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

FORM 10-Q

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

For the quarterly period ended June 30, 2022
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 001-34569

Ellington Financial Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-0489289**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

53 Forest Avenue
Old Greenwich, Connecticut, 06870
(Address of Principal Executive Offices) (Zip Code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)

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, $0.001 par value per share	EFC	The New York Stock Exchange
6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PR A	The New York Stock Exchange
6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR B	The New York Stock Exchange

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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

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

Number of shares of the Registrant's common stock outstanding as of August 5, 2022: 59,957,779

ELLINGTON FINANCIAL INC.
INDEX

Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	77
Item 3. Quantitative and Qualitative Disclosures about Market Risk	113
Item 4. Controls and Procedures	115

Part II. Other Information

Item 1. Legal Proceedings	116
Item 1A. Risk Factors	116
Item 6. Exhibits	117

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

ELLINGTON FINANCIAL INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(In thousands, except share amounts)	June 30, 2022	December 31, 2021
	Expressed in U.S. Dollars	
Assets		
Cash and cash equivalents[1]	$ 224,451	$ 92,661
Restricted cash[1]	—	175
Securities, at fair value[1][2]	1,757,513	2,087,360
Loans, at fair value[1][2]	3,490,820	2,415,321
Investments in unconsolidated entities, at fair value[1]	192,269	195,643
Real estate owned[1][2]	20,866	24,681
Financial derivatives—assets, at fair value	81,183	18,894
Reverse repurchase agreements	179,394	123,250
Due from brokers	93,939	93,549
Investment related receivables[1]	132,161	122,175
Other assets[1]	6,281	3,710
Total Assets	$ 6,178,877	$ 5,177,419
Liabilities		
Securities sold short, at fair value	$ 176,155	$ 120,525
Repurchase agreements[1]	2,865,222	2,469,763
Financial derivatives—liabilities, at fair value	20,442	12,298
Due to brokers	31,124	2,233
Investment related payables	34,381	39,048
Other secured borrowings[1]	45,455	96,622
Other secured borrowings, at fair value[1]	1,448,182	984,168
Senior notes, net	85,956	85,802
Senior notes, at fair value	202,650	—
Base management fee payable to affiliate	3,990	3,115
Incentive fee payable to affiliate	—	3,246
Dividends payable	11,657	10,375
Interest payable[1]	10,263	4,570
Accrued expenses and other liabilities[1]	8,945	22,098
Total Liabilities	4,944,422	3,853,863
Commitments and contingencies (Note 21)		
Equity		
Preferred stock, par value $0.001 per share, 100,000,000 shares authorized; 9,420,421 and 9,400,000 shares issued and outstanding, and $235,511 and $235,000 aggregate liquidation preference, respectively	227,432	226,939
Common stock, par value $0.001 per share, 100,000,000 shares authorized; 59,957,779 and 57,458,169 shares issued and outstanding, respectively	60	58
Additional paid-in-capital	1,205,916	1,161,603
Retained earnings (accumulated deficit)	(225,259)	(97,279)
Total Stockholders' Equity	1,208,149	1,291,321
Non-controlling interests[1]	26,306	32,235
Total Equity	1,234,455	1,323,556
Total Liabilities and Equity	$ 6,178,877	$ 5,177,419

(1) Ellington Financial Inc.'s Condensed Consolidated Balance Sheet includes assets and liabilities of variable interest entities it has consolidated. See Note 9 for additional details on Ellington Financial Inc.'s consolidated variable interest entities.
(2) Includes assets pledged as collateral to counterparties. See Note 11 for additional details on the Company's borrowings and related collateral.

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three-Month Period Ended		Six-Month Period Ended	
(In thousands, except per share amounts)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net Interest Income				
Interest income	$ 62,722	$ 45,890	$ 113,796	$ 85,970
Interest expense	(26,024)	(11,166)	(40,041)	(22,508)
Total net interest income	36,698	34,724	73,755	63,462
Other Income (Loss)[(1)]				
Realized gains (losses) on securities and loans, net	(18,830)	(2,009)	(18,025)	2,268
Realized gains (losses) on financial derivatives, net	46,779	425	70,114	6,220
Realized gains (losses) on real estate owned, net	518	(74)	491	(13)
Unrealized gains (losses) on securities and loans, net	(175,350)	10,000	(326,503)	8,218
Unrealized gains (losses) on financial derivatives, net	2,516	(5,683)	47,823	5,028
Unrealized gains (losses) on real estate owned, net	318	(1,314)	(252)	(2,107)
Unrealized gains (losses) on other secured borrowings, at fair value, net	67,258	2,197	122,899	3,377
Unrealized gains (losses) on senior notes, at fair value	7,350	—	7,350	—
Other, net	(166)	2,166	1,054	2,946
Total other income (loss)	(69,607)	5,708	(95,049)	25,937
Expenses				
Base management fee to affiliate (Net of fee rebates of $604, $195, $1,261, and $389, respectively)[(2)]	3,990	3,355	8,256	6,633
Incentive fee to affiliate	—	7,157	—	7,157
Investment related expenses:				
Servicing expense	960	974	2,484	1,960
Debt issuance costs related to Other secured borrowings, at fair value	2,118	2,039	4,350	3,704
Debt issuance costs related to Senior notes, at fair value	—	—	3,615	—
Other	1,743	1,818	4,055	4,022
Professional fees	1,180	1,037	2,357	2,235
Compensation expense	1,260	1,412	3,820	2,831
Other expenses	1,851	1,633	3,732	3,212
Total expenses	13,102	19,425	32,669	31,754
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities	(46,011)	21,007	(53,963)	57,645
Income tax expense (benefit)	(7,825)	3,140	(14,785)	5,157
Earnings (losses) from investments in unconsolidated entities	(23,265)	18,602	(28,771)	25,237
Net Income (Loss)	(61,451)	36,469	(67,949)	77,725
Net income (loss) attributable to non-controlling interests	(391)	1,874	(811)	3,333
Dividends on preferred stock	3,821	1,940	7,645	3,881
Net Income (Loss) Attributable to Common Stockholders	$ (64,881)	$ 32,655	$ (74,783)	$ 70,511
Net Income (Loss) per Share of Common Stock:				
Basic and Diluted	$ (1.08)	$ 0.75	$ (1.27)	$ 1.61

(1) Conformed to current period presentation.
(2) See Note 13 for further details on management fee rebates.

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

	Preferred Stock	Common Stock		Additional Paid-in Capital	Retained Earnings/(Accumulated Deficit)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
		Shares	Par Value					
(In thousands, except share amounts)					*Expressed in U.S. Dollars*			
BALANCE, December 31, 2021	$ 226,939	57,458,169	$ 58	$1,161,603	$ (97,279)	$ 1,291,321	$ 32,235	$1,323,556
Net income (loss)					(6,078)	(6,078)	(420)	(6,498)
Net proceeds from the issuance of common stock[1]		2,185,000	2	38,452		38,454		38,454
Net proceeds from the issuance of preferred stock[1]	493					493		493
Shares of common stock issued in connection with incentive fee payment		19,094	—	325		325		325
Contributions from non-controlling interests							5,846	5,846
Common dividends[2]					(26,189)	(26,189)	(332)	(26,521)
Preferred dividends[3]					(3,824)	(3,824)		(3,824)
Distributions to non-controlling interests							(9,181)	(9,181)
Adjustment to non-controlling interests				(706)		(706)	706	—
Share-based long term incentive plan unit awards				284		284	4	288
BALANCE, March 31, 2022	$ 227,432	59,662,263	$ 60	$1,199,958	$ (133,370)	$ 1,294,080	$ 28,858	$1,322,938
Net income (loss)					(61,060)	(61,060)	(391)	(61,451)
Net proceeds from the issuance of common stock[1]		383,700	—	6,767		6,767		6,767
Contributions from non-controlling interests							4,037	4,037
Common dividends[2]					(27,008)	(27,008)	(342)	(27,350)
Preferred dividends[3]					(3,821)	(3,821)		(3,821)
Distributions to non-controlling interests							(5,863)	(5,863)
Adjustment to non-controlling interests				(3)		(3)	3	—
Repurchase of shares of common stock		(88,184)	—	(1,164)		(1,164)		(1,164)
Share-based long term incentive plan unit awards				358		358	4	362
BALANCE, June 30, 2022	$ 227,432	59,957,779	$ 60	$1,205,916	$ (225,259)	$ 1,208,149	$ 26,306	$1,234,455

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
(UNAUDITED)

	Preferred Stock	Common Stock		Additional Paid-in Capital	Retained Earnings/(Accumulated Deficit)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
		Shares	Par Value					
BALANCE, December 31, 2020	$ 111,034	43,781,684	$ 44	$ 915,658	$ (141,521)	$ 885,215	$ 36,357	$ 921,572
Net income (loss)					39,797	39,797	1,459	41,256
Contributions from non-controlling interests							1,517	1,517
Common dividends(2)					(13,134)	(13,134)	(200)	(13,334)
Preferred dividends(3)					(1,941)	(1,941)		(1,941)
Distributions to non-controlling interests							(5,923)	(5,923)
Adjustment to non-controlling interests				(307)		(307)	307	—
Share-based long term incentive plan unit awards				226		226	3	229
BALANCE, March 31, 2021	$ 111,034	43,781,684	$ 44	$ 915,577	$ (116,799)	$ 909,856	$ 33,520	$ 943,376
Net income (loss)					34,595	34,595	1,874	36,469
Contributions from non-controlling interests							5,931	5,931
Common dividends(2)					(19,265)	(19,265)	(298)	(19,563)
Preferred dividends(3)					(1,940)	(1,940)		(1,940)
Distributions to non-controlling interests							(9,413)	(9,413)
Share-based long term incentive plan unit awards				240		240	4	244
BALANCE, June 30, 2021	$ 111,034	43,781,684	$ 44	$ 915,817	$ (103,409)	$ 923,486	$ 31,618	$ 955,104

(1) Net of discounts and commissions and offering costs.

(2) For the three-month periods ended June 30, 2022 and 2021, dividends totaling $0.45 and $0.44, respectively, per share of common stock and convertible unit outstanding, were declared. For the six-month periods ended June 30, 2022 and 2021, dividends totaling $0.90 and $0.74, respectively, per share of common stock and convertible unit outstanding, were declared.

(3) For the three-month periods ended June 30, 2022 and 2021, dividends totaling $0.8125 and $0.421875, respectively, per share of preferred stock were declared. For the six-month periods ended June 30, 2022 and 2021, dividends totaling $1.625 and $0.84375, respectively, per share of preferred stock were declared.

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six-Month Period Ended	
	June 30, 2022	June 30, 2021
(In thousands)	*Expressed in U.S. Dollars*	
Cash Flows from Operating Activities:		
Net cash provided by (used in) operating activities	$ 81,339	$ 44,168
Cash Flows from Investing Activities:		
Purchase of securities	$ (718,960)	(1,329,629)
Purchase of loans	(2,014,793)	(733,275)
Capital improvements of real estate owned	(75)	(1,893)
Proceeds from disposition of securities	659,827	772,618
Proceeds from disposition of loans	19,520	1,064
Contributions to investments in unconsolidated entities	(10,294)	(7,497)
Distributions from investments in unconsolidated entities	170,513	70,211
Proceeds from disposition of real estate owned	5,147	630
Proceeds from principal payments of securities	181,108	225,901
Proceeds from principal payments of loans	279,580	136,328
Proceeds from securities sold short	622,122	242,239
Repurchase of securities sold short	(553,190)	(133,798)
Payments on financial derivatives	(60,210)	(31,732)
Proceeds from financial derivatives	122,232	34,018
Payments made on reverse repurchase agreements	(16,595,096)	(7,242,821)
Proceeds from reverse repurchase agreements	16,537,455	7,118,141
Due from brokers, net	17,579	670
Due to brokers, net	28,405	(298)
Net cash provided by (used in) investing activities	(1,309,130)	(879,123)
Cash Flows from Financing Activities:		
Net proceeds from the issuance of common stock[(1)]	45,301	—
Net proceeds from the issuance of preferred stock[(1)]	511	—
Offering costs paid	(658)	—
Repurchase of common stock	(1,164)	—
Dividends paid	(60,234)	(34,553)
Contributions from non-controlling interests	10,840	6,528
Distributions to non-controlling interests	(15,044)	(15,336)
Proceeds from issuance of Other secured borrowings	15,063	47,343
Principal payments on Other secured borrowings	(22,511)	(12,831)
Borrowings under repurchase agreements	5,179,777	3,081,092
Repayments of repurchase agreements	(4,671,100)	(2,621,656)
Proceeds from issuance of Senior notes, at fair value	206,385	—
Proceeds from issuance of Other secured borrowings, at fair value	687,977	534,477
Repayment of Other secured borrowings, at fair value	—	(111,529)
Due from brokers, net	(15,668)	(13,735)
Due to brokers, net	(69)	(1,797)
Net cash provided by (used in) financing activities	1,359,406	858,003
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	131,615	23,048
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	92,836	111,822
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 224,451	$ 134,870

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	Six-Month Period Ended	
	June 30, 2022	**June 30, 2021**
(In thousands)	*Expressed in U.S. Dollars*	
Supplemental disclosure of cash flow information:		
Interest paid	$ 34,349	$ 22,741
Income tax paid	88	770
Dividends payable	11,657	7,963
Shares issued in connection with incentive fee payment (non-cash)	325	—
Share-based long term incentive plan unit awards (non-cash)	650	—
Transfers from mortgage loans to real estate owned (non-cash)	1,018	12,554
Transfers from mortgage loans to investments in unconsolidated entities (non-cash)	177,997	74,836
Transfers from corporate loans to investments in unconsolidated entities (non-cash)	1,000	—
Purchase of loans (non-cash)	—	(800)
Proceeds from principal payments of investments (non-cash)	220,672	212,254
Principal payments on Other secured borrowings, at fair value (non-cash)	(213,202)	(212,254)
Proceeds received from Other secured borrowings, at fair value (non-cash)	112,889	40,670
Principal payments on Other secured borrowings (non-cash)	(43,719)	—
Proceeds from issuance of Other secured borrowings (non-cash)	—	800
Repayments of repurchase agreements (non-cash)	(113,218)	(39,618)

(1) Net of discounts and commissions.

See Notes to Condensed Consolidated Financial Statements

ELLINGTON FINANCIAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(UNAUDITED)

1. Organization and Investment Objective

Ellington Financial Inc., formerly known as Ellington Financial LLC, was originally formed as a Delaware limited liability company on July 9, 2007 and commenced operations on August 17, 2007. On February 28, 2019, Ellington Financial LLC filed a certificate of conversion with the Secretary of State of the State of Delaware (the "Secretary") to convert from a Delaware limited liability company to a Delaware corporation (the "Conversion") and change its name to Ellington Financial Inc. The Conversion became effective on March 1, 2019, and upon effectiveness, each of Ellington Financial LLC's existing common shares representing limited liability company interests, no par value, converted into one issued and outstanding, fully paid and nonassessable share of common stock, $0.001 par value per share, of Ellington Financial Inc. In connection with the Conversion, Ellington Financial Inc.'s Board of Directors (the "Board of Directors") approved Ellington Financial Inc.'s Certificate of Incorporation (which was also filed with the Secretary) and Bylaws.

Ellington Financial Operating Partnership LLC (the "Operating Partnership"), a 99.0% owned consolidated subsidiary of Ellington Financial Inc., was formed as a Delaware limited liability company on December 14, 2012 and commenced operations on January 1, 2013. All of Ellington Financial Inc.'s operations and business activities are conducted through the Operating Partnership. Ellington Financial Inc., the Operating Partnership, and their consolidated subsidiaries are hereafter collectively referred to as the "Company." All intercompany accounts are eliminated in consolidation.

