

<b>Balance at beginning of period</b>	
Purchases and sales:	
Purchases	
Other changes <sup>(A)</sup>	
Purchases and sales:	
Changes in Fair Value due to:	
Changes in valuation inputs or assumptions used in valuation model	
Other changes in fair value <sup>(B)</sup>	
Unrealized gain (loss) included in Net Income	
<b>Balance at end of period</b>	
June 30, 2024	

<b>Balance at beginning of period</b>	\$
<b>Purchases and sales:</b>	
<b>Purchases</b>	
<b>Sales (A)</b>	
<b>Other changes (B)</b>	
<b>Purchases and sales:</b>	
<b>Changes in Fair Value due to:</b>	
<b>Changes in valuation inputs or assumptions used in valuation model</b>	
<b>Other changes in fair value (C)</b>	
<b>Unrealized gain (loss) included in Net Income</b>	
<b>Balance at end of period</b>	\$

- (A) During the three and six-month periods ended June 30, 2024, the Company sold a portion of its MSRs to a third party for pr
- (B) Represents purchase price adjustments, principally contractual prepayment protection, and changes due to the Company's
- (B) (C) Represents changes due to realization of expected cash flows and estimated MSR runoff.

Table of Contents

The tables below present information about the significant unobservable inputs used in the fair value measurement of the Co

MSRs

TOTAL

	Fair Value	Valuation Technique
MSRs	\$ 253,629	Discounted cash flow
TOTAL	\$ 253,629	

- (A) Significant increases (decreases) in any of the inputs in isolation may result in significantly lower (higher) fair value meas
- (B) Weighted averages for unobservable inputs are calculated based on the unpaid principal balance of the portfolios.

Fair Value of Financial Assets and Liabilities

In accordance with ASC 820, the Company is required to disclose the fair value of financial instruments, both assets and liab

- RMBS available for sale securities, Servicing Related Assets, derivative assets and derivative liabilities are recurring fair value me
- Cash and cash equivalents and restricted cash have a carrying value which approximates fair value because of the short maturitie
- The carrying value of servicing receivables, repurchase agreements and corporate debt that mature in less than one year general
- Corporate debt that matures in more than one year consists solely of financing secured by Aurora's Servicing Related Assets

Table of Contents

Note 10 — Commitments and Contingencies

The commitments and contingencies of the Company as of March 31, 2024 June 30, 2024 and December 31, 2023 are desc

Management Agreement

The Company pays the Manager a quarterly management fee, calculated and payable quarterly in arrears, equal to the prod

Legal and Regulatory

From time to time, the Company may be subject to potential liability under laws and government regulations and various clai

Commitments to Purchase/Sell RMBS



As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company held forward TBA purchase and sale commitments.

**Acknowledgment Agreements**

In connection with the Fannie Mae MSR Financing Facility (as defined below in Note 12), entered into by Aurora and QRS III  
In connection with the Freddie Mac MSR Revolver (as defined below in Note 12), Aurora, QRS V, and the lender, with a limit

**Note 11 — Repurchase Agreements**

The Company had outstanding approximately **\$965.0 million** **\$994.8 million** and \$903.5 million of borrowings under its repurc

[Table of Contents](#)

The repurchase agreements had the following remaining maturities and weighted average rates as of the dates indicated (dc

Less than one month  
One to three months  
**Total/Weighted Average**

Less than one month  
One to three months  
**Total/Weighted Average**

There were no overnight or demand securities as of **March 31, 2024** **June 30, 2024** or December 31, 2023.

**Note 12 — Notes Payable**

As of **March 31, 2024** **June 30, 2024**, the Company had two separate MSR financing facilities: (i) the Freddie Mac MSR Rev  
*Freddie Mac MSR Revolver*. In July 2018, the Company, Aurora and QRS V (collectively with Aurora and the Company, the “

[Table of Contents](#)

*Fannie Mae MSR Revolving Facility*. In October 2021, Aurora and QRS III entered into a loan and security agreement (the “F

The outstanding borrowings had the following remaining maturities as of the dates indicated (dollars in thousands):

**Freddie Mac MSR Revolver**  
Borrowings under Freddie Mac MSR Revolver  
**Fannie Mae MSR Revolving Facility**  
Borrowings under Fannie Mae MSR Revolving Facility  
**Total**

	2024	2025
<b>Freddie Mac MSR Revolver</b>		
Borrowings under Freddie Mac MSR Revolver	\$ 64,500	\$
<b>Fannie Mae MSR Revolving Facility</b>		
Borrowings under Fannie Mae MSR Revolving Facility	-	
<b>Total</b>	<b>\$ 64,500</b>	<b>\$</b>

[Table of Contents](#)

#### Note 13 — Receivables and Other Assets

The assets comprising "Receivables and other assets" as of **March 31, 2024**, **June 30, 2024** and December 31, 2023 are summarized as follows:

Servicing advances  
Interest receivable  
Deferred tax asset  
Other receivables  
**Total other assets**

The Company only records as an asset those servicing advances that the Company deems recoverable.