The Company conducts its operations to qualify and be taxed as a real estate investment trust, or "REIT," under the Internal Revenue Code of 1986, as amended (the "Code"), and has elected to be taxed as a corporation effective January 1, 2019. In anticipation of the Company's intended election to be taxed as a REIT under the Code beginning with its 2019 taxable year (the "REIT Election"), the Company implemented an internal restructuring as of December 31, 2018. As part of this restructuring, the Company moved certain of its non-REIT-qualifying investments and financial derivatives to taxable REIT subsidiaries or, "TRSs," and disposed of certain of its investments in non-REIT-qualifying investments and financial derivatives.

The Company invests in a diverse array of financial assets, including residential and commercial mortgage loans, residential mortgage-backed securities, or "RMBS," commercial mortgage-backed securities, or "CMBS," consumer loans and asset-backed securities, or "ABS," including ABS backed by consumer loans, collateralized loan obligations, or "CLOs," non-mortgage- and mortgage-related derivatives, equity investments in loan origination companies, and other strategic investments.

Ellington Financial Management LLC (the "Manager") is an SEC-registered investment adviser that serves as the Manager to the Company pursuant to the terms of its Seventh Amended and Restated Management Agreement (the "Management Agreement"), which was approved by the Board of Directors effective March 13, 2018. The Manager is an affiliate of Ellington Management Group, L.L.C. ("Ellington"), an investment management firm that is registered as both an investment adviser and a commodity pool operator. In accordance with the terms of the Management Agreement, the Manager implements the investment strategy and manages the business and operations on a day-to-day basis for the Company and performs certain services for the Company, subject to oversight by the Board of Directors.

2. Significant Accounting Policies

(A) Basis of Presentation: The Company's unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. The condensed consolidated financial statements include the accounts of the Company, the Operating Partnership, its subsidiaries, and variable interest entities, or "VIEs," for which the Company is deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. In management's opinion, all material adjustments considered necessary for a fair statement of the Company's consolidated financial statements have been included and are only of a normal recurring nature. Interim results are not necessarily indicative of the results that may be expected for the entire fiscal year. The information included in the condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

(B) Valuation: The Company applies ASC 820-10, *Fair Value Measurement* ("ASC 820") to its holdings of financial instruments. ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation

hierarchy is based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Currently, the types of financial instruments the Company generally includes in this category are listed equities and exchange-traded derivatives;
- Level 2—inputs to the valuation methodology other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. Currently, the types of financial instruments that the Company generally includes in this category are RMBS, for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," U.S. Treasury securities and sovereign debt, certain non-Agency RMBS, CMBS, CLOs, corporate debt, and actively traded derivatives such as interest rate swaps, foreign currency forwards, and other over-the-counter derivatives; and
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of financial instruments that the Company generally includes in this category are certain RMBS, CMBS, CLOs, ABS, credit default swaps, or "CDS," on individual ABS, and total return swaps on distressed corporate debt, in each case where there is less price transparency. Also included in this category are residential and commercial mortgage loans, consumer loans, private corporate debt and equity investments, other secured borrowings, at fair value, and senior notes, at fair value.

For certain financial instruments, the various inputs that management uses to measure fair value may fall into different levels of the fair value hierarchy. For each such financial instrument, the determination of which category within the fair value hierarchy is appropriate is based on the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the various inputs that management uses to measure fair value, with the highest priority given to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1), and the lowest priority given to inputs that are unobservable and significant to the fair value measurement (Level 3). The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its financial instruments. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar financial instruments. The income approach uses projections of the future economic benefit of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. The leveling of each financial instrument is reassessed at the end of each period. Transfers between levels of the fair value hierarchy are assumed to occur at the end of the reporting period.

Summary Valuation Techniques

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of the Company's financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. The following are summary descriptions, for various categories of financial instruments, of the valuation methodologies management uses in determining fair value of the Company's financial instruments in such categories. Management utilizes such methodologies to assign a fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument.

For mortgage-backed securities, or "MBS," forward settling to-be-announced mortgage-backed-securities, or "TBAs," CLOs, and corporate debt and equity, management seeks to obtain at least one third-party valuation, and often obtains multiple valuations when available. Management has been able to obtain third-party valuations on the vast majority of these instruments and expects to continue to solicit third-party valuations in the future. Management generally values each financial instrument at the average of third-party valuations received and not rejected as described below. Third-party valuations are not binding, management may adjust the valuations it receives (e.g., downward adjustments for odd lots), and management may challenge or reject a valuation when, based on its validation criteria, management determines that such valuation is unreasonable or erroneous. Furthermore, based on its validation criteria, management may determine that the average of the third-party valuations received for a given financial instrument does not result in what management believes to be the fair value of such instrument, and in such circumstances management may override this average with its own good faith valuation. The validation criteria may take into account output from management's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. The use of proprietary models requires the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates and default rates. Given their relatively high level of price transparency, Agency RMBS pass-throughs are typically classified as Level 2. Non-Agency RMBS, CMBS, Agency interest only and inverse interest only RMBS, CLOs, and corporate bonds are

generally classified as either Level 2 or Level 3 based on analysis of available market data and/or third-party valuations. The Company's investments in distressed corporate debt can be in the form of loans as well as total return swaps on loans. These investments, as well as related non-listed equity investments, are generally designated as Level 3 assets. Valuations for total return swaps are typically based on prices of the underlying loans received from third-party pricing services. Private equity investments are generally classified as Level 3. Furthermore, the methodology used by the third-party valuation providers is reviewed at least annually by management, so as to ascertain whether such providers are utilizing observable market data to determine the valuations that they provide.

For residential and commercial mortgage loans, and consumer loans, management determines fair value by taking into account both external pricing data, which includes third-party valuations, and internal pricing models. Management has obtained third-party valuations on the majority of these investments and expects to continue to solicit third-party valuations in the future. In determining fair value for non-performing mortgage loans, management evaluates third-party valuations, if applicable, as well as management's estimates of the value of the underlying real estate, using information including general economic data, broker price opinions, or "BPOs," recent sales, property appraisals, and bids. In determining fair value for performing mortgage loans and consumer loans, management evaluates third-party valuations, if applicable, as well as discounted cash flows of the loans based on market assumptions. Cash flow assumptions typically include projected default and prepayment rates and loss severities, and may include adjustments based on appraisals and BPOs. Mortgage and consumer loans are classified as Level 3.

The Company has securitized certain mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the Consumer Financial Protection Bureau, or "non-QM loans." The Company's securitized non-QM loans are held as part of a collateralized financing entity, or "CFE." A CFE is a VIE that holds financial assets, issues beneficial interests in those assets, and has no more than nominal equity, and for which the issued beneficial interests have contractual recourse only to the related assets of the CFE. ASC 810, *Consolidation* ("ASC 810") allows the Company to elect to measure both the financial assets and financial liabilities of the CFE using the more observable of the fair value of the financial assets and the fair value of the financial liabilities of the CFE. The Company has elected the fair value option, or "FVO," for initial and subsequent recognition of the debt issued by its consolidated securitization trusts and has determined that each consolidated securitization trust meets the definition of a CFE; see Note 10 "*Securitization Transactions—Residential Mortgage Loan Securitizations*" for further discussion on the Company's securitization trusts. The Company has determined the inputs to the fair value measurement of the financial liabilities of each of its CFEs to be more observable than those of the financial assets and, as a result, has used the fair value of the financial liabilities of each of the CFEs to measure the fair value of the financial assets of each of the CFEs. The fair value of the debt issued by each CFE is typically valued using both external pricing data, which includes third-party valuations, and internal pricing models. The securitized non-QM loans, which are assets of the CFEs, are included in Loans, at fair value, on the Company's Consolidated Balance Sheet. The debt issued by the CFEs is included in Other secured borrowings, at fair value, on the Company's Consolidated Balance Sheet. Unrealized gains (losses) from changes in fair value of Other secured borrowings, at fair value, are included in Unrealized gains (losses) on other secured borrowings, at fair value, net, on the Company's Consolidated Statement of Operations. The securitized non-QM loans and the debt issued by the Company's CFEs are both classified as Level 3.

For financial derivatives with greater price transparency, such as CDS on asset-backed indices, CDS on corporate indices, certain options on the foregoing, and total return swaps on publicly traded equities or indices, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally classified as Level 2. Interest rate swaps, swaptions, and foreign currency forwards are typically valued based on internal models that use observable market data, including applicable interest rates and foreign currency rates in effect as of the measurement date; the model-generated valuations are then typically compared to counterparty valuations for reasonableness. These financial derivatives are also generally classified as Level 2. Financial derivatives with less price transparency, such as CDS on individual ABS, are generally valued based on internal models, and are classified as Level 3. In the case of CDS on individual ABS, the valuation process typically starts with an estimation of the value of the underlying ABS. In valuing its financial derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each financial derivative agreement.

Investments in private operating entities, such as loan originators, are valued based on available metrics, such as relevant market multiples and comparable company valuations, company specific-financial data including actual and projected results, and independent third party valuation estimates. These investments are classified as Level 3.

The Company's repurchase and reverse repurchase agreements are carried at cost, which approximates fair value. Repurchase and reverse repurchase agreements are classified as Level 2, based on the adequacy of the collateral and their short term nature.

The Company's valuation process, including the application of validation criteria, is directed by the Manager's Valuation Committee (the "Valuation Committee"), and overseen by the Company's audit committee. The Valuation Committee includes senior level executives from various departments within the Manager, and each quarter, the Valuation Committee reviews and approves the valuations of the Company's financial instruments. The valuation process also includes a monthly review by the Company's third-party administrator. The goal of this review is to replicate various aspects of the Company's valuation process based on the Company's documented procedures.

Because of the inherent uncertainty of valuation, the estimated fair value of the Company's financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to the Company's consolidated financial statements.

(C) Accounting for Securities: Purchases and sales of investments in securities are generally recorded on trade date, and realized and unrealized gains and losses are calculated based on identified cost. Investments in securities are recorded in accordance with ASC 320, *Investments—Debt and Equity Securities* ("ASC 320") or ASC 325-40, *Beneficial Interests in Securitized Financial Assets* ("ASC 325-40"). The Company generally classifies its securities as available-for-sale. The Company has chosen to elect the FVO pursuant to ASC 825, *Financial Instruments* ("ASC 825") for its investments in securities. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, as a component of Unrealized gains (losses) on securities and loans, net, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all investment activities will be recorded in a similar manner.

Many of the Company's investments in securities, such as MBS and CLOs, are issued by entities that are deemed to be VIEs. For the majority of such investments, the Company has determined it is not the primary beneficiary of such VIEs and therefore has not consolidated such VIEs. The Company's maximum risk of loss in these unconsolidated VIEs is generally limited to the fair value of the Company's investment in the VIE.

The Company evaluates its investments in interest only securities to determine whether they meet the requirements for classification as financial derivatives under ASC 815, Derivatives and Hedging ("ASC 815"). For interest only securities, where the holder is entitled only to a portion of the interest payments made on the mortgages underlying certain MBS, and inverse interest only securities, which are interest only securities whose coupon has an inverse relationship to its benchmark rate, such as LIBOR, the Company has determined that such investments do not meet the requirements for treatment as financial derivatives and are classified as securities.

The Company applies the principles of ASU 2016-13, *Financial Instruments—Credit Losses* ("ASU 2016-13") and evaluates the cost basis of its investments in securities on at least a quarterly basis, under ASC 326-30, *Financial Instruments—Credit Losses: Available-for-Sale Debt Securities* ("ASC 326-30"). When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. 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 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 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 Unrealized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Net realized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations.

(D) Accounting for Loans: The Company's loan portfolio primarily consists of residential mortgage, commercial mortgage, and consumer loans. The Company's loans are accounted for under ASC 310-10, *Receivables*, and are classified as held-for-investment when the Company has the intent and ability to hold such loans for the foreseeable future or to maturity/payoff. When the Company has the intent to sell loans, such loans will be classified as held-for-sale. Mortgage loans held-for-sale are accounted for under ASC 948-310, *Financial services—mortgage banking.* The Company may aggregate its loans into pools based on common risk characteristics at purchase. The Company has chosen to elect the FVO pursuant to ASC 825 for its loan portfolios. Loans are recorded at fair value on the Consolidated Balance Sheet and changes in fair value are recorded in earnings on the Consolidated Statement of Operations as a component of Unrealized gains (losses) on securities and loans, net. The Company generates income from fees on certain loans, generally commercial mortgage loans, that it originates and holds for investment, including origination and exit fees. Such fee income is recorded when earned and included in Other, net on the

Consolidated Statement of Operations. Transfers between held-for-investment and held-for-sale occur once the Company's intent to sell the loans changes.

For residential and commercial mortgage loans, the Company generally accrues interest payments. Such loans are typically moved to non-accrual status if the loan becomes 90 days or more delinquent. The Company does not accrue interest payments on its consumer loans; interest payments are recorded upon receipt. Once consumer loans are more than 120 days past due, the Company will generally charge off such loans. The Company evaluates its charged-off loans and determines collectibility, if any, on such loans.

The Company evaluates the collectibility of both interest and principal on each of its loan investments and whether the cost basis of the loan is impaired. A loan's cost basis is impaired when, based on current information and market developments, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan's cost basis is impaired, the Company does not record an allowance for loan loss as it elected the FVO on all of its loan investments.

Consistent with the Company's application of the principles of ASU 2016-13, in its assessment of whether a credit loss exists, the Company compares the present value of the amount expected to be collected on the impaired loan with the amortized cost basis of such loan. If the present value of the amount expected to be collected on the impaired loan is less than the amortized cost basis of such loan, an expected credit loss exists and is included in Unrealized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a loan's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the loan's cost basis. This adjustment to the amortized cost basis of the loan is reflected in Realized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations.

(E) Interest Income: The Company amortizes premiums and accretes discounts on its debt securities. Coupon interest income on fixed-income investments is generally accrued based on the outstanding principal balance or notional value and the current coupon rate.

For debt securities that are deemed to be of high credit quality at the time of purchase (generally Agency RMBS, exclusive of interest only securities), premiums and discounts are amortized/accreted into interest income over the life of such securities using the effective interest method. For such securities whose cash flows vary depending on prepayments, an effective yield retroactive to the time of purchase is periodically recomputed based on actual prepayments and changes in projected prepayment activity, and a catch-up adjustment, or "Catch-up Premium Amortization Adjustment," is made to amortization to reflect the cumulative impact of the change in effective yield.

For debt securities (generally non-Agency RMBS, CMBS, ABS, CLOs, and interest only securities) that are deemed not to be of high credit quality at the time of purchase, interest income is recognized based on the effective interest method. For purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macro-economic assumptions, such as future housing prices, GDP growth rates, and unemployment rates). These assumptions are re-evaluated not less than quarterly. Changes in projected cash flows may result in prospective changes in the yield/interest income recognized on such securities based on the updated expected future cash flows.

For each loan purchased with the expectation that both interest and principal will be paid in full, the Company generally amortizes or accretes any premium or discount over the life of the loan utilizing the effective interest method. However, based on current information and market developments, the Company re-assesses the collectibility of interest and principal, and generally designates a loan as in non-accrual status either when any payments have become 90 or more days past due, or when, in the opinion of management, it is probable that the Company will be unable to collect either interest or principal in full. Once a loan is designated as in non-accrual status, as long as principal is still expected to be collectible in full, interest payments are recorded as interest income only when received (i.e., under the cash basis method); accruals of interest income are only resumed when the loan becomes contractually current and performance is demonstrated to be resumed. However, if principal is not expected to be collectible in full, the cost recovery method is used (i.e., no interest income is recognized, and all payments received—whether contractually interest or principal—are applied to cost).

Certain of the Company's debt securities and loans, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination. Consistent with the Company's application of the principles of ASU 2016-13, if at the date of acquisition for a particular asset the Company projects a significant difference between contractual cash flows and expected cash flows, it establishes an initial estimate for credit losses as an upward adjustment to the acquisition cost of the asset for the purpose of calculating interest income using the effective yield method.

In estimating future cash flows on the Company's debt securities, there are a number of assumptions that are subject to significant uncertainties and contingencies, including, in the case of MBS, assumptions relating to prepayment rates, default rates, loan loss severities, and loan repurchases. These estimates require the use of a significant amount of judgment.

(F) Investments in unconsolidated entities: The Company has made and may in the future make non-controlling equity investments in various entities, such as loan originators. Such investments are generally in the form of preferred and/or common equity, or membership interests. In certain cases, the Company can exercise significant influence over the entity (e.g. by having representation on the entity's board of directors) but the requirements for consolidation under ASC 810 are not met; in such cases the Company is required to account for such equity investments under ASC 323-10, *Investments—Equity Method and Joint Ventures* ("ASC 323-10"). The Company has chosen to elect the FVO pursuant to ASC 825 for its investments in unconsolidated entities, which, in management's view, more appropriately reflects the results of operations for a particular reporting period, as all investment activities will be recorded in a similar manner. The period change in fair value of the Company's investments in unconsolidated entities is recorded on the Consolidated Statement of Operations in Earnings (losses) from investments in unconsolidated entities.

(G) Real Estate Owned "REO": When the Company obtains possession of real property in connection with a foreclosure or similar action, the Company de-recognizes the associated mortgage loan according to ASU 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure* ("ASU 2014-04"). Under the provisions of ASU 2014-04, the Company is deemed to have received physical possession of real estate property collateralizing a mortgage loan when it obtains legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to it through a deed in lieu of foreclosure or similar legal agreement. The Company's initial cost basis in REO is equal to the fair value of the real estate associated with the foreclosed mortgage loan, less expected costs to sell. REO valuations are reflected at the lower of cost or fair value. The fair value of such REO is typically based on management's estimates which generally use information including general economic data, BPOs, recent sales, property appraisals, and bids, and takes into account the expected costs to sell the property. REO recorded at fair value on a non-recurring basis are classified as Level 3.

(H) Securities Sold Short: The Company may purchase or engage in short sales of U.S. Treasury securities and sovereign debt to mitigate the potential impact of changes in interest rates and/or foreign exchange rates on the performance of its portfolio. When the Company sells securities short, it typically satisfies its security delivery settlement obligation by borrowing or purchasing the security sold short from the same or a different counterparty. When borrowing a security sold short from a counterparty, the Company generally is required to deliver cash or securities to such counterparty as collateral for the Company's obligation to return the borrowed security. The Company has chosen to elect the FVO pursuant to ASC 825 for its securities sold short. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities sold short are recorded at fair value on the Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Consolidated Statement of Operations as a component of Unrealized gains (losses) on securities and loans, net. A realized gain or loss will be recognized upon the termination of a short sale if the market price is less or greater than the original sale price. Such realized gain or loss is recorded on the Company's Consolidated Statement of Operations in Realized gains (losses) on securities and loans, net.

(I) Financial Derivatives: The Company enters into various types of financial derivatives subject to its investment guidelines, which include restrictions associated with maintaining qualification as a REIT. The Company's financial derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the "Dodd-Frank Act." The Company may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. In addition, changes in the value of derivative transactions may require the Company or the counterparty to post or receive additional collateral. In the case of cleared derivatives, the clearinghouse becomes the Company's counterparty and a futures commission merchant acts as an intermediary between the Company and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral. Cash collateral received by the Company is included in Due to brokers, on the Consolidated Balance Sheet. Conversely, cash collateral posted by the Company is included in Due from brokers, on the Consolidated Balance Sheet. The types of derivatives primarily utilized by the Company are swaps, TBAs, futures, options, and forwards.

Swaps: The Company may enter into various types of swaps, including interest rate swaps, credit default swaps, and total return swaps. The primary risk associated with the Company's interest rate swap activity is interest rate risk. The primary risk associated with the Company's credit default swaps and total return swaps is credit risk.

The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Primarily to help mitigate interest rate risk, the Company enters into interest rate swaps. Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on

the same notional principal, or vice versa, for a fixed period of time. Interest rate swaps change in value with movements in interest rates. The Company also enters into interest rate swaps whereby the Company pays one floating rate and receives a different floating rate, or "basis swaps."

The Company enters into credit default swaps. A credit default swap is a contract under which one party agrees to compensate another party for the financial loss associated with the occurrence of a "credit event" in relation to a "reference amount" or notional value of a "reference asset" (usually a bond, loan, or an index or basket of bonds or loans). The definition of a credit event may vary from contract to contract. A credit event may occur (i) when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) fails to make scheduled principal or interest payments to its holders, (ii) with respect to credit default swaps referencing mortgage/asset-backed securities and indices, when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) is downgraded below a certain rating level, or (iii) with respect to credit default swaps referencing corporate entities and indices, upon the bankruptcy of the obligor of the reference asset (or underlying obligor, in the case of a reference asset that is an index). The Company typically writes (sells) protection to take a "long" position with respect to the underlying reference assets, or purchases (buys) protection to take a "short" position with respect to the underlying reference assets or to hedge exposure to other investment holdings.

The Company enters into total return swaps in order to take a "long" or "short" position with respect to an underlying reference asset. The Company is subject to market price volatility of the underlying reference asset. A total return swap involves commitments to pay interest in exchange for a market-linked return based on a notional value. To the extent that the total return of the corporate debt, security, group of securities or index underlying the transaction exceeds or falls short of the offsetting interest obligation, the Company will receive a payment from or make a payment to the counterparty.

Swaps change in value with movements in interest rates, credit quality, or total return of the reference securities. During the term of swap contracts, changes in value are recognized as unrealized gains or losses on the Consolidated Statement of Operations. When a contract is terminated, the Company realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract, if any. Periodic payments or receipts required by swap agreements are recorded as unrealized gains or losses when accrued and realized gains or losses when received or paid. Upfront payments paid and/or received by the Company to open swap contracts are recorded as an asset and/or liability on the Consolidated Balance Sheet and are recorded as a realized gain or loss on the termination date.

TBA Securities: The Company transacts in the forward settling TBA market. A TBA position is a forward contract for the purchase ("long position") or sale ("short position") of Agency RMBS at a predetermined price, face amount, issuer, coupon, and maturity on an agreed-upon future delivery date. For each TBA contract and delivery month, a uniform settlement date for all market participants is determined by the Securities Industry and Financial Markets Association. The specific Agency RMBS to be delivered into the contract at the settlement date are not known at the time of the transaction. The Company usually does not take delivery of TBAs, but rather enters into offsetting transactions and settles the associated receivable and payable balances with its counterparties. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.

TBAs are accounted for by the Company as financial derivatives. The difference between the forward contract price and the market value of the TBA position as of the reporting date is included in Unrealized gains (losses) on financial derivatives, net, on the Consolidated Statement of Operations.

Futures Contracts: A futures contract is an exchange-traded agreement to buy or sell an asset for a set price on a future date. The Company enters into Eurodollar and/or U.S. Treasury security futures contracts to hedge its interest rate risk. The Company may also enter into various other futures contracts, including equity index futures and foreign currency futures. Initial margin deposits are made upon entering into futures contracts and can generally be either in the form of cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market to reflect the current market value of the contract. Variation margin payments are made or received periodically, depending upon whether unrealized losses or gains are incurred. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Options: The Company may purchase or write put or call options contracts or enter into swaptions. The Company enters into options contracts typically to help mitigate overall market, credit, or interest rate risk depending on the type of options contract. However, the Company also enters into options contracts from time to time for speculative purposes. When the Company purchases an options contract, the option asset is initially recorded at an amount equal to the premium paid, if any, and is subsequently marked-to-market. Premiums paid for purchasing options contracts that expire unexercised are recognized on the expiration date as realized losses. If an options contract is exercised, the premium paid is subtracted from the proceeds of

the sale or added to the cost of the purchase to determine whether the Company has realized a gain or loss on the related transaction. When the Company writes an options contract, the option liability is initially recorded at an amount equal to the premium received, if any, and is subsequently marked-to-market. Premiums received for writing options contracts that expire unexercised are recognized on the expiration date as realized gains. If an options contract is exercised, the premium received is subtracted from the cost of the purchase or added to the proceeds of the sale to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company enters into a closing transaction, the Company will realize a gain or loss depending upon whether the amount from the closing transaction is greater or less than the premiums paid or received. The Company may also enter into options contracts that contain forward-settling premiums. In this case, no money is exchanged upfront. Instead, the agreed-upon premium is paid by the buyer upon expiration of the option, regardless of whether or not the option is exercised.

Forward Currency Contracts: A forward currency contract is an agreement between two parties to purchase or sell a specific quantity of currency with the delivery and settlement at a specific future date and exchange rate. During the period the forward currency contract is open, changes in the value of the contract are recognized as unrealized gains or losses. When the contract is settled, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Financial derivative assets are included in Financial derivatives—assets, at fair value, on the Consolidated Balance Sheet. Financial derivative liabilities are included in Financial derivatives—liabilities, at fair value, on the Consolidated Balance Sheet. The Company has chosen to elect the FVO pursuant to ASC 825 for its financial derivatives. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. Changes in unrealized gains and losses on financial derivatives are included in Unrealized gains (losses) on financial derivatives, net, on the Consolidated Statement of Operations. Realized gains and losses on financial derivatives are included in Realized gains (losses) on financial derivatives, net, on the Consolidated Statement of Operations.

(J) Cash and Cash Equivalents: Cash and cash equivalents include cash and short term investments with original maturities of three months or less at the date of acquisition. Cash and cash equivalents typically include amounts held in interest bearing overnight accounts and amounts held in money market funds, and these balances generally exceed insured limits. The Company holds its cash at institutions that it believes to be highly creditworthy. Restricted cash represents cash that the Company can use only for specific purposes. See Note 18 for further discussion of restricted cash balances.

(K) Repurchase Agreements: The Company enters into repurchase agreements with third-party broker-dealers whereby it sells securities under agreements to be repurchased at an agreed-upon price and date. The Company accounts for repurchase agreements as collateralized borrowings, with the initial sale price representing the amount borrowed, and with the future repurchase price consisting of the amount borrowed plus interest, at the implied interest rate of the repurchase agreement, on the amount borrowed over the term of the repurchase agreement. The interest rate on a repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. When the Company enters into a repurchase agreement, the lender establishes and maintains an account containing cash and/or securities having a value not less than the repurchase price, including accrued interest, of the repurchase agreement. Repurchase agreements are carried at their contractual amounts, which approximate fair value as the debt is short-term in nature.

(L) Reverse Repurchase Agreements: The Company enters into reverse repurchase agreement transactions whereby it purchases securities under agreements to resell at an agreed-upon price and date. In general, securities received pursuant to reverse repurchase agreements are delivered to counterparties of short sale transactions. The interest rate on a reverse repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. Assets held pursuant to reverse repurchase agreements are reflected as assets on the Consolidated Balance Sheet. Reverse repurchase agreements are carried at their contractual amounts, which approximates fair value due to their short-term nature.

Repurchase and reverse repurchase agreements that are conducted with the same counterparty may be reported on a net basis if they meet the requirements of ASC 210-20, *Balance Sheet Offsetting*. There are no repurchase and reverse repurchase agreements reported on a net basis in the Company's consolidated financial statements.

(M) Transfers of Financial Assets: The Company enters into transactions whereby it transfers financial assets to third parties. Upon such a transfer of financial assets, the Company will sometimes retain or acquire interests in the related assets. The Company evaluates transferred assets pursuant to ASC 860-10, *Transfers of Financial Assets*, or "ASC 860-10," which requires that a determination be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all

arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. When a transfer of financial assets does not qualify as a sale, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral. ASC 860-10 is a standard that requires the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

(N) Variable Interest Entities: VIEs are entities in which: (i) the equity investors do not have the characteristics of a controlling financial interest, or (ii) there is insufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties. Consolidation of a VIE is required by the entity that is deemed to be the primary beneficiary of the VIE. The Company evaluates all of its interests in VIEs for consolidation under ASC 810. The primary beneficiary is generally the party with both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant to the VIE.

When the Company has an interest in an entity that has been determined to be a VIE, the Company assesses whether it is deemed to be the primary beneficiary of the VIE. The Company will only consolidate a VIE for which it has concluded it is the primary beneficiary. To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes (i) identifying the activities that most significantly impact the VIE's economic performance; and (ii) identifying which party, if any, has power over those activities. To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, it considers all of its economic interests, including debt and/or equity investments, as well as other arrangements deemed to be variable interests in the VIE. These assessments to determine whether the Company is the primary beneficiary require significant judgment. In instances where the Company and its related parties have interests in a VIE, the Company considers whether there is a single party in the related party group that meets the criteria to be deemed the primary beneficiary. If one party within the related party group meets such criteria, that reporting entity would be deemed to be the primary beneficiary of the VIE and no further analysis is needed. If no party within the related party group on its own meets the criteria to be deemed the primary beneficiary, but the related party group as a whole meets such criteria, the determination of the primary beneficiary within the related party group requires significant judgment. The Company performs analysis, which is based upon qualitative as well as quantitative factors, such as the relationship of the VIE to each of the members of the related party group, as well as the significance of the VIE's activities to those members, with the objective of determining which party is most closely associated with the VIE.

The Company performs ongoing reassessments of (i) whether any entities previously evaluated have become VIEs, based on certain events, and therefore subject to assessment to determine whether consolidation is appropriate, and (ii) whether changes in the facts and circumstances regarding the Company's involvement with a VIE causes its consolidation conclusion regarding the VIE to change. See Note 9 and Note 13 for further information on the Company's consolidated VIEs.

The Company's maximum amount at risk is generally limited to the Company's investment in the VIE. The Company is generally not contractually required to provide and has not provided any form of financial support to the VIEs.

The Company holds beneficial interests in certain securitization trusts that are considered VIEs. The beneficial interests in these securitization trusts are represented by certificates issued by the trusts. The securitization trusts have been structured as pass-through entities that receive principal and interest payments on the underlying collateral and distribute those payments to the certificate holders, which include both third-party investors and the Company. The certificates held by the Company typically include some or all of the most subordinated tranches. The assets held by the trusts are restricted in that they can only be used to fulfill the obligations of the related trust. In certain cases, the design and structure of the securitization trust is such that the Company effectively retains control of the assets as well as the activities that most significantly impact the economic performance of the trust. In such cases, the Company is determined to be the primary beneficiary, and the Company consolidates the trust and all intercompany transactions are eliminated in consolidation. In cases where the Company does not effectively retain control of the assets of, or have the power to direct the activities that most significantly impact the economic performance of, the related trust, it does not consolidate the trust. See Note 10 for further discussion of the Company's securitization trusts.

(O) Offering Costs/Underwriters' Discount: Offering costs and underwriters' discount are generally charged against stockholders' equity upon the completion of a capital raise. Offering costs typically include legal, accounting, and other fees associated with the cost of raising capital.

(P) Debt Issuance Costs: Debt issuance costs associated with debt for which the Company has elected the FVO are expensed at the issuance of the debt, and are included in Investment related expenses—Other on the Consolidated Statement of Operations. Costs associated with the issuance of debt for which the Company has not elected the FVO are deferred and

amortized over the life of the debt, which approximates the effective interest rate method, and are included in Interest expense on the Consolidated Statement of Operations. Deferred debt issuance costs are presented on the Consolidated Balance Sheet as a direct deduction from the related debt liability, unless such deferred debt issuance costs are associated with borrowing facilities that are expected to have a future benefit, such as giving the Company the ability to access additional borrowings over the contractual term of the debt, in which case such deferred debt issuance costs are included in Other assets on the Consolidated Balance Sheet. Debt issuance costs include legal and accounting fees, purchasers' or underwriters' discount, as well as other fees associated with the cost of the issuance of the related debt.