#### Note 14 — Accrued Expenses and Other Liabilities

The liabilities comprising "Accrued expenses and other liabilities" as of **March 31, 2024**, **June 30, 2024** and December 31, 2023 are summarized as follows:

Accrued interest on repurchase agreements  
Accrued interest on notes payable  
**Net current tax payable**  
Accrued expenses  
Due to counterparties <sup>(A)</sup>  
**Total accrued expenses and other liabilities**

(A) Includes collateral for the Company's borrowings that represents a payable to the counterparties as of the balance sheet date.

#### Note 15 — Income Taxes

The Company elected to be taxed as a REIT under Code Sections 856 through 860 beginning with its short taxable year ended December 31, 2013.

Effective January 1, 2014, CHMI Solutions elected to be taxed as a corporation for U.S. federal income tax purposes; prior to 2014, CHMI Solutions was taxed as a REIT.

[Table of Contents](#)

The state and local tax jurisdictions for which the Company is subject to tax filing obligations recognize the Company's status as a REIT.

The components of the Company's income tax expense (benefit) are as follows for the periods indicated below (dollars in thousands):

**Current federal income tax benefit**  
**Current state income tax expense (benefit)**  
Deferred federal income tax expense  
Deferred state income tax expense

### Provision for Corporate Business Taxes

The following is a reconciliation of the statutory federal rate to the effective rate, for the periods indicated below (dollars in the

Computed income tax expense (benefit) at federal rate

State tax expense, net of federal tax, if applicable

REIT income not subject to tax expense (benefit)

**Provision for Corporate Business Taxes/Effective Tax Rate<sup>(A)</sup>**

(A) The provision for income taxes is recorded at the TRS level.

The Company's consolidated balance sheets contain the following deferred tax assets and liabilities, which are recorded at the

**Deferred tax assets (liabilities)**

Deferred tax - mortgage servicing rights

Deferred tax - net operating loss

## Total net deferred tax assets

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some porti

## Table of Contents

Based on the Company's evaluation, the Company has concluded that there are no significant liabilities for unrecognized tax

The Company's 2022, 2021 and 2020 federal, state and local income tax returns remain open for examination by the relevant

Distributions to stockholders generally will be primarily taxable as ordinary income, although a portion of such distributions m

## Note 16 — Subsequent Events

On July 9, 2024, the Company announced that the special committee of the Company's board of directors, which committee

43

## Table of Contents

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the accompanying notes.

This section discusses our results of operations for the current quarter ended March 31, 2024 June 30, 2024 compared to the

## General

We are a public residential real estate finance company focused on acquiring, investing in and managing residential mortgage

Our principal objective is to generate attractive current yields and risk-adjusted total returns for our stockholders over the long

We are subject to the risks involved with real estate and real estate-related debt instruments. These include, among others, t

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our short taxable year ended Decem

In addition to Servicing Related Assets, we invest in RMBS, primarily those backed by 30-, 20- and 15-year fixed rate mortgage

Subject to maintaining our qualification as a REIT, we utilize derivative financial instruments (or hedging instruments) to hedge

---

## [Table of Contents](#)

We also seek to operate our business in a manner that does not require us to register as an investment company under the I

We conduct substantially all of our operations and own substantially all of our assets through our Operating Partnership. We

From time to time, we may issue and sell shares of our common stock or preferred stock, including additional shares of our S

The Company has an at-the-market offering program for its common stock (the “Common Stock ATM Program”) pursuant to

---

In September 2019, the Company initiated a share repurchase program that allows for the repurchase of up to an aggregate

In December 2023, the Company initiated a preferred stock repurchase program that allows for the repurchase of up to an ag

## **Effects of Federal Reserve Policy on the Company**

The Federal Reserve has signaled that it is likely to begin to lower its federal funds rate target or otherwise ease monetary p

---

## [Table of Contents](#)

The Federal Reserve’s federal funds rate increases over the past two years and reductions in the size of its balance sheet ha

---

## **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

Set forth below is the positive net spread between the yield on RMBS and our costs of funding those assets at the end of eac

---

June 30, 2024

March 31, 2024

December 31, 2023

September 30, 2023

June 30, 2023

(A) Average Cost of Funds also includes the benefits of related swaps.