(Q) Expenses: Expenses are recognized as incurred on the Consolidated Statement of Operations.

(R) Investment Related Expenses: Investment related expenses consist of expenses directly related to specific financial instruments. Such expenses generally include dividend expense on common stock sold short, servicing fees and corporate and escrow advances on mortgage and consumer loans, and various other expenses and fees related directly to the Company's financial instruments. The Company has elected the FVO for its investments, and as a result all investment related expenses are expensed as incurred and included in Investment related expenses on the Consolidated Statement of Operations.

(S) Investment Related Receivables: Investment related receivables on the Company's Consolidated Balance Sheet includes receivables for securities sold and interest and principal receivable on securities and loans.

(T) Long Term Incentive Plan Units: Long term incentive plan units of the Operating Partnership ("OP LTIP Units") have been issued to certain Ellington personnel dedicated or partially dedicated to the Company, certain of the Company's directors, as well as the Manager. Costs associated with OP LTIP Units issued to dedicated or partially dedicated personnel, or to the Company's directors, are measured as of the grant date based on the Company's closing stock price on the New York Stock Exchange and are amortized over the vesting period in accordance with ASC 718-10, *Compensation—Stock Compensation*. The vesting periods for OP LTIP Units are typically one year from issuance for non-executive directors, and are typically one year to two years from issuance for dedicated or partially dedicated personnel.

(U) Non-controlling interests: Non-controlling interests include interests in the Operating Partnership represented by units convertible into shares of the Company's common stock ("Convertible Non-controlling Interests"). Convertible Non-controlling Interests include both the OP LTIP Units and those common units ("OP Units") of the Operating Partnership not held by the Company (collectively, the "Convertible Non-controlling Interest Units"). Non-controlling interests also include the interests of joint venture partners in certain of our consolidated subsidiaries. The joint venture partners' interests are not convertible into shares of the Company's common stock. The Company adjusts the Convertible Non-controlling Interests to align their carrying value with their share of total outstanding Operating Partnership units, including both the OP Units held by the Company and the Convertible Non-controlling Interests. Any such adjustments are reflected in Adjustment to non-controlling interests, on the Consolidated Statement of Changes in Equity. See Note 15 for further discussion of non-controlling interests.

(V) Dividends: Dividends payable on shares of common stock and Convertible Non-controlling Interest Units are recorded on the declaration date.

(W) Shares Repurchased: Shares of common stock that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares of common stock issued and outstanding. The cost of such repurchases is charged against Additional paid-in-capital on the Company's Consolidated Balance Sheet.

(X) Earnings Per Share ("EPS"): Basic EPS is computed using the two class method by dividing net income (loss) after adjusting for the impact of Convertible Non-controlling Interests which are participating securities, by the weighted average number of shares of common stock outstanding calculated including Convertible Non-controlling Interests. Because the Company's Convertible Non-controlling Interests are participating securities, they are included in the calculation of both basic and diluted EPS.

(Y) Foreign Currency: The functional currency of the Company is U.S. dollars. Assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars at current exchange rates at the following dates: (i) assets, liabilities, and unrealized gains/losses—at the valuation date; and (ii) income, expenses, and realized gains/losses—at the accrual/transaction date. The Company isolates the portion of realized and change in unrealized gain (loss) resulting from changes in foreign currency exchange rates on investments and financial derivatives from the fluctuations arising from changes in fair value of investments and financial derivatives held. Changes in realized and change in unrealized gain (loss) due to foreign currency are included in Other, net, on the Consolidated Statement of Operations.

The Company's reporting currency is U.S. Dollars. If the Company has investments in unconsolidated entities that have a functional currency other than U.S. Dollars, the fair value is translated to U.S. dollars using the current exchange rate at the

valuation date. The cumulative translation adjustment, if any, associated with the Company's investments in unconsolidated entities is recorded in accumulated other comprehensive income (loss), a component of consolidated stockholders' equity.

(Z) Income Taxes: The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, the Company is generally not subject to corporate-level federal and state income tax on net income it distributes to its stockholders within the prescribed timeframes. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including distributing at least 90% of its annual taxable income to stockholders. Even if the Company qualifies as a REIT, it may be subject to certain federal, state, local and foreign taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state, and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for certain dividends paid in January) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company elected to treat certain domestic and foreign subsidiaries as TRSs, and may in the future elect to treat other current or future subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business. A domestic TRS may, but is not required to, declare dividends to the Company; such dividends will be included in the Company's taxable income/(loss) and may necessitate a distribution to the Company's stockholders. Conversely, if the Company retains earnings at the level of a domestic TRS, such earnings will increase the book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state, and local corporate income taxes. The Company has elected and may elect in the future to treat certain of its foreign corporate subsidiaries as TRSs and, accordingly, taxable income generated by these TRSs may not be subject to U.S. federal, state, and local corporate income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed. However, certain of the Company's foreign subsidiaries may be subject to income taxes in the relevant foreign jurisdictions. The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation.

The Company follows the authoritative guidance on accounting for and disclosure of uncertainty on tax positions, which requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For uncertain tax positions, the tax benefit to be recognized is measured as the largest amount of benefit that is more than 50% likely to be realized upon ultimate settlement. The Company did not have any unrecognized tax benefits resulting from tax positions related to the current period or its open tax years. In the normal course of business, the Company may be subject to examination by federal, state, local, and foreign jurisdictions, where applicable, for the current period and its open tax years. The Company may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any of such positions, the Company might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. The Company recognizes interest and penalties, if any, related to uncertain tax positions, as income tax expense included in Income tax expense (benefit) on the Consolidated Statement of Operations.

(AA) Recent Accounting Pronouncements: In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform—Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides optional guidance for a limited period meant to ease the potential burden in accounting for, or recognizing the effects of, reform to LIBOR and certain other reference rates. The standard became effective for all entities beginning on March 12, 2020 and may be elected over time. However, ASU 2020-04 is only applicable to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, and that were entered into or evaluated prior to January 1, 2023. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2021-01"), which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications apply to derivatives that are affected by the reform to LIBOR. The amendments in this update became effective immediately for all entities. ASU 2021-01 provides increased clarity as the Company continues to evaluate the transition of reference rates, and it is currently evaluating the impact that the adoption of ASU 2020-04 would have on the consolidated financial statements.

3. Valuation

The tables below reflect the value of the Company's Level 1, Level 2, and Level 3 financial instruments that are measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021:

June 30, 2022:

Description	Level 1	Level 2	Level 3	Total
		(In thousands)		
Assets:				
Securities, at fair value:				
Agency RMBS	$ —	$ 1,322,989	$ 12,389	$ 1,335,378
Non-Agency RMBS	—	111,977	131,449	243,426
CMBS	—	19,245	9,380	28,625
CLOs	—	12,189	23,378	35,567
Asset-backed securities, backed by consumer loans	—	—	78,183	78,183
Corporate debt securities	—	—	1,767	1,767
Corporate equity securities	—	—	10,276	10,276
U.S. Treasury securities	—	24,291	—	24,291
Loans, at fair value:				
Residential mortgage loans	—	—	2,995,584	2,995,584
Commercial mortgage loans	—	—	477,378	477,378
Consumer loans	—	—	7,410	7,410
Corporate loans	—	—	10,448	10,448
Investment in unconsolidated entities, at fair value	—	—	192,269	192,269
Financial derivatives–assets, at fair value:				
Credit default swaps on asset-backed securities	—	—	202	202
Credit default swaps on asset-backed indices	—	2,089	—	2,089
Credit default swaps on corporate bonds	—	201	—	201
Credit default swaps on corporate bond indices	—	1,405	—	1,405
Interest rate swaps	—	72,754	—	72,754
TBAs	—	3,169	—	3,169
Warrants	—	803	—	803
Futures	316	—	—	316
Forwards	—	244	—	244
Total assets	$ 316	$ 1,571,356	$ 3,950,113	$ 5,521,785
Liabilities:				
Securities sold short, at fair value:				
Government debt	$ —	$ (176,155)	$ —	$ (176,155)
Financial derivatives–liabilities, at fair value:				
Credit default swaps on asset-backed indices	—	(34)	—	(34)
Credit default swaps on corporate bonds	—	(338)	—	(338)
Credit default swaps on corporate bond indices	—	—	—	—
Interest rate swaps	—	(17,196)	—	(17,196)
TBAs	—	(2,778)	—	(2,778)
Futures	(96)	—	—	(96)
Other secured borrowings, at fair value	—	—	(1,448,182)	(1,448,182)
Senior notes, at fair value	—	—	(202,650)	(202,650)
Total liabilities	$ (96)	$ (196,501)	$ (1,650,832)	$ (1,847,429)

December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
		(In thousands)		
Assets:				
Securities, at fair value:				
Agency RMBS	$ —	$ 1,686,906	$ 9,710	$ 1,696,616
Non-Agency RMBS	—	81,666	134,888	216,554
CMBS	—	12,509	13,134	25,643
CLOs	—	35,651	26,678	62,329
Asset-backed securities, backed by consumer loans	—	—	73,108	73,108
Corporate debt securities	—	356	5,198	5,554
Corporate equity securities	—	—	7,556	7,556
Loans, at fair value:				
Residential mortgage loans	—	—	2,016,228	2,016,228
Commercial mortgage loans	—	—	326,197	326,197
Consumer loans	—	—	62,365	62,365
Corporate loans	—	—	10,531	10,531
Investment in unconsolidated entities, at fair value	—	—	195,643	195,643
Financial derivatives–assets, at fair value:				
Credit default swaps on asset-backed securities	—	—	303	303
Credit default swaps on asset-backed indices	—	1,751	—	1,751
Credit default swaps on corporate bond indices	—	156	—	156
Interest rate swaps	—	13,993	—	13,993
TBAs	—	1,229	—	1,229
Options	—	278	—	278
Warrants	—	706	—	706
Futures	478	—	—	478
Total assets	$ 478	$ 1,835,201	$ 2,881,539	$ 4,717,218
Liabilities:				
Securities sold short, at fair value:				
Government debt	$ —	$ (120,525)	$ —	$ (120,525)
Financial derivatives–liabilities, at fair value:				
Credit default swaps on asset-backed indices	—	(39)	—	(39)
Credit default swaps on corporate bonds	—	(99)	—	(99)
Credit default swaps on corporate bond indices	—	(1,870)	—	(1,870)
Interest rate swaps	—	(9,098)	—	(9,098)
TBAs	—	(909)	—	(909)
Futures	(75)	—	—	(75)
Forwards	—	(208)	—	(208)
Other secured borrowings, at fair value	—	—	(984,168)	(984,168)
Total liabilities	$ (75)	$ (132,748)	$ (984,168)	$ (1,116,991)

The following tables identify the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of June 30, 2022 and December 31, 2021:

June 30, 2022:

Description	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
	(In thousands)					
Non-Agency RMBS	$ 87,132	Market Quotes	Non Binding Third-Party Valuation	$ 0.49	$ 179.67	$ 75.52
	44,317	Discounted Cash Flows				
	131,449		Yield[1]	— %	100.2 %	10.2 %
			Projected Collateral Prepayments	— %	70.4 %	33.2 %
			Projected Collateral Losses	— %	93.1 %	24.6 %
			Projected Collateral Recoveries	— %	75.3 %	20.4 %
Non-Agency CMBS	7,454	Market Quotes	Non Binding Third-Party Valuation	$ 6.63	$ 82.46	$ 41.01
	1,926	Discounted Cash Flows				
	9,380		Yield	10.3 %	24.0 %	13.4 %
			Projected Collateral Losses	0.9 %	29.8 %	4.6 %
			Projected Collateral Recoveries	70.2 %	96.7 %	93.5 %
CLOs	15,250	Market Quotes	Non Binding Third-Party Valuation	$ 3.00	$ 100.00	$ 62.30
	8,128	Discounted Cash Flows				
	23,378		Yield	14.9 %	107.7 %	29.7 %
Agency interest only RMBS	7,978	Market Quotes	Non Binding Third-Party Valuation	$ 0.63	$ 18.69	$ 8.41
	4,411	Option Adjusted Spread ("OAS")				
	12,389		LIBOR OAS[2][3]	39	4,176	460
			Projected Collateral Prepayments	22.8 %	100.0 %	64.5 %
ABS backed by consumer loans	78,183	Discounted Cash Flows	Yield	2.6 %	25.4 %	12.6 %
			Projected Collateral Prepayments	0.0 %	18.3 %	13.8 %
			Projected Collateral Losses	0.9 %	29.0 %	22.9 %
Corporate debt and equity	12,043	Discounted Cash Flows	Yield	10.0 %	27.6 %	11.1 %
Performing and re-performing residential mortgage loans	1,414,837	Discounted Cash Flows	Yield	3.9 %	53.3 %	6.6 %
Securitized residential mortgage loans[4][5]	$ 1,504,652	Market Quotes	Non Binding Third-Party Valuation	$ 0.56	$ 98.79	$ 89.54
	57,167	Discounted Cash Flows				
	1,561,819		Yield	4.2 %	20.3 %	7.0 %
Non-performing residential mortgage loans	18,928	Discounted Cash Flows	Yield	3.2 %	69.3 %	14.5 %
			Recovery Amount	0.5 %	205.0 %	36.5 %
			Months to Resolution	5.8	91.2	24.2
Performing commercial mortgage loans	445,913	Discounted Cash Flows	Yield	6.7 %	13.3 %	8.8 %
Non-performing commercial mortgage loans	31,465	Discounted Cash Flows	Yield	15.2 %	23.0 %	19.2 %
			Recovery Amount	99.9 %	100.4 %	100.1 %
			Months to Resolution	2.9	2.9	2.9

Description	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
(continued)	*(In thousands)*					
Consumer loans	7,410	Discounted Cash Flows	Yield	8.1 %	54.1 %	10.6 %
			Projected Collateral Prepayments	0.0 %	25.0 %	14.9 %
			Projected Collateral Losses	1.2 %	39.7 %	9.6 %
Corporate loans	7,000	Market Quotes	Non Binding Third-Party Valuation	$ 100.00	$ 100.00	$ 100.00
	3,448	Discounted Cash Flows				
	10,448		Yield	6.0 %	20.1 %	15.6 %
Investment in unconsolidated entities—Loan origination entities	98,759	Enterprise Value	Equity Price-to-Book(6)	1.3x	3.3x	1.4x
Investment in unconsolidated entities—Other	80,579	Enterprise Value	Net Asset Value	n/a	n/a	n/a
Investment in unconsolidated entities—Loan origination-related entities	12,931	Recent Transactions	Transaction Price	n/a	n/a	n/a
	192,269					
Credit default swaps on asset-backed securities	202	Net Discounted Cash Flows	Projected Collateral Prepayments	24.3 %	31.7 %	29.2 %
			Projected Collateral Losses	6.8 %	8.9 %	7.5 %
			Projected Collateral Recoveries	12.2 %	15.3 %	12.2 %
Other secured borrowings, at fair value(4)	(1,448,182)	Market Quotes	Non Binding Third-Party Valuation	$ 57.86	$ 98.79	$ 91.80
			Yield	5.5%	9.1%	6.3%
			Projected Collateral Prepayments	—%	99.9%	98.9%
Senior notes, at fair value	(202,650)	Market Quotes	Non Binding Third-Party Valuation	$ 96.50	$ 96.50	$ 96.50

(1) For the range minimum, the range maximum, and the weighted average yield, excludes non-Agency RMBS with a negative yield, with a total fair value of $0.3 million. Including these securities the weighted average yield was 10.1%.
(2) Shown in basis points.
(3) For range minimum, range maximum, and the weighted average of LIBOR OAS, excludes Agency interest only securities with a negative LIBOR OAS, with a total fair value of $0.9 million. Including these securities the weighted average was 386 basis points.
(4) Securitized residential mortgage loans and Other secured borrowings, at fair value, represent financial assets and liabilities of the Company's CFEs as discussed in Note 2.
(5) Includes $7.7 million of non-performing securitized residential mortgage loans.
(6) Represents an estimation of where market participants might value an enterprise on a price-to-book basis.

December 31, 2021:

Description	Fair Value	Valuation Technique	Unobservable Input	Range Min	Range Max	Weighted Average
	(In thousands)					
Non-Agency RMBS	$ 89,344	Market Quotes	Non Binding Third-Party Valuation	$ 0.34	$ 222.87	$ 85.17
	45,544	Discounted Cash Flows				
	134,888		Yield[1]	— %	38.6 %	6.8 %
			Projected Collateral Prepayments	— %	74.4 %	39.1 %
			Projected Collateral Losses	— %	82.9 %	22.5 %
			Projected Collateral Recoveries	— %	91.5 %	17.5 %
Non-Agency CMBS	12,866	Market Quotes	Non Binding Third-Party Valuation	$ 7.00	$ 90.77	$ 56.98
	268	Discounted Cash Flows				
	13,134		Yield	7.6 %	26.3 %	10.3 %
			Projected Collateral Losses	— %	6.5 %	2.3 %
			Projected Collateral Recoveries	10.0 %	100.0 %	95.0 %
CLOs	18,664	Market Quotes	Non Binding Third-Party Valuation	$ 14.00	$ 99.75	$ 54.99
	8,014	Discounted Cash Flows				
	26,678		Yield[2]	9.0 %	292.1 %	32.8 %
			Projected Collateral Prepayments	13.4 %	94.5 %	91.3 %
			Projected Collateral Losses	1.9 %	68.9 %	4.4 %
			Projected Collateral Recoveries	1.3 %	17.8 %	3.4 %
Agency interest only RMBS	3,558	Market Quotes	Non Binding Third-Party Valuation	$ 0.72	$ 20.36	$ 7.31
	6,152	Option Adjusted Spread ("OAS")				
	9,710		LIBOR OAS[3][4]	135	19,247	683
			Projected Collateral Prepayments	49.5 %	100.0 %	78.8 %
ABS backed by consumer loans	73,108	Discounted Cash Flows	Yield	9.5 %	22.8 %	15.7 %
			Projected Collateral Prepayments	0.0 %	11.6 %	9.0 %
			Projected Collateral Losses	1.0 %	31.1 %	20.9 %
Corporate debt and equity	12,754	Discounted Cash Flows	Yield	8.1 %	44.3 %	14.7 %
Performing and re-performing residential mortgage loans	933	Recent Transactions	Transaction Price	n/a	n/a	n/a
	951,723	Discounted Cash Flows				
	952,656		Yield	0.9 %	57.5 %	4.7 %
Securitized residential mortgage loans[5][6]	1,003,164	Market Quotes	Non Binding Third-Party Valuation	$ 88.36	$ 102.14	$ 99.83
	38,381	Discounted Cash Flows				
	1,041,545		Yield	1.3 %	23.5 %	4.2 %

Description	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
(Continued)	*(In thousands)*					
Non-performing residential mortgage loans	$ 22,027	Discounted Cash Flows	Yield	0.8 %	35.9 %	11.5 %
			Recovery Amount	0.5 %	174.8 %	34.8 %
			Months to Resolution	5.8	100.8	29.5
Performing commercial mortgage loans	310,735	Discounted Cash Flows	Yield	5.1 %	10.6 %	7.2 %
Non-performing commercial mortgage loans	15,462	Discounted Cash Flows	Yield	10.6 %	10.6 %	10.6 %
			Recovery Amount	100.2 %	100.2 %	100.2 %
			Months to Resolution	1.8	1.8	1.8
Consumer loans	62,365	Discounted Cash Flows	Yield	5.2 %	75.6 %	9.3 %
			Projected Collateral Prepayments	0.0 %	28.4 %	14.1 %
			Projected Collateral Losses	0.9 %	86.6 %	9.7 %
Corporate loans	7,000	Market Quotes	Non Binding Third-Party Valuation	$ 100.00	$ 100.00	$ 100.00
	3,531	Discounted Cash Flows				
	10,531		Yield	3.0 %	21.9 %	16.1 %
Investment in unconsolidated entities—Loan Originators[6]	123,779	Enterprise Value	Equity Price-to-Book[7]	1.2x	1.9x	1.5x
Investment in unconsolidated entities—Other[6]	57,828	Enterprise Value	Net Asset Value	n/a	n/a	n/a
	14,036	Recent Transactions	Transaction Price	n/a	n/a	n/a
	195,643					
Credit default swaps on asset-backed securities	303	Net Discounted Cash Flows	Projected Collateral Prepayments	33.9 %	41.9 %	40.1 %
			Projected Collateral Losses	6.5 %	8.8 %	7.0 %
			Projected Collateral Recoveries	11.2 %	11.4 %	11.3 %
Other secured borrowings, at fair value[5]	(984,168)	Market Quotes	Non Binding Third-Party Valuation	$ 93.34	$ 102.14	$ 99.94
			Yield	1.8%	2.5%	2.1%
			Projected Collateral Prepayments	—%	97.2%	68.1%

(1) For the range minimum, the range maximum, and the weighted average yield, excludes non-Agency RMBS with a negative yield, with a total fair value of $2.1 million. Including these securities the weighted average yield was 6.5%.
(2) For the range minimum, the range maximum, and the weighted average yield, excludes CLOs with a negative yield, with a total fair value of $14 thousand. Including these securities the weighted average yield was 32.7%.
(3) Shown in basis points.
(4) For range minimum, range maximum, and the weighted average of LIBOR OAS, excludes Agency interest only securities with a negative LIBOR OAS, with a total fair value of $2.1 million. Including these securities the weighted average was 485 basis points.
(5) Securitized residential mortgage loans and Other secured borrowings, at fair value, represent financial assets and liabilities of the Company's CFEs as discussed in Note 2.
(6) Includes $8.8 million of non-performing securitized residential mortgage loans.
(7) Represent an estimation of where market participants might value an enterprise on a price-to-book basis.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's models and, when available, to recent trading activity in the same or similar instruments.

For those instruments valued using discounted and net discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. Averages are weighted based on the fair value of the related instrument. In the case of credit default swaps on asset-backed securities, averages are weighted based on each instrument's bond equivalent value. Bond equivalent value represents the investment amount of a corresponding position in the reference obligation, calculated as the difference between the outstanding principal balance of the underlying reference obligation and the fair value, inclusive of accrued interest, of the derivative contract. For those assets valued using the LIBOR Option Adjusted Spread ("LIBOR OAS") valuation methodology, cash flows are projected using the Company's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates implied by each interest rate scenario. The LIBOR OAS of an

asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset. The Company considers the expected timeline to resolution in the determination of fair value for its non-performing commercial and residential mortgage loans.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Additionally, fair value measurements are impacted by the interrelationships of these inputs. For example, for instruments subject to prepayments and credit losses, such as non-Agency RMBS and consumer loans and ABS backed by consumer loans, a higher expectation of collateral prepayments will generally be accompanied by a lower expectation of collateral losses. Conversely, higher losses will generally be accompanied by lower prepayments. Because the Company's credit default swaps on asset-backed security holdings represent credit default swap contracts whereby the Company has purchased credit protection, such credit default swaps on asset-backed securities generally have the directionally opposite sensitivity to prepayments, losses, and recoveries as compared to the Company's long securities holdings. Prepayments do not represent a significant input for the Company's commercial mortgage-backed securities and commercial mortgage loans. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing government agency or government-sponsored enterprise.

The tables below includes a roll-forward of the Company's financial instruments for the three- and six-month periods ended June 30, 2022 and 2021 (including the change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

Three-Month Period Ended June 30, 2022

(In thousands)	Beginning Balance as of March 31, 2022	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments[(1)]	Sales/Issuances[(2)]	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2022
Assets:									
Securities, at fair value:									
Agency RMBS	$ 8,621	$ (672)	$ (250)	$ 206	$ 441	$ —	$ 4,043	$ —	$ 12,389
Non-Agency RMBS	116,776	208	2,076	(6,407)	15,577	(5,096)	12,048	(3,733)	131,449
CMBS	9,526	32	(24)	(533)	—	—	379	—	9,380
CLOs	22,824	(557)	2,067	(3,915)	26	(4,724)	9,861	(2,204)	23,378
Asset-backed securities backed by consumer loans	76,504	(1,040)	(26)	(3,608)	17,444	(11,091)	—	—	78,183
Corporate debt securities	500	—	(1)	(172)	3,584	(2,144)	—	—	1,767
Corporate equity securities	9,841	—	114	(535)	856	—	—	—	10,276
Loans, at fair value:									
Residential mortgage loans	2,433,007	(4,544)	105	(112,735)	896,384	(216,633)	—	—	2,995,584
Commercial mortgage loans	429,954	—	—	(1,388)	66,164	(17,352)	—	—	477,378
Consumer loans	9,878	(384)	(518)	94	37	(1,697)	—	—	7,410
Corporate loan	11,788	—	(1,000)	—	675	(1,015)	—	—	10,448
Investments in unconsolidated entities, at fair value	219,303	—	262	(23,527)	56,701	(60,470)	—	—	192,269
Financial derivatives–assets, at fair value:									
Credit default swaps on asset-backed securities	304	—	(6)	(102)	6	—	—	—	202
Total assets, at fair value	$ 3,348,826	$ (6,957)	$ 2,799	$ (152,622)	$ 1,057,895	$ (320,222)	$ 26,331	$ (5,937)	$ 3,950,113
Liabilities:									
Other secured borrowings, at fair value	$ (1,216,542)	$ —	$ —	$ 67,258	$ 99,198	$ (398,096)	$ —	$ —	$ (1,448,182)
Senior notes, at fair value	(210,000)	—	—	7,350	—	—	—	—	(202,650)
Total liabilities, at fair value	$ (1,426,542)	$ —	$ —	$ 74,608	$ 99,198	$ (398,096)	$ —	$ —	$ (1,650,832)

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.
(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2022, as well as Level 3 financial instruments disposed of by the Company during the three-month period ended June 30, 2022. For Level 3 financial instruments held by the Company at June 30, 2022, change in net unrealized gain (loss) of $(17.9) million, $(114.0) million, $(26.2) million, $(0.1) million, $67.3 million, and $7.4 million, for the three-month period ended June 30, 2022 relate to securities, loans, investments in unconsolidated entities, financial derivatives–assets, other secured borrowings, at fair value, and senior notes, at fair value, respectively.

At June 30, 2022, the Company transferred $5.9 million of assets from Level 3 to Level 2 and $26.3 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

Three-Month Period Ended June 30, 2021

(In thousands)	Beginning Balance as of March 31, 2021	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments[(1)]	Sales/Issuances[(2)]	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2021
Assets:									
Securities, at fair value:									
Agency RMBS	$ 17,402	$ (833)	$ 1,510	$ (1,389)	$ —	$ (4,528)	$ 1,897	$ (4,123)	$ 9,936
Non-Agency RMBS	127,329	604	2,576	(137)	1,782	(14,497)	4,299	(7,492)	114,464
CMBS	17,294	(13)	—	1,249	—	—	3,353	(4,858)	17,025
CLOs	37,585	272	(2,497)	9,155	140	—	4,257	(14,923)	33,989
Asset-backed securities backed by consumer loans	59,473	(1,326)	146	(1,098)	21,478	(9,419)	—	—	69,254
Corporate debt securities	4,761	—	47	177	591	(132)	—	—	5,444
Corporate equity securities	4,120	—	—	1,711	2,666	—	—	—	8,497
Loans, at fair value:									
Residential mortgage loans	1,280,637	(3,240)	267	(528)	327,697	(159,182)	—	—	1,445,651
Commercial mortgage loans	235,948	15	(130)	334	90,332	(98,049)	—	—	228,450
Consumer loans	52,705	(1,993)	(11)	129	9,319	(8,133)	—	—	52,016
Corporate loan	13,226	—	—	—	3,360	(2)	—	—	16,584
Investments in unconsolidated entities, at fair value	147,684	—	33	18,569	69,464	(56,771)	—	—	178,979
Financial derivatives–assets, at fair value:									
Credit default swaps on asset-backed securities	320	—	16	(17)	3	(19)	—	—	303
Total return swaps	2	—	—	518	—	—	—	—	520
Total assets, at fair value	$ 1,998,486	$ (6,514)	$ 1,957	$ 28,673	$ 526,832	$ (350,732)	$ 13,806	$ (31,396)	$ 2,181,112
Liabilities:									
Financial derivatives–liabilities, at fair value:									
Total return swaps	$ (338)	$ —	$ (860)	$ 282	$ 860	$ —	$ —	$ —	$ (56)
Other secured borrowings, at fair value[(3)]	(911,256)	—	—	2,197	230,661	(324,639)	—	—	(1,003,037)
Total liabilities, at fair value	$ (911,594)	$ —	$ (860)	$ 2,479	$ 231,521	$ (324,639)	$ —	$ —	$ (1,003,093)

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.
(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.
(3) Conformed to current period presentation.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Condensed Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2021, as well as Level 3 financial instruments disposed of by the Company during the three-month period ended June 30, 2021. For Level 3 financial instruments held by the Company at June 30, 2021, change in net unrealized gain (loss) of $10.4 million, $0.1 million, $16.4 million, $0.4 million, $0.3 million, and $2.2 million, for the three-month period ended June 30, 2021 relate to securities, loans, investments in unconsolidated entities, financial derivatives–assets, financial derivatives–liabilities, and other secured borrowings, at fair value, respectively.

At June 30, 2021, the Company transferred $31.4 million of assets from Level 3 to Level 2 and $13.8 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

Six-Month Period Ended June 30, 2022

(In thousands)	Beginning Balance as of December 31, 2021	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments[1]	Sales/Issuances[2]	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2022
Assets:									
Securities, at fair value:									
Agency RMBS	$ 9,710	$ (1,088)	$ 133	$ (1,182)	$ 840	$ (514)	$ 4,805	$ (315)	$ 12,389
Non-Agency RMBS	134,888	783	1,951	(9,458)	18,614	(12,160)	17,710	(20,879)	131,449
CMBS	13,134	61	1,118	(1,281)	620	(2,234)	5,119	(7,157)	9,380
CLOs	26,678	(1,420)	3,020	(2,947)	—	(10,480)	10,731	(2,204)	23,378
Asset-backed securities backed by consumer loans	73,108	(2,153)	(299)	(5,632)	36,237	(23,078)	—	—	78,183
Corporate debt securities	5,198	—	1,533	(1,680)	5,312	(8,596)	—	—	1,767
Corporate equity securities	7,556	—	1,739	(1,365)	4,983	(2,637)	—	—	10,276
Loans, at fair value:									
Residential mortgage loans	2,016,228	(9,011)	1,617	(183,248)	1,619,479	(449,481)	—	—	2,995,584
Commercial mortgage loans	326,197	—	10	(1,224)	333,806	(181,411)	—	—	477,378
Consumer loans	62,365	(2,523)	(698)	(371)	10,982	(62,345)	—	—	7,410
Corporate loan	10,531	—	(1,000)	—	2,325	(1,408)	—	—	10,448
Investments in unconsolidated entities, at fair value	195,643	—	1,140	(29,911)	195,909	(170,512)	—	—	192,269
Financial derivatives–assets, at fair value:									
Credit default swaps on asset-backed securities	303	—	(11)	(101)	11	—	—	—	202
Total assets, at fair value	$ 2,881,539	$ (15,351)	$ 10,253	$ (238,400)	$ 2,229,118	$ (924,856)	$ 38,365	$ (30,555)	$ 3,950,113
Liabilities:									
Other secured borrowings, at fair value	$ (984,168)	$ —	$ —	$ 122,899	$ 213,953	$ (800,866)	$ —	$ —	$ (1,448,182)
Senior notes, at fair value	—	—	—	7,350	—	(210,000)	—	—	(202,650)
Total liabilities, at fair value	$ (984,168)	$ —	$ —	$ 130,249	$ 213,953	$ (1,010,866)	$ —	$ —	$ (1,650,832)

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.
(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2022, as well as Level 3 financial instruments disposed of by the Company during the six-month period ended June 30, 2022. For Level 3 financial instruments held by the Company at June 30, 2022, change in net unrealized gain (loss) of $(22.6) million, $(184.4) million, $(34.0) million, $(0.1) million, $122.9 million, and $7.4 million, for the six-month period ended June 30, 2022 relate to securities, loans, investments in unconsolidated entities, financial derivatives–assets, other secured borrowings, at fair value, and senior notes, at fair value, respectively.