---

## [Table of Contents](#)

## **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 the

All of our investments in RMBS are reported at their fair value. At the time of purchase, ASC 320, *Investments – Debt and Ec*

We evaluate the cost basis of our available-for-sale RMBS on a quarterly basis under ASC 326-30, *Financial Instruments-Cr*

---

## **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

---

## [Table of Contents](#)

If prepayment speeds are significantly greater than expected, the fair value of the Servicing Related Assets could be less than expected. A slower than anticipated rate of prepayment due to an increase in market interest rates also will cause the life of the related assets to be shorter. Voluntary and involuntary prepayment rates may be affected by a number of factors including, but not limited to, the availability of funds to prepay.

We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements with investors.

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;
- 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 could have a material impact on our business.

---

#### [Table of Contents](#)

#### **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 increase our earnings, while narrower spreads decrease our earnings.

#### **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 assets, there is no assurance that the credit quality of our assets will remain stable.

---

#### **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.

#### **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 more timely information about the fair value of our investments in MSRs.

#### **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 contractually specified percentage of the outstanding principal balance of the loans.

---

#### [Table of Contents](#)

#### **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 be taxed as a REIT.

We account for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recording of deferred income

---

#### **Investments in Securities**

Prior to fiscal year 2023, we designated all our investments in RMBS as available-for-sale pursuant to ASC 320, *Investments*

#### **Revenue Recognition on Securities**

Interest income from coupon payments is accrued based on the outstanding principal amount of the RMBS and their contrac

#### **Repurchase Transactions**

We finance the acquisition of our RMBS for our portfolio through repurchase transactions under master repurchase agreeme

---

#### [Table of Contents](#)

#### **Results of Operations**

Presented below is a comparison of the Company's results of operations for the periods indicated (dollars in thousands):

#### **Income**

Interest income

Interest expense

Net interest expense

**Net interest income (expense)**

Servicing fee income

Servicing costs

Net servicing income

Other income (loss)

Realized loss on RMBS, net

**Realized gain on investments in MSRs, net**

Realized gain on derivatives, net

Realized gain on acquired assets, net

Unrealized gain (loss) on RMBS, measured at fair value through earnings, net

**Unrealized loss on RMBS, measured at fair value through earnings, net**

Unrealized gain (loss) on derivatives, net

Unrealized loss on investments in Servicing Related Assets

Total Income (Loss)

#### **Expenses**

General and administrative expense

Management fee to affiliate

#### **Total Expenses**

#### **Income (Loss) Before Income Taxes**

Provision for (Benefit from) corporate business taxes

#### **Net Income (Loss)**

Net (income) loss allocated to noncontrolling interests in Operating Partnership

Dividends on preferred stock

Gain on repurchase and retirement of preferred stock

**Gain (loss) on repurchase and retirement of preferred stock**

#### **Net Income (Loss) Applicable to Common Stockholders**

---

#### [Table of Contents](#)

Presented below is summary financial data on our segments together with the data for the Company as a whole, for the period

#### Income Statement

##### Three Months Ended March 31, 2024

##### Three Months Ended June 30, 2024

Interest income  
Interest expense  
Net interest expense  
Net interest income (expense)  
Servicing fee income  
Servicing costs  
Net servicing income  
Other income (expense)  
Other operating expenses  
Provision for corporate business taxes  
Net Income (Loss)

##### Three Months Ended March 31, 2024

Interest income	\$	6	\$	12,735
Interest expense		767		12,881
Net interest expense		(761 )		(146 )
Servicing fee income		12,891		-
Servicing costs		2,634		-
Net servicing income		10,257		-
Other income (expense)		(4,238 )		11,236
Other operating expenses		(761 )		(158 )
Provision for corporate business taxes		(703 )		-
Net Income (Loss)	\$	3,794	\$	10,932

##### Three Months Ended December 31, 2023

##### Six Months Ended June 30, 2024

Interest income  
Interest expense  
Net interest income (expense)  
Servicing fee income  
Servicing costs  
Net servicing income  
Other income (expense)  
Other operating expenses  
Provision for corporate business taxes  
Net Income (Loss)

##### Six Months Ended June 30, 2023

Interest income  
Interest expense  
Net interest income (expense)  
Servicing fee income  
Servicing costs  
Net servicing income  
Other expense  
Other operating expenses  
Benefit from corporate business taxes  
Net Loss  
Net Income (Loss)

**Balance Sheet****March 31, 2024****June 30, 2024**

Investments

Other assets

Total assets

Debt

Other liabilities

Total liabilities

Net Assets

**Balance Sheet****December 31, 2023**

Investments

\$ 253,629 \$ 1,012,130

Other assets

33,785 39,939

Total assets

287,414 1,052,069

Debt

169,314 903,489

Other liabilities

4,240 47,990

Total liabilities

173,554 951,479

Net Assets

\$ 113,860 \$ 100,590

[Table of Contents](#)**Interest Income**

Interest income for the three-month period ended **March 31, 2024** June 30, 2024 was **\$12.7 million** \$13.7 million as compared to

Interest income for the six-month period ended June 30, 2024 was \$26.4 million as compared to \$24.3 million for the six-month period ended

**Interest Expense**

Interest expense for the three-month period ended **March 31, 2024** June 30, 2024 was **\$13.6 million** \$13.5 million as compared to

Interest expense for the six-month period ended June 30, 2024 was \$27.2 million as compared to \$25.1 million for the six-month period ended

**Servicing Fee Income**

Servicing fee income for each the three-month period ended June 30, 2024 was \$12.4 million as compared to \$12.9 million for the

Servicing fee income for the six-month period ended March 31, 2024 and December 31, 2023 June 30, 2024 was \$12.9 million as compared to

**Servicing Costs**

Servicing costs for the three-month period ended **March 31, 2024** June 30, 2024 were **\$2.6 million** \$3.5 million as compared to

Servicing costs for the six-month period ended June 30, 2024 were \$6.1 million as compared to \$5.2 million for the six-month period ended

**Realized Loss on RMBS, Net**

Realized loss on RMBS for the three-month period ended **March 31, 2024** June 30, 2024 was approximately **\$0** \$1.9 million as compared to

Realized loss on RMBS for the six-month period ended June 30, 2024 was approximately \$1.9 million as compared to \$11.3 million for the

**Realized Gain on Investments in MSRs, Net**

Realized gain on investments in MSRs for the three-month period ended June 30, 2024 was approximately \$741,000 as compared to

Realized gain on investments in MSRs for the six-month period ended June 30, 2024 was approximately \$741,000 as compared to

**Realized Gain on Derivatives, Net**



Realized gain on derivatives for the three-month period ended March 31, 2024 June 30, 2024 was approximately \$6.3 million

Realized gain on derivatives for the six-month period ended June 30, 2024 was approximately \$15.7 million as compared to:

Unrealized Gain (Loss) Loss on RMBS, Measured at Fair Value through Earnings, Net

Unrealized loss on RMBS measured at fair value through earnings for the three-month period ended March 31, 2024 June 30, 2024

Unrealized loss on RMBS measured at fair value through earnings for the six-month period ended June 30, 2024 was \$12.8

Table of Contents

Unrealized Gain (Loss) on Derivatives

Unrealized loss on derivatives for the three-month period ended June 30, 2024 was approximately \$3.0 million as compared

Unrealized gain on derivatives for the three-month six-month period ended March 31, 2024 June 30, 2024 was approximately

Unrealized Loss on Investments in Servicing Related Assets

Unrealized loss on our investments in Servicing Related Assets was approximately \$3.3 million for each of the three-month p

Unrealized loss on our investments in Servicing Related Assets for the three-month six-month period ended March 31, 2024.

General and Administrative Expense

General and administrative expense for each of the three-month periods period ended June 30, 2024 was \$3.4 million as cor

General and administrative expense for the six-month period ended June 30, 2024 was \$5.2 million as compared to \$3.5 mil

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 directors and

For the periods indicated below, our accumulated other comprehensive income (loss) changed as a result of the indicated ga