At June 30, 2022, the Company transferred $30.6 million of assets from Level 3 to Level 2 and $38.4 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

Six-Month Period Ended June 30, 2021

(In thousands)	Beginning Balance as of December 31, 2020	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments[1]	Sales/Issuances[2]	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2021
Assets:									
Securities, at fair value:									
Agency RMBS	$ 11,663	$ (1,779)	$ 959	$ (1,571)	$ 555	$ (1,533)	$ 4,567	$ (2,925)	$ 9,936
Non-Agency RMBS	127,838	1,248	2,351	(740)	22,392	(33,076)	5,834	(11,383)	114,464
CMBS	63,148	319	1,931	5,029	—	(41,088)	—	(12,314)	17,025
CLOs	111,100	1,240	(1,754)	16,208	104	(70,002)	1,604	(24,511)	33,989
Asset-backed securities backed by consumer loans	44,925	(1,983)	179	(1,583)	45,812	(18,096)	—	—	69,254
Corporate debt securities	4,082	—	227	183	1,617	(665)	—	—	5,444
Corporate equity securities	1,590	—	(385)	2,315	4,977	—	—	—	8,497
Loans, at fair value:									
Residential mortgage loans	1,187,069	(5,711)	462	1,686	549,778	(287,633)	—	—	1,445,651
Commercial mortgage loans	213,031	24	306	70	147,499	(132,480)	—	—	228,450
Consumer loans	47,525	(3,836)	(1,276)	457	26,068	(16,922)	—	—	52,016
Corporate loan	5,855	—	—	—	10,731	(2)	—	—	16,584
Investment in unconsolidated entities, at fair value	141,620	—	161	25,076	82,333	(70,211)	—	—	178,979
Financial derivatives–assets, at fair value:									
Credit default swaps on asset-backed securities	347	—	42	(44)	7	(49)	—	—	303
Total return swaps	9	—	141	512	—	(142)	—	—	520
Total assets, at fair value	$ 1,959,802	$ (10,478)	$ 3,344	$ 47,598	$ 891,873	$ (671,899)	$ 12,005	$ (51,133)	$ 2,181,112
Liabilities:									
Financial derivatives–liabilities, at fair value:									
Total return swaps	$ (484)	$ —	$ (1,360)	$ 428	$ 1,360	$ —	$ —	$ —	$ (56)
Other secured borrowings, at fair value[3]	(754,921)	—	—	3,377	323,654	(575,147)	—	—	(1,003,037)
Total liabilities, at fair value	$ (755,405)	$ —	$ (1,360)	$ 3,805	$ 325,014	$ (575,147)	$ —	$ —	$ (1,003,093)

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.
(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.
(3) Conformed to current period presentation.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2021, as well as Level 3 financial instruments disposed of by the Company during the six-month period ended June 30, 2021. For Level 3 financial instruments held by the Company at June 30, 2021, change in net unrealized gain (loss) of $11.9 million, $2.3 million, $22.7 million, $0.5 million, $0.4 million, and $3.2 million, for the six-month period ended June 30, 2021 relate to securities, loans, investments in unconsolidated entities, financial derivatives–assets, financial derivatives–liabilities, and other secured borrowings, at fair value, respectively.

At June 30, 2021, the Company transferred $51.1 million of assets from Level 3 to Level 2 and $12.0 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

The following table summarizes the estimated fair value of all other financial instruments not measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021:

	As of			
	June 30, 2022		December 31, 2021	
(In thousands)	Fair Value	Carrying Value	Fair Value	Carrying Value
Other financial instruments				
Assets:				
Cash and cash equivalents	$ 224,451	$ 224,451	$ 92,661	$ 92,661
Restricted cash	—	—	175	175
Due from brokers	93,939	93,939	93,549	93,549
Reverse repurchase agreements	179,394	179,394	123,250	123,250
Liabilities:				
Repurchase agreements	2,865,222	2,865,222	2,469,763	2,469,763
Other secured borrowings	45,455	45,455	96,622	96,622
Senior notes, net	86,043	85,956	86,249	85,802
Due to brokers	31,124	31,124	2,233	2,233

Cash and cash equivalents generally includes cash held in interest bearing overnight accounts, for which fair value equals the carrying value, and investments which are liquid in nature, such as investments in money market accounts or U.S. Treasury Bills, for which fair value equals the carrying value; such assets are considered Level 1. Restricted cash includes cash held in a segregated account for which fair value equals the carrying value; such assets are considered Level 1. Due from brokers and Due to brokers include collateral transferred to or received from counterparties, along with receivables and payables for open and/or closed derivative positions. These receivables and payables are short term in nature and any collateral transferred consists primarily of cash; fair value of these items is approximated by carrying value and such items are considered Level 1. The Company's reverse repurchase agreements, repurchase agreements, and other secured borrowings are carried at cost, which approximates fair value due to their short term nature. Reverse repurchase agreements, repurchase agreements, and other secured borrowings are classified as Level 2 based on the adequacy of the collateral and their short term nature. Senior notes, net are considered Level 3 liabilities given the relative unobservability of the most significant inputs to valuation estimation as well as the lack of trading activity of these instruments. As of June 30, 2022 and December 31, 2021 of the estimated fair value of the Company's Senior notes, net was based on a third-party valuation.

4. Investment in Securities

The Company's securities portfolio primarily consists of Agency RMBS, non-Agency RMBS, CMBS, CLOs, ABS backed by consumer loans, and corporate debt and equity. The following tables detail the Company's investment in securities as of June 30, 2022 and December 31, 2021.

June 30, 2022:

				Gross Unrealized			Weighted Average		
($ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon[1]	Yield	Life (Years)[2]
Long:									
Agency RMBS:									
15-year fixed-rate mortgages	$ 202,940	$ 5,895	$ 208,835	$ —	$ (14,161)	$ 194,674	2.47 %	1.63 %	4.37
20-year fixed-rate mortgages	7,588	400	7,988	—	(1,024)	6,964	2.43 %	1.53 %	6.96
30-year fixed-rate mortgages	1,135,813	34,160	1,169,973	703	(105,131)	1,065,545	3.01 %	2.43 %	8.78
Adjustable rate mortgages	7,465	585	8,050	—	(561)	7,489	3.37 %	2.29 %	5.29
Reverse mortgages	35,122	3,139	38,261	—	(2,328)	35,933	2.95 %	2.32 %	4.63
Interest only securities	n/a	n/a	25,575	2,238	(3,040)	24,773	1.64 %	8.47 %	5.38
Non-Agency RMBS	352,965	(122,284)	230,681	5,634	(18,103)	218,212	3.48 %	7.17 %	5.99
CMBS	56,045	(27,788)	28,257	519	(4,638)	24,138	2.59 %	7.37 %	8.02
Non-Agency interest only securities	n/a	n/a	25,375	4,827	(501)	29,701	0.22 %	14.77 %	8.92
CLOs	n/a	n/a	49,418	2,996	(16,847)	35,567	1.68 %	8.45 %	3.22
ABS backed by consumer loans	129,855	(44,133)	85,722	667	(8,206)	78,183	12.00 %	14.88 %	1.19
Corporate debt	23,330	(21,395)	1,935	118	(286)	1,767	— %	— %	1.61
Corporate equity	n/a	n/a	9,872	2,349	(1,945)	10,276	n/a	n/a	n/a
U.S. Treasury securities	25,000	(136)	24,864	—	(573)	24,291	2.58 %	2.65 %	6.79
Total Long	1,976,123	(171,557)	1,914,806	20,051	(177,344)	1,757,513	1.65 %	3.96 %	7.28
Short:									
U.S. Treasury securities	(157,900)	2,690	(155,210)	4,262	(258)	(151,206)	2.02 %	2.29 %	4.75
European sovereign bonds	(25,803)	(2,112)	(27,915)	2,966	—	(24,949)	0.01 %	0.05 %	2.68
Total Short	(183,703)	578	(183,125)	7,228	(258)	(176,155)	1.74 %	1.95 %	4.46
Total	$ 1,792,420	$ (170,979)	$ 1,731,681	$ 27,279	$ (177,602)	$ 1,581,358	1.65 %	3.78 %	7.02

(1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates or loan rates on the underlying collateral.
(2) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

December 31, 2021:

($ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon[1]	Weighted Average Yield	Weighted Average Life (Years)[2]
Long:									
Agency RMBS:									
15-year fixed-rate mortgages	$ 223,140	$ 10,668	$ 233,808	$ 696	$ (1,953)	$ 232,551	2.65 %	1.44 %	4.45
20-year fixed-rate mortgages	46,353	2,800	49,153	16	(1,280)	47,889	2.42 %	1.31 %	5.62
30-year fixed-rate mortgages	1,265,499	59,047	1,324,546	8,187	(12,311)	1,320,422	3.01 %	2.13 %	7.00
Adjustable rate mortgages	9,131	566	9,697	25	(266)	9,456	3.15 %	2.12 %	4.62
Reverse mortgages	50,601	3,215	53,816	300	(1,106)	53,010	3.06 %	2.21 %	4.17
Interest only securities	n/a	n/a	32,607	3,371	(2,690)	33,288	3.46 %	8.91 %	4.33
Non-Agency RMBS	326,762	(130,015)	196,747	10,276	(5,418)	201,605	4.17 %	6.15 %	3.99
CMBS	46,873	(23,570)	23,303	469	(892)	22,880	2.84 %	7.00 %	7.85
Non-Agency interest only securities	n/a	n/a	16,701	1,405	(394)	17,712	0.64 %	14.71 %	5.43
CLOs	n/a	n/a	70,444	5,919	(14,034)	62,329	3.59 %	8.94 %	3.11
ABS backed by consumer loans	118,154	(43,139)	75,015	1,242	(3,149)	73,108	11.65 %	14.80 %	1.30
Corporate debt	28,565	(24,425)	4,140	1,723	(309)	5,554	0.65 %	7.50 %	1.96
Corporate equity	n/a	n/a	5,788	2,691	(923)	7,556	n/a	n/a	n/a
Total Long	2,115,078	(144,853)	2,095,765	36,320	(44,725)	2,087,360	3.37 %	3.37 %	5.90
Short:									
U.S. Treasury securities	(93,750)	1,421	(92,329)	406	(267)	(92,190)	1.13 %	1.31 %	7.81
European sovereign bonds	(28,086)	170	(27,916)	156	(575)	(28,335)	0.01 %	0.05 %	3.18
Total Short	(121,836)	1,591	(120,245)	562	(842)	(120,525)	0.87 %	1.02 %	6.73
Total	$ 1,993,242	$ (143,262)	$ 1,975,520	$ 36,882	$ (45,567)	$ 1,966,835	3.52 %	3.24 %	5.94

(1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates or loan rates on the underlying collateral.
(2) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

The following tables detail weighted average life of the Company's Agency RMBS as of June 30, 2022 and December 31, 2021.

June 30, 2022:

($ in thousands)	Agency RMBS			Agency Interest Only Securities		
Estimated Weighted Average Life[1]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[2]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[2]
Less than three years	$ 33,488	$ 34,931	3.56 %	$ 3,041	$ 3,409	1.14 %
Greater than three years and less than seven years	319,241	342,249	3.02 %	17,537	18,683	1.98 %
Greater than seven years and less than eleven years	954,181	1,051,744	2.88 %	3,883	3,158	1.42 %
Greater than eleven years	3,695	4,183	2.54 %	312	325	0.69 %
Total	$ 1,310,605	$ 1,433,107	2.92 %	$ 24,773	$ 25,575	1.64 %

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.
(2) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

December 31, 2021:

($ in thousands)	Agency RMBS			Agency Interest Only Securities		
Estimated Weighted Average Life[1]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[2]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[2]
Less than three years	$ 45,956	$ 45,678	3.99 %	$ 8,981	$ 8,466	3.10 %
Greater than three years and less than seven years	950,723	955,157	3.24 %	22,497	22,379	3.76 %
Greater than seven years and less than eleven years	665,617	669,147	2.46 %	1,810	1,762	1.46 %
Greater than eleven years	1,032	1,038	1.99 %	—	—	— %
Total	$ 1,663,328	$ 1,671,020	2.95 %	$ 33,288	$ 32,607	3.46 %

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.
(2) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

The following tables detail weighted average life of the Company's long non-Agency RMBS, CMBS, and CLOs and other securities as of June 30, 2022 and December 31, 2021.

June 30, 2022:

($ in thousands)	Non-Agency RMBS and CMBS			Non-Agency IOs			CLOs and Other Securities[2]		
Estimated Weighted Average Life[1]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[3]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[3]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**[3]
Less than three years	$ 81,220	$ 82,707	3.90 %	$ 1,924	$ 1,163	1.03 %	$ 96,718	$ 106,493	6.29 %
Greater than three years and less than seven years	67,445	69,842	2.96 %	676	710	1.35 %	43,090	55,446	2.14 %
Greater than seven years and less than eleven years	67,527	74,627	3.80 %	27,101	23,502	0.21 %	—	—	— %
Greater than eleven years	26,158	31,762	2.45 %	—	—	— %	—	—	— %
Total	$ 242,350	$ 258,938	3.36 %	$ 29,701	$ 25,375	0.22 %	$ 139,808	$ 161,939	5.20 %

(1) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.
(2) Other Securities includes asset-backed securities, backed by consumer loans, corporate debt, and U.S. Treasury securities.
(3) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

December 31, 2021:

($ in thousands)	Non-Agency RMBS and CMBS			Non-Agency IOs			CLOs and Other Securities[2]		
Estimated Weighted Average Life[1]	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon[3]**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon[3]**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon[3]**
Less than three years	$ 96,277	$ 92,396	4.31 %	$ 6,360	$ 5,504	0.85 %	$ 110,953	$ 114,392	8.82 %
Greater than three years and less than seven years	93,787	90,822	4.79 %	2,187	2,141	0.12 %	30,038	35,207	3.42 %
Greater than seven years and less than eleven years	26,639	28,293	1.80 %	9,165	9,056	0.63 %	—	—	— %
Greater than eleven years	7,782	8,539	0.34 %	—	—	— %	—	—	— %
Total	$ 224,485	$ 220,050	4.03 %	$ 17,712	$ 16,701	0.64 %	$ 140,991	$ 149,599	7.55 %

(1) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.
(2) Other Securities includes asset-backed securities, backed by consumer loans, corporate debt, and U.S. Treasury securities.
(3) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

The following table details the components of interest income by security type for the three- and six-month periods ended June 30, 2022 and 2021:

	Three-Month Period Ended					
(In thousands)	June 30, 2022			June 30, 2021		
Security Type	**Coupon Interest**	**Net Amortization**	**Interest Income**	**Coupon Interest**	**Net Amortization**	**Interest Income**
Agency RMBS	$ 12,941	$ (1,892)	$ 11,049	$ 14,300	$ (2,972)	$ 11,328
Non-Agency RMBS and CMBS	4,772	103	4,875	3,259	964	4,223
CLOs	1,887	(620)	1,267	1,909	571	2,480
Other securities[1]	4,587	(1,036)	3,551	4,173	(1,326)	2,847
Total	$ 24,187	$ (3,445)	$ 20,742	$ 23,641	$ (2,763)	$ 20,878

(1) Other securities includes ABS backed by consumer loans, corporate debt securities, and U.S. Treasury securities.