Accumulated other comprehensive loss, March 31, 2024

Other comprehensive loss

Accumulated other comprehensive loss, June 30, 2024

Accumulated other comprehensive loss, December 31, 2023

Other comprehensive loss

Accumulated other comprehensive loss, March 31, 2024

Accumulated other comprehensive loss, December 31, 2023

Other comprehensive loss

Accumulated other comprehensive loss, June 30, 2024

Accumulated other comprehensive loss, December 31, 2022

Other comprehensive income

Accumulated other comprehensive loss, June 30, 2023

Accumulated other comprehensive loss, September 30, 2023

Other comprehensive income

Accumulated other comprehensive loss, December 31, 2023

Our GAAP equity changes as the values of our RMBS are marked to market each quarter, among other factors. The primary

---

[Table of Contents](#)

#### **Non-GAAP Financial Measures**

This Management's Discussion and Analysis of Financial Condition and Results of Operations section contains analysis and

- 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 rea

EAD is provided for purposes of potential comparability to other issuers that invest in residential mortgage-related assets. We

---

[Table of Contents](#)

#### **Earnings Available for Distribution**

EAD for the three-month period ended **March 31, 2024** **June 30, 2024** as compared to the three month period ended **Decem**

**EAD for the six-month period ended June 30, 2024 as compared to the six month period ended June 30, 2023 decreased by**

The following table reconciles the GAAP measure of net income (loss) to EAD and related per average common share amou

Net Income (Loss)

Realized loss on RMBS, net

Realized loss on derivatives, net <sup>(A)</sup>

Realized gain on acquired assets, net

Unrealized loss (gain) on RMBS measured at fair value through earnings, net

Realized loss (gain) on derivatives, net (A)

Realized gain on investments in MSRs, net

Unrealized loss on RMBS measured at fair value through earnings, net

Unrealized loss (gain) on derivatives, net

Unrealized loss (gain) on investments in MSRs, net of estimated MSR amortization

Tax (benefit) expense on realized and unrealized (loss) gain on MSRs

Unrealized gain on investments in MSRs, net of estimated MSR amortization

Tax expense on realized and unrealized gain on MSRs

Total EAD:

EAD attributable to noncontrolling interests in Operating Partnership

Dividends on preferred stock

**EAD Attributable to Common Stockholders**

**EAD Attributable to Common Stockholders, per Diluted Share**

**GAAP Net Income (Loss) Per Share of Common Stock, per Diluted Share**

- (A) Excludes drop income on TBA dollar rolls of **\$682,000** **\$638,000** and **\$924,000** **\$682,000** and interest rate swap periodic intere  
Excludes drop income on TBA dollar rolls of **\$1.3 million** and **\$1.4 million** and interest rate swap periodic interest income of **\$1**

Our Portfolio

MSRs

Aurora's portfolio of Fannie Mae and Freddie Mac MSRs have an aggregate UPB of approximately \$19.6 billion \$18.0 billion

The following tables set forth certain characteristics of the mortgage loans underlying those MSRs as of the dates indicated (

MSRs

MSR Total/Weighted Average

MSRs

MSR Total/Weighted Average

- (A) Weighted average coupon, servicing fee, maturity and loan age of the underlying residential mortgage loans in the pool are b
- (B) ARMs % represents the percentage of the total principal balance of the pool that corresponds to ARMs and hybrid ARMs.

56

[Table of Contents](#)

RMBS

The following tables summarize the characteristics of our RMBS portfolio and certain characteristics of the collateral underlyi

Asset Type
RMBS, available-for-sale, measured at fair value through OCI
Fannie Mae
Freddie Mac
RMBS, measured at fair value through earnings
Fannie Mae
Freddie Mac
Total/weighted average RMBS

	Asset Type
<b>RMBS, available-for-sale, measured at fair value through OCI</b>	
	Fannie Mae
	Freddie Mac
<b>RMBS, measured at fair value through earnings</b>	
	Fannie Mae
	Freddie Mac
<b>Total/weighted average RMBS</b>	
(A)	See "Part I, Item 1. Notes to Consolidated Financial Statements—Note 9. Fair Value" regarding the estimation of fair value, w
(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

#### [Table of Contents](#)

The following table summarizes the net interest spread of our RMBS portfolio as of the dates indicated:

Weighted Average Asset Yield
Weighted Average Interest Expense (A)
<b>Net Interest Spread</b>

- (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. Our primary sources of funds for liquidity consist of cash provided by operating activities (primarily income from our investments). In the future, sources of funds for liquidity may include additional MSR financing, warehouse agreements, securitizations and other financing activities.

#### [Table of Contents](#)

Our primary uses of funds are the payment of interest, management fees, outstanding commitments, other operating expenses and capital expenditures. 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 fund our operating cash flow. Our operating cash flow differs from our net income due primarily to: (i) accretion of discount or premium on our RMBS, (ii) u

#### **Repurchase Agreements**

As of **March 31, 2024** **June 30, 2024**, we had repurchase agreements with 35 counterparties and approximately **\$965.0 million** of borrowings. Set forth below is the average aggregate balance of borrowings under the Company's repurchase agreements for each of the

June 30, 2024  
March 31, 2024  
December 31, 2023  
September 30, 2023  
June 30, 2023  
March 31, 2023  
December 31, 2022  
September 30, 2022  
June 30, 2022

The increase in the Company's borrowings under its repurchase agreements as of **March 31, 2024** **June 30, 2024** as compar

---

[Table of Contents](#)

These short-term borrowings were used to finance certain of our investments in RMBS. The RMBS repurchase agreements :

Less than one month  
One to three months  
**Total/Weighted Average**

Less than one month  
One to three months  
**Total/Weighted Average**

The amount of collateral as of **March 31, 2024** **June 30, 2024** and December 31, 2023, including cash, was \$1.0 billion and \$

The weighted average term to maturity of our borrowings under repurchase agreements as of **March 31, 2024** **June 30, 2024**

---

[Table of Contents](#)

**MSR Financing**

As of **March 31, 2024** **June 30, 2024**, the Company had two separate MSR financing facilities: (i) the Freddie Mac MSR Rev  
*Freddie Mac MSR Revolver*. In July 2018, the Company, Aurora and QRS V (collectively with Aurora and the Company, the "  
*Fannie Mae MSR Revolving Facility*. In October 2021, Aurora and QRS III entered into a loan and security agreement (the "F

---

**Cash Flows**

**Operating and Investing Activities**

Our operating activities provided cash of approximately \$4.1 million and used cash of approximately **\$19.1 million** \$15.0 millio

---

[Table of Contents](#)

**Dividends**

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without

- 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,

We make distributions based on a number of factors, including an estimate of taxable earnings. Dividends distributed and tax

[Table of Contents](#)

#### Contractual Obligations

Our contractual obligations as of **March 31, 2024** **June 30, 2024** and December 31, 2023 included repurchase agreement

The following table summarizes our contractual obligations for borrowed money as of the dates indicated (dollars in

#### Repurchase agreements

Borrowings under repurchase agreements

Interest on repurchase agreement borrowings(A)

#### Freddie Mac MSR Revolver

Borrowings under Freddie Mac MSR Revolver

Interest on Freddie Mac MSR Revolver borrowings

#### Fannie Mae MSR Revolving Facility

Borrowings under Fannie Mae MSR Revolving Facility

Interest on Fannie Mae MSR Revolving Facility

	Less than 1 year	1 to 3 years	3 to 5 years
<b>Repurchase agreements</b>			
Borrowings under repurchase agreements	\$ 903,489	\$ -	\$ -
Interest on repurchase agreement borrowings(A)	\$ 3,930	\$ -	\$ -
<b>Freddie Mac MSR Revolver</b>			
Borrowings under Freddie Mac MSR Revolver	\$ 64,500	\$ -	\$ -
Interest on Freddie Mac MSR Revolver borrowings	\$ 1,329	\$ -	\$ -
<b>Fannie Mae MSR Revolving Facility</b>			
Borrowings under Fannie Mae MSR Revolving Facility	\$ -	\$ 8,679	\$ 97,321
Interest on Fannie Mae MSR Revolving Facility	\$ 747	\$ -	\$ -

(A) Interest expense is calculated based on the interest rate in effect at **March 31, 2024** **June 30, 2024** and December 31, 2023, r

---

**Management Agreement**

The Management Agreement with our Manager provides that our Manager is entitled to receive a management fee, the reim

---

[Table of Contents](#)

We pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the Manag

The term of the Management Agreement expires on October 22, 2024 and will be automatically renewed for a one-year term

On July 9, 2024, the Company announced that the special committee of the Company's board of directors, which committee

On July 11, 2024, we received a letter from counsel to the Manager informing us that it is the Manager's position that no term

---

**Subservicing Agreements**

As of **March 31, 2024** **June 30, 2024**, Aurora had four subservicing agreements in place, one of which is with Freedom Mortg

---

[Table of Contents](#)

**Joint Marketing Recapture Agreement**

We attempt to reduce the exposure of our MSRs to voluntary prepayments through the structuring of recapture agreements v