	Six-Month Period Ended					
(In thousands)	June 30, 2022			June 30, 2021		
Security Type	**Coupon Interest**	**Net Amortization**	**Interest Income**	**Coupon Interest**	**Net Amortization**	**Interest Income**
Agency RMBS	$ 27,276	$ (8,029)	$ 19,247	$ 28,652	$ (10,572)	$ 18,080
Non-Agency RMBS and CMBS	8,858	131	8,989	7,015	2,431	9,446
CLOs	3,616	(1,205)	2,411	4,445	1,515	5,960
Other securities[1]	10,144	(2,149)	7,995	7,706	(1,983)	5,723
Total	$ 49,894	$ (11,252)	$ 38,642	$ 47,818	$ (8,609)	$ 39,209

(1) Other securities includes ABS backed by consumer loans, corporate debt securities, and U.S. Treasury securities.

For the three-month periods ended June 30, 2022 and 2021 the Catch-Up Premium Amortization Adjustment was $2.1 million and $3.0 million, respectively. For the six-month periods ended June 30, 2022 and 2021 the Catch-Up Premium Amortization Adjustment was $1.5 million and $3.0 million, respectively.

The following tables present proceeds from sales and the resulting realized gains and (losses) of the Company's securities for the three- and six-month periods ended June 30, 2022 and 2021.

(In thousands)	Three-Month Period Ended							
	June 30, 2022				June 30, 2021			
Security Type	Proceeds[(1)]	Gross Realized Gains	Gross Realized Losses[(2)]	Net Realized Gain (Loss)	Proceeds[(1)]	Gross Realized Gains	Gross Realized Losses[(2)]	Net Realized Gain (Loss)
Agency RMBS	$ 174,796	$ 26	$ (21,549)	$ (21,523)	$ 417,359	$ 2,997	$ (6,930)	$ (3,933)
Non-Agency RMBS and CMBS	1,086	2,395	(3)	2,392	18,544	2,900	(152)	2,748
CLOs	2,835	2,358	(70)	2,288	43,426	2,320	(3,250)	(930)
Other securities[(3)]	79,896	197	(144)	53	15,375	247	(84)	163
Total	$ 258,613	$ 4,976	$ (21,766)	$ (16,790)	$ 494,704	$ 8,464	$ (10,416)	$ (1,952)

(1) Includes proceeds on sales of securities not yet settled as of period end.
(2) Excludes realized losses of $(1.0) million and $(82) thousand, for the three-month periods ended June 30, 2022 and 2021, respectively, related to adjustments to the cost basis of certain securities for which the Company has determined all or a portion of such securities cost basis to be uncollectible.
(3) Other securities includes ABS backed by consumer loans, corporate debt and equity, exchange-traded equity, and U.S. Treasury securities.

(In thousands)	Six-Month Period Ended							
	June 30, 2022				June 30, 2021			
Security Type	Proceeds[(1)]	Gross Realized Gains	Gross Realized Losses[(2)]	Net Realized Gain (Loss)	Proceeds[(1)]	Gross Realized Gains	Gross Realized Losses[(2)]	Net Realized Gain (Loss)
Agency RMBS	$ 566,721	$ 1,207	$ (34,027)	$ (32,820)	$ 492,218	$ 3,378	$ (7,291)	$ (3,913)
Non-Agency RMBS and CMBS	7,594	4,336	(26)	4,310	141,752	9,139	(1,147)	7,992
CLOs	17,267	4,260	(690)	3,570	129,001	3,491	(3,429)	62
Other securities[(3)]	93,927	3,665	(454)	3,211	24,681	503	(130)	373
Total	$ 685,509	$ 13,468	$ (35,197)	$ (21,729)	$ 787,652	$ 16,511	$ (11,997)	$ 4,514

(1) Includes proceeds on sales of securities not yet settled as of period end.
(2) Excludes realized losses of $(2.5) million and $(1.3) million for the six-month periods ended June 30, 2022 and 2021, respectively, related to adjustments to the cost basis of certain securities for which the Company has determined all or a portion of such securities cost basis to be uncollectible.
(3) Other securities includes ABS backed by consumer loans, corporate debt and equity, exchange-traded equity, and U.S. Treasury securities.

The following tables present the fair value and gross unrealized losses of our long securities, excluding those where there are expected credit losses as of the balance sheet date in relation to such securities' cost bases, by length of time that such securities have been in an unrealized loss position at June 30, 2022 and December 31, 2021.

June 30, 2022:

(In thousands)	Less than 12 Months		Greater than 12 Months		Total	
Security Type	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency RMBS	$ 997,780	$ (90,856)	$ 268,936	$ (32,771)	$ 1,266,716	$ (123,627)
Non-Agency RMBS and CMBS	86,548	(5,858)	3,999	(173)	90,547	(6,031)
CLOs	6,692	(427)	16,620	(5,348)	23,312	(5,775)
Other securities[(1)]	26,124	(2,432)	—	(85)	26,124	(2,517)
Total	$ 1,117,144	$ (99,573)	$ 289,555	$ (38,377)	$ 1,406,699	$ (137,950)

(1) Other securities includes corporate debt and equity securities.

December 31, 2021:

(In thousands)	Less than 12 Months		Greater than 12 Months		Total	
Security Type	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Agency RMBS	$ 1,083,017	$ (15,190)	$ 39,124	$ (1,815)	$ 1,122,141	$ (17,005)
Non-Agency RMBS and CMBS	11,296	(802)	4,462	(1,850)	15,758	(2,652)
CLOs	624	(14)	1,302	(2,749)	1,926	(2,763)
Total	$ 1,094,937	$ (16,006)	$ 44,888	$ (6,414)	$ 1,139,825	$ (22,420)

As described in Note 2, the Company evaluates the cost basis of its securities for impairment on at least a quarterly basis. As of June 30, 2022 and December 31, 2021, the Company had expected future credit losses, which it tracks for purposes of calculating interest income, of $23.4 million and $17.5 million, respectively, related to adverse changes in estimated future cash flows on its securities. Certain of the Company's securities, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination and the Company has established an initial estimate for credit losses on such securities; as of both June 30, 2022 and December 31, 2021, the estimated credit losses on such securities was $0.3 million.

The Company has determined for certain securities that a portion of such securities cost basis is not collectible. For the three-month periods ended June 30, 2022 and 2021, the Company recognized realized losses on these securities of $(1.0) million and $(82) thousand, respectively. For the six-month periods ended June 30, 2022 and 2021, the Company recognized realized losses on these securities of $(2.5) million and $(1.3) million, respectively. Such losses are reflected in Net realized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations.

5. Investment in Loans

The Company invests in various types of loans, such as residential mortgage, commercial mortgage, consumer, and corporate loans. As discussed in Note 2, the Company has elected the FVO for its investments in loans. The following table is a summary of the Company's investments in loans as of June 30, 2022 and December 31, 2021:

	As of			
(In thousands)	June 30, 2022		December 31, 2021	
Loan Type	**Unpaid Principal Balance**	**Fair Value**	**Unpaid Principal Balance**	**Fair Value**
Residential mortgage loans	$ 3,130,882	$ 2,995,584	$ 1,969,874	$ 2,016,2
Commercial mortgage loans	478,842	477,378	326,438	326,1
Consumer loans	7,501	7,410	59,881	62,3
Corporate loans	10,448	10,448	10,531	10,5
Total	$ 3,627,673	$ 3,490,820	$ 2,366,724	$ 2,415,3

The Company is subject to credit risk in connection with its investments in loans. The two primary components of credit risk are default risk, which is the risk that a borrower fails to make scheduled principal and interest payments, and severity risk, which is the risk of loss upon a borrower default on a mortgage loan or other secured or unsecured loan. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the loan, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. Credit risk in our loan portfolio can be amplified by exogenous shocks impacting our borrowers such as man-made or natural disasters, such as the COVID-19 pandemic.

The following table provides details, by loan type, for loans that are 90 days or more past due as of June 30, 2022 and December 31, 2021:

	As of			
	June 30, 2022		December 31, 2021	
(In thousands)	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
90 days or more past due—non-accrual status				
Residential mortgage loans	$ 31,079	$ 28,338	$ 36,528	$ 33,288
Commercial mortgage loans	31,500	31,465	15,500	15,462
Consumer loans	226	191	600	589

Residential Mortgage Loans

The tables below detail certain information regarding the Company's residential mortgage loans as of June 30, 2022 and December 31, 2021.

June 30, 2022:

				Gross Unrealized			Weighted Average		
($ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years)[1]
Residential mortgage loans, held-for-investment[2]	$ 3,130,882	$ 45,714	$ 3,176,596	$ 4,351	$ (185,363)	$ 2,995,584	5.80 %	4.71 %	4.17

(1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.
(2) Includes $1.562 billion of non-QM loans that have been securitized and are held in consolidated securitization trusts. Such loans had $12 thousand and $(135.4) million of gross unrealized gains and gross unrealized losses, respectively. See Residential Mortgage Loan Securitizations in Note 10 for additional information.

December 31, 2021:

				Gross Unrealized			Weighted Average		
($ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years)[1]
Residential mortgage loans, held-for-investment[2]	$ 1,958,807	$ 45,462	$ 2,004,269	$ 13,792	$ (13,173)	$ 2,004,888	5.63 %	4.67 %	2.06
Residential mortgage loans, held-for-sale	11,067	(1,423)	9,644	1,707	(11)	11,340	4.58	5.94 %	0.08
Total residential mortgage loans	$ 1,969,874	$ 44,039	$ 2,013,913	$ 15,499	$ (13,184)	$ 2,016,228	5.63 %	4.68 %	2.05

(1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.
(2) Includes $1.042 billion of non-QM loans that have been securitized and are held in consolidated securitization trusts. Such loans had $11.5 million and $(3.7) million of gross unrealized gains and gross unrealized losses, respectively. See Residential Mortgage Loan Securitizations in Note 10 for additional information.

The table below summarizes the geographic distribution of the real estate collateral underlying the Company's residential mortgage loans as a percentage of total outstanding unpaid principal balance as of June 30, 2022 and December 31, 2021:

Property Location by U.S. State	June 30, 2022	December 31, 2021
California	36.7 %	40.2 %
Florida	16.3 %	14.9 %
Texas	10.4 %	11.9 %
Utah	3.4 %	2.9 %
Arizona	3.0 %	2.1 %
Colorado	2.1 %	2.0 %
Nevada	2.1 %	1.9 %
North Carolina	2.1 %	1.8 %
Georgia	2.0 %	1.5 %
Illinois	1.9 %	2.0 %
Massachusetts	1.9 %	2.2 %
Tennessee	1.9 %	1.6 %
Washington	1.7 %	1.5 %
New Jersey	1.5 %	1.1 %
New York	1.5 %	1.7 %
Oregon	1.5 %	1.8 %
Connecticut	1.2 %	1.2 %
Pennsylvania	1.2 %	— %
Other	7.6 %	7.7 %
	100.0 %	100.0 %

The following table presents information on the Company's residential mortgage loans by re-performing or non-performing status, as of June 30, 2022 and December 31, 2021.

	As of			
	June 30, 2022		December 31, 2021	
(In thousands)	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Re-performing	$ 10,385	$ 9,497	$ 20,712	$ 20,6
Non-performing	29,248	26,586	33,949	30,8

As described in Note 2, the Company evaluates the cost basis of its residential mortgage loans for impairment on at least a quarterly basis. As of June 30, 2022 and December 31, 2021, the Company had expected future credit losses and other deterioration in future cash flows, which it tracks for purposes of calculating interest income, of $18.7 million and $3.0 million, respectively, related to adverse changes in estimated future cash flows on its residential mortgage loans. Certain of the Company's residential mortgage loans, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination and the Company has established an initial estimate for credit losses on such loans; as of June 30, 2022 and December 31, 2021, the estimated credit losses on such loans was $36 thousand and $0.1 million, respectively.

The Company has determined for certain of its residential mortgage loans that a portion of such loans' cost basis is not collectible. For the three- and six-month period ended June 30, 2021, the Company recognized realized losses on these loans of $33 thousand; no such realized losses were recognized during the three- or six-month periods ended June 30, 2022. Such losses are reflected in Realized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations.

As of June 30, 2022 and December 31, 2021, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $11.7 million and $8.1 million, respectively.

Commercial Mortgage Loans

The tables below detail certain information regarding the Company's commercial mortgage loans as of June 30, 2022 and December 31, 2021:

June 30, 2022:

				Gross Unrealized			Weighted Average		
($ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield[1]	Life (Years)[2]
Commercial mortgage loans, held-for-investment	$ 478,842	$ —	$ 478,842	$ 74	$ (1,538)	$ 477,378	7.52 %	7.32 %	1.26

(1) Excludes non-performing commercial mortgage loans, in non-accrual status, with a fair value of $31.5 million.
(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

December 31, 2021:

				Gross Unrealized			Weighted Average		
($ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield[1]	Life (Years)[2]
Commercial mortgage loans, held-for-investment	$ 326,438	$ —	$ 326,438	$ 76	$ (317)	$ 326,197	7.05 %	6.99 %	1.33

(1) Excludes non-performing commercial mortgage loans, in non-accrual status, with a fair value of $15.5 million.
(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

The table below summarizes the geographic distribution of the real estate collateral underlying the Company's commercial mortgage loans as a percentage of total outstanding unpaid principal balance as of June 30, 2022 and December 31, 2021:

Property Location by U.S. State	June 30, 2022	December 31, 2021
Florida	23.8 %	32.3 %
Texas	11.4 %	— %
Arizona	9.1 %	9.3 %
New York	8.8 %	13.5 %
Georgia	7.7 %	— %
New Jersey	5.2 %	5.1 %
Michigan	4.7 %	4.9 %
Massachusetts	4.6 %	— %
North Carolina	4.1 %	5.9 %
Illinois	4.0 %	— %
Ohio	3.9 %	7.3 %
Oklahoma	3.5 %	— %
Tennessee	2.3 %	7.7 %
Connecticut	1.9 %	3.5 %
New Hampshire	1.9 %	3.5 %
Pennsylvania	1.3 %	— %
Rhode Island	1.1 %	— %
Washington	0.7 %	— %
Missouri	— %	7.0 %
	100.0 %	100.0 %

As of June 30, 2022, the Company had two non-performing commercial mortgage loans with an unpaid principal balance and fair value of $31.5 million and $31.5 million, respectively. As of December 31, 2021, the Company had one non-performing commercial mortgage loan with an unpaid principal balance and fair value of $15.5 million and $15.5 million, respectively.

As described in Note 2, the Company evaluates the cost basis of its commercial mortgage loans for impairment on at least a quarterly basis. As of June 30, 2022 and December 31, 2021, the expected future credit losses, which the Company tracks for purposes of calculating interest income, of $1.5 million and $0.3 million, related to adverse changes in estimated future cash flows on its commercial mortgage loans.

The Company did not have any commercial mortgage loans in the process of foreclosure as of June 30, 2022 or December 31, 2021.

Consumer Loans

The tables below detail certain information regarding the Company's consumer loans as of June 30, 2022 and December 31, 2021:

June 30, 2022:

				Gross Unrealized			Weighted Average	
($ in thousands)	**Unpaid Principal Balance**	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value[1]**	**Life (Years)[2]**	**Delinquency (Days)**
Consumer loans, held-for-investment	$ 7,501	$ 1,492	$ 8,993	$ 560	$ (2,143)	$ 7,410	0.90	9

(1) Includes $0.3 million of charged-off loans for which the Company has determined that it is probable the servicer will be able to collect principal and interest.
(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

December 31, 2021:

				Gross Unrealized			Weighted Average	
($ in thousands)	**Unpaid Principal Balance**	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value[1]**	**Life (Years)[2]**	**Delinquency (Days)**
Consumer loans, held-for-investment	$ 59,881	$ 3,212	$ 63,093	$ 809	$ (1,537)	$ 62,365	0.94	4

(1) Includes $0.3 million of charged-off loans for which the Company has determined that it is probable the servicer will be able to collect principal and interest.
(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

During the six-month period ended June 30, 2022, the Company sold the majority of its performing consumer loans, with an unpaid principal balance of $47.7 million, to a securitization trust; see Note 10, *Participation in Multi-Seller Consumer Loan Securitization*. This sale resulted in a significant reduction in the size of our consumer loan portfolio as of June 30, 2022 as compared to December 31, 2021.

The table below provides details on the delinquency status as a percentage of total unpaid principal balance of the Company's consumer loans, which the Company uses as an indicator of credit quality, as of June 30, 2022 and December 31, 2021.

Days Past Due	**June 30, 2022**	**December 31, 2021**
Current	90.5 %	96.0 %
30-59 Days	3.9 %	1.7 %
60-89 Days	2.6 %	1.3 %
90-119 Days	2.9 %	1.0 %
>120 Days	0.1 %	— %
	100.0 %	100.0 %

During the three-month periods ended June 30, 2022 and 2021, the Company charged off $0.9 million and $0.5 million, respectively, of unpaid principal balance of consumer loans that were greater than 120 days delinquent. During the six-month periods ended June 30, 2022 and 2021, the Company charged off $2.2 million and $2.4 million, respectively, of unpaid principal balance of consumer loans that were greater than 120 days delinquent. As of both June 30, 2022 and December 31,

2021, the Company held charged-off consumer loans with an aggregate fair value of $0.3 million, for which the Company has determined that it is probable the servicer will be able to collect principal and interest.

As described in Note 2, the Company evaluates the cost basis of its consumer loans for impairment on at least a quarterly basis. As of June 30, 2022 and December 31, 2021, the Company had expected future credit losses, which it tracks for purposes of calculating interest income, of $1.6 million and $1.3 million, respectively, on its consumer loans. The Company has determined for certain of its consumer loans that a portion of such loans' cost basis is not collectible. For the three-month period ended June 30, 2022, the Company recognized realized losses on these loans of $(0.5) million; no such realized losses were recognized by the Company during the three-month period ended June 30, 2021. For the six-month periods ended June 30, 2022 and 2021, the Company recognized realized losses on these loans of $(0.5) million and $(1.3) million, respectively.

Corporate Loans

The tables below detail certain information regarding the Company's corporate loans as of June 30, 2022 and December 31, 2021:

June 30, 2022:

			Weighted Average	
($ in thousands)	**Unpaid Principal Balance**	**Fair Value**	**Rate**	**Remaining Term (Years)**
Corporate loans, held-for-investment[1]	$ 10,448	$ 10,448	16.81 %	3.49

(1) See Note 21 for further details on the Company's unfunded commitments related to certain of its corporate loans.

December 31, 2021:

			Weighted Average	
($ in thousands)	**Unpaid Principal Balance**	**Fair Value**	**Rate**	**Remaining Term (Years)**
Corporate loans, held-for-investment[1]	$ 10,531	$ 10,531	16.14 %	4.01

(1) See Note 21 for further details on the Company's unfunded commitments related to certain of its corporate loans.

6. Investments in Unconsolidated Entities

The Company has various equity investments in entities where it has the ability to exert significant influence over such entity, but does not control such entity. In these cases the criteria for consolidation have not been met and the Company is required to account for such investments under ASC 323-10; the Company has elected the FVO for its investments in unconsolidated entities. As of June 30, 2022 and December 31, 2021, the Company's investments in unconsolidated entities had an aggregate fair value of $192.3 million and $195.6 million, respectively, which is included on the Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value. For the three-month periods ended June 30, 2022, and 2021, the Company recognized $(23.3) million and $18.6 million, respectively, in Earnings (losses) from investments in unconsolidated entities, on its Condensed Consolidated Statement of Operations. For the six-month periods ended June 30, 2022, and 2021, the Company recognized $(28.8) million and $25.2 million, respectively, in Earnings (losses) from investments in unconsolidated entities, on its Consolidated Statement of Operations. Certain of the entities that the Company accounts for under ASC 323-10 are deemed to be VIEs, and the maximum amount at risk is generally limited to the Company's investment in the VIE. As of June 30, 2022 and December 31, 2021, the fair value of the Company's investments in unconsolidated entities that have been deemed to be VIEs was $75.0 million and $63.9 million, respectively.

The following table provides details about the Company's investments in unconsolidated entities as of June 30, 2022 and December 31, 2021:

Investment in Unconsolidated Entity	Form of Investment	Percentage Ownership of Unconsolidated Entity	
		June 30, 2022	December 31, 2021
Loan Originators:			
Longbridge Financial, LLC(1)	Preferred shares	49.6%	49.6%
LendSure Mortgage Corp.(1)(2)	Common shares	49.9%	49.9%
Other(1)(3)(4)	Various	24.7%–80.0%	31.5%–80.0%
Co-investments with Ellington affiliate(s)(1):			
Elizon DB 2015-1 LLC(5)(6)	Membership Interest	11.7%	3.4%
Elizon NM CRE 2020-1 LLC(5)(7)	Membership Interest	22.7%	20.5%
Elizon CH CRE 2021-1 LLC(5)(8)	Membership Interest	31.2%	30.5%
Elizon NAT CRE 2021-1 LLC(5)(9)	Membership Interest	19.0%	—%
Other(5)	Membership Interest	26.0%	16.8%
Equity investments in securitization-related risk retention vehicles(10)	Membership Interest	24.6%–56.3%	56.3%
Other:			
Jepson Holdings Limited(1)(5)	Membership Interest	5.4%	19.6%
Other(1)(5)(11)	Various	8.2%–79.0%	8.0%–79.0%

(1) See Note 13 for additional details on the Company's related party transactions.
(2) Excludes investment in warrants convertible into non-voting common shares; including such warrants the Company's additional non-voting stake in the entity was 13.8% as of both June 30, 2022 and December 31, 2021. See Note 13 Related Party Transactions—*Transactions Involving Certain Loan Originators* for additional information.
(3) Excludes investment in non-voting common shares equal to 16.4% of a loan originator; including such shares the Company's total stake in such entity was 61.4% as of both June 30, 2022 and December 31, 2021. See Note 13 Related Party Transactions—*Transactions Involving Certain Loan Originators* for additional information.
(4) Excludes investment in non-voting preferred shares equal to 17.1% of a mortgage loan originator; including such shares the Company's total stake in such entity was 52.8% as of June 30, 2022. As of December 31, 2021, the Company total stake in this entity was 31.5%; the Company acquired its non-voting preferred shares during the six-month period ended June 30, 2022. See Note 13 Related Party Transactions—*Transactions Involving Certain Loan Originators* for additional information.
(5) The Company has evaluated this entity and determined that it meets the definition of a VIE. The Company evaluated its interest in the VIE and determined that the Company does not have the power to direct the activities of the VIE and does not have control of the underlying assets, where applicable. As a result, the Company determined that it is not the primary beneficiary of this VIE and therefore has not consolidated the VIE.
(6) As discussed in Note 13 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 13) each consolidate their segregated silos of the Joint Entity (as defined in Note 13). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 66.2% and 47.5% as of June 30, 2022 and December 31, 2021, respectively.
(7) As discussed in Note 13 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 13) each consolidate their segregated silos of the Joint Entity (as defined in Note 13). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 38.6% and 31.0% as of June 30, 2022 and December 31, 2021, respectively.
(8) As discussed in Note 13 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 13) each consolidate their segregated silos of the Joint Entity (as defined in Note 13). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 56.2% and 44.8% as of June 30, 2022 and December 31, 2021, respectively.
(9) As discussed in Note 13 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 13) each consolidate their segregated silos of the Joint Entity (as defined in Note 13). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 81.4% as of June 30, 2022; the Company did not have an interest in this entity as of December 31, 2021.
(10) Includes interests in Consumer Risk Retention Vehicles, as defined in Note 10—*Participation in Multi-Seller Consumer Loan Securitizations*. The Company has evaluated these entities and determined that they do not meet the definition of a VIE. The Company evaluated its interest in the entity under the voting interest model outlined in ASC 810, and has determined that the Company does not control these entities. As a result, the Company has not consolidated the entity. See Note 10 for additional details on the Company's securitization transactions.
(11) Includes interest in warehouse facilities; see Note 13—*Participation in CLO Transactions*, for additional details.

As of June 30, 2022 and December 31, 2021, the Company had non-controlling equity interests in various loan originators with an aggregate fair value of $111.4 million and $137.8 million, respectively. As of June 30, 2022, the Company's two largest investments in unconsolidated entities were in mortgage loan originators, LendSure Mortgage Corp., or "LendSure" and Longbridge Financial, LLC, or "Longbridge."

The Company's investment in LendSure was considered significant pursuant to Regulation S-X for the six-month period ended June 30, 2022. For the three-month periods ended June 30, 2022 and 2021, the Company recognized $(7.7) million and $3.2 million, respectively of unrealized gains (losses) from its investment in Lendsure, which is included in Earnings (losses) from investments in unconsolidated entities on the Condensed Consolidated Statement of Operations. For the six-month periods ended June 30, 2022 and 2021, the Company recognized $(12.1) million and $5.6 million, respectively of unrealized gains (losses) from its investment in Lendsure, which is included in Earnings (losses) from investments in unconsolidated entities on the Condensed Consolidated Statement of Operations. As of June 30, 2022 and December 31, 2021, the fair value of the Company's investment in LendSure was $33.4 million and $45.5 million, respectively, which is included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value. The following table provides a summary of the results of operations of LendSure for the three- and six-month periods ended June 30, 2022 and 2021.

	Three-Month Period Ended		Six-Month Period Ended	
(In thousands)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	$ 14,457	$ 19,048	$ 30,019	$ 31,412
Net income (loss)	$ 756	$ 6,747	$ 1,154	$ 10,377

The Company's investment in Longbridge was considered significant pursuant to Regulation S-X for the six-month period ended June 30, 2022. For the three-month periods ended June 30, 2022 and 2021, the Company recognized $(13.7) million and $10.8 million, respectively of unrealized gains (losses) from its investment in Longbridge, which is included in Earnings (losses) from investments in unconsolidated entities on the Condensed Consolidated Statement of Operations. For the six-month periods ended June 30, 2022 and 2021, the Company recognized $(16.9) million and $11.3 million, respectively of unrealized gains (losses) from its investment in Longbridge, which is included in Earnings (losses) from investments in unconsolidated entities on the Condensed Consolidated Statement of Operations. As of June 30, 2022 and December 31, 2021, the fair value of the Company's investment in Longbridge was $59.1 million and $74.5 million, respectively, which is included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value. The following table provides a summary of the results of operations of Longbridge for the three- and six-month periods ended June 30, 2022 and 2021.

	Three-Month Period Ended		Six-Month Period Ended	
(In thousands)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue(1)(2)	$ (73,766)	$ 61,700	$ (131,507)	$ 100,236
Net income (loss)	$ (24,014)	$ 19,186	$ (34,665)	$ 31,712

(1) Longbridge includes in Revenue mark-to-market gains and losses on certain reverse mortgage loans held for investment.
(2) Longbridge has conformed prior period to current period presentation.

7. Real Estate Owned

As discussed in Note 2, the Company obtains possession of REO as a result of foreclosures on the associated mortgage loans. The following tables detail activity in the Company's carrying value of REO for the three- and six-month periods ended June 30, 2022 and 2021:

	Three-Month Period Ended			
	June 30, 2022		June 30, 2021	
	Number of Properties	Carrying Value	Number of Properties	Carrying Va
		(In thousands)		(In thousands
Beginning Balance (March 31, 2022 and 2021, respectively)	8	$ 24,533	15	$ 35,5
Transfers from mortgage loans	1	70	—	
Capital expenditures and other adjustments to cost		75		1,4
Adjustments to record at the lower of cost or fair value		152		(1,3
Dispositions	(3)	(3,964)	(1)	(3
Ending Balance (June 30, 2022 and 2021, respectively)	6	$ 20,866	14	$ 35,2

	Six-Month Period Ended			
	June 30, 2022		June 30, 2021	
	Number of Properties	Carrying Value	Number of Properties	Carrying Value
		(In thousands)		(In thousands)
Beginning Balance (December 31, 2021 and 2020, respectively)	7	$ 24,681	13	$ 23,598
Transfers from mortgage loans	3	1,018	3	12,554
Capital expenditures and other adjustments to cost		75		1,893
Adjustments to record at the lower of cost or fair value		(418)		(2,105)
Dispositions	(4)	(4,490)	(2)	(645)
Ending Balance (June 30, 2022 and 2021, respectively)	6	$ 20,866	14	$ 35,295

During the three-month period ended June 30, 2022, the Company sold three REO properties, realizing a net gain (loss) of approximately $0.5 million. During the three-month period ended June 30, 2021, the Company sold one REO property, realizing a net gain (loss) of approximately $(0.1) million. During the six-month period ended June 30, 2022, the Company sold four REO properties, realizing a net gain (loss) of approximately $0.5 million. During the six-month period ended June 30, 2021, the Company sold two REO properties, realizing a net gain (loss) of approximately $(13) thousand. Such realized gains (losses) are included in Realized gains (losses) on real estate owned, net, on the Company's Consolidated Statement of Operations. As of June 30, 2022 and December 31, 2021 all of the Company's REO had been obtained as a result of obtaining physical possession through foreclosure. Of the Company's total REO holdings, $20.3 million and $23.9 million were measured at fair value on a non-recurring basis as of June 30, 2022 and December 31, 2021, respectively.

8. Financial Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages certain risks associated with its investments and borrowings, including interest rate, credit, liquidity, and foreign exchange rate risk primarily by managing the amount, sources, and duration of its investments and borrowings, and through the use of derivative financial instruments. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings.

The following table details the fair value of the Company's holdings of financial derivatives as of June 30, 2022 and December 31, 2021:

(In thousands)	June 30, 2022	December 31, 2021
Financial derivatives–assets, at fair value:		
TBA securities purchase contracts	$ 220	$ 522
TBA securities sale contracts	2,949	707
Fixed payer interest rate swaps	72,740	11,871
Fixed receiver interest rate swaps	14	2,122
Credit default swaps on asset-backed securities	202	303
Credit default swaps on asset-backed indices	2,089	1,751
Credit default swaps on corporate bonds	201	—
Credit default swaps on corporate bond indices	1,405	156
Options	—	278
Futures	316	478
Forwards	244	—
Warrants	803	706
Total financial derivatives–assets, at fair value	81,183	18,894
Financial derivatives–liabilities, at fair value:		
TBA securities purchase contracts	(91)	(135)
TBA securities sale contracts	(2,687)	(774)
Fixed payer interest rate swaps	(1,911)	(6,567)
Fixed receiver interest rate swaps	(15,285)	(2,531)
Credit default swaps on asset-backed indices	(34)	(39)
Credit default swaps on corporate bonds	(338)	(99)
Credit default swaps on corporate bond indices	—	(1,870)
Futures	(96)	(75)
Forwards	—	(208)
Total financial derivatives–liabilities, at fair value	(20,442)	(12,298)
Total	$ 60,741	$ 6,596

Interest Rate Swaps

The following tables provide information about the Company's fixed payer interest rate swaps