In May 2018, Aurora entered into a recapture purchase and sale agreement with RoundPoint, one of Aurora's subservicers a

**Inflation**

Substantially all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our perf

---

**Item 3. 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 mark

**Interest Rate Risk**

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international ecor

**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 borrowin

---

[Table of Contents](#)

Hedging techniques are partly based on assumed levels of prepayments of our assets, specifically our RMBS. If prepayment

**Interest Rate Cap Risk**

Any adjustable-rate RMBS that we acquire will generally be subject to interest rate caps, which potentially could cause such

---

**Prepayment Risk; Extension Risk**

The following tables summarize the estimated change in fair value of our MSRs as of the dates indicated given several paral

Discount Rate Shift in %

Estimated FV  
Change in FV  
% Change in FV

Voluntary Prepayment Rate Shift in %

Estimated FV  
Change in FV  
% Change in FV

Servicing Cost Shift in %

Estimated FV  
Change in FV  
% Change in FV

Discount Rate Shift in %

Estimated FV  
Change in FV  
% Change in FV

Voluntary Prepayment Rate Shift in %

Estimated FV  
Change in FV  
% Change in FV

Servicing Cost Shift in %

Estimated FV  
Change in FV  
% Change in FV

[Table of Contents](#)

The following tables summarize the estimated change in fair value of our RMBS as of the dates indicated given several paral

RMBS Portfolio

RMBS, net of swaps  
Estimated FV  
Change in FV  
% Change in FV

	December 31, 2023	(0.75)%
RMBS Portfolio		
RMBS, net of swaps	\$ 749,491	
Estimated FV		\$ 753,297
Change in FV		\$ 3,806
% Change in FV		0.51 %



## [Table of Contents](#)

	December 31, 2023	(0.75)%
<b>RMBS Portfolio</b>		
RMBS, net of swaps	\$ 749,491	
Estimated FV		\$ 753,297
Change in FV		\$ 3,806
% Change in FV		0.51 %

The sensitivity analysis is hypothetical and is presented solely to assist an analysis of the possible effects on the fair value of

### Counterparty Risk

When we engage in repurchase transactions, we generally sell securities to lenders (i.e., the repurchase agreement counterparty).

Our interest rate swaps and U.S. treasury futures contracts are required to be cleared on an exchange which greatly mitigates

Our investments in Servicing Related Assets are dependent on the applicable mortgage sub-servicer to perform its sub-servicing

### Funding Risk

To the extent available on desirable terms, we expect to continue to finance our RMBS with repurchase agreement 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.

### Credit Risk

Although we expect relatively low credit risk with respect to our portfolio of Agency RMBS, our investments in MSRs and any

## [Table of Contents](#)

### 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

## Item 4. Controls and Procedures

**Disclosure Controls and Procedures.** The Company's President and Chief Executive Officer and the Company's Chief Financial Officer

**Changes in Internal Control Over Financial Reporting.** There have been no changes in the Company's internal control over

## [Table of Contents](#)

## Item 1. 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

## Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors set forth under the heading "Item 1A. Risk Factors"

### Risks Related to the Termination of our Management Agreement with our Manager

**We may not be able to fully realize the expected benefits of our planned transition to a self-managed company or the ability**

On July 9, 2024, we announced that the special committee of the Company's board of directors, which committee is comprised of independent directors, has been formed to evaluate the Company's relationship with the Manager and to recommend to the board of directors whether the Company should terminate the Management Agreement without payment of a termination fee or whether the Company should negotiate a termination fee with the Manager. On July 11, 2024, we received a letter from counsel to the Manager informing us that it is the Manager's position that no termination fee will be paid by the Manager to the Company in connection with the termination of the Management Agreement. None. Our ability to execute the smooth and timely transition of all functions necessary to operate our business and to fully attain our business objectives will be dependent on the successful execution of the transition plan. The Management Agreement requires the Company and the Manager to terminate the Management Agreement without payment of a termination fee. ***There is no guarantee that members of our senior management team and other personnel will be employed by us following the termination of the Management Agreement.*** We currently depend on our Manager through the Services Provider to provide us with our executives and employees to administer our business.

***We may be exposed to risks to which we have not historically been exposed.***

Our transition to a self-managed company will expose us to risks to which we have not historically been exposed. As a result of this transition, we may be exposed to risks to which we have not historically been exposed.

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

During the three-month period periods ended June 30, 2024 and March 31, 2024, the Company repurchased pursuant to its repurchase program the following:

**Period**

Period
January 1, 2024 to January 31, 2024
February 1, 2024 to February 29, 2024
March 1, 2024 to March 31, 2024
April 1, 2024 to April 30, 2024
May 1, 2024 to May 31, 2024
June 1, 2024 to June 30, 2024
<b>Totals / Averages</b>

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

Not Applicable.

[Table of Contents](#)

**Item 6. Exhibits**

\*Filed herewith.

\*\*Furnished herewith.

---

[Table of Contents](#)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused

May 6, August 8, 2024

May 6, August 8, 2024

---

[Table of Contents](#)

---

\*Filed herewith.

\*\*Furnished herewith.

76

THIS STOCK AWARD AGREEMENT (the "Agreement"), dated as of June 26, 2024, governs the Stock Award granted to the Participant. The Agreement shall be governed by the laws of the State of Delaware except to the extent that Delaware law may be preempted by federal law. The Agreement shall be incorporated by reference and made a part hereof, and the Stock Award shall be subject to the terms and conditions of the Plan and the Agreement. The Participant acknowledges that the ultimate liability for all income tax, social insurance contributions and other taxes shall be the responsibility of the Participant.

7. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall not constitute a waiver of the Company's right to enforce such provision at any time. 8. Governing Law. This Agreement shall be governed by the laws of the State of Delaware except to the extent that Delaware law may be preempted by federal law. 9. Incorporation of Plan. The Plan and is hereby incorporated by reference and made a part hereof, and the Stock Award shall be subject to the terms and conditions of the Plan and the Agreement. 10. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Grant Date and this Agreement, the provisions of the Plan shall prevail. 11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be a part of this Agreement. 12. Authority of the Board and the Committee. As set forth in the Plan, the Board and the Committee shall have full authority to grant Stock Awards under the Plan. 13. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable, the remaining provisions of this Agreement shall remain in full force and effect.

14. Clawback Policy. Notwithstanding anything in this Agreement to the contrary, in consideration for the receipt of this grant, the Participant hereby agrees to be bound by the Company's Clawback Policy. 15. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and that the Participant has read and understood the Plan. 16. Binding Effect. This Agreement shall apply to and bind the Participant and the Company and each of their respective heirs, assigns, personal representatives, successors and permitted transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Stock Award Agreement on the day of June, 2024.

---

---

---

I, Jeffrey Lown II, certify that:

1. I have reviewed this Form 10-Q of Cherry Hill Mortgage Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material aspects the financial condition and results of operations of the registrant and its consolidated subsidiaries;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) and have:

  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed or caused to be designed by others under our supervision;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed or caused to be designed by others under our supervision;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation;
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the report, including any corrective actions with regard to control deficiencies;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the auditors and the audit committee of the registrant, or to the board of directors if the registrant does not have an audit committee, all material weaknesses or deficiencies in internal control over financial reporting that we identified:

  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that we identified that reasonably expect to result in a material misstatement in the financial statements;
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024 August 8, 2024

By:

/s/ Jeffrey Lown II  
Jeffrey Lown II  
President and Chief Executive Officer  
(Principal Executive Officer)

---

---

---

I, Michael Hutchby, certify that:

1. I have reviewed this Form 10-Q of Cherry Hill Mortgage Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material aspects the financial condition and results of operations of the registrant and its consolidated subsidiaries;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) and have:

  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed or caused to be designed by others under our supervision;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting:
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record and report financial results in accordance with GAAP
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: May 6, 2024 August 8, 2024

By:

/s/ Michael Hutchby  
Michael Hutchby  
Chief Financial Officer, Treasurer  
(Principal Financial Officer)

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 906 of the Sarbanes-Oxley Act of 2002). I, Jeffrey Lown II, the President and Chief Executive Officer (Principal Executive Officer) of the Company, certify that:

- 1. the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934
- 2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company

Dated: May 6, 2024 August 8, 2024

By:

/s/ Jeffrey Lown II  
Jeffrey Lown II  
President and Chief Executive Officer  
(Principal Executive Officer)

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 906 of the Sarbanes-Oxley Act of 2002). I, Michael Hutchby, the Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer) of the Company, certify that:

- 1. the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934
- 2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company

Dated: May 6, 2024 August 8, 2024

By:

/s/ Michael Hutchby



**DISCLAIMER**

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A CO  
©2024, Refinitiv. All rights reserved. Patents Pending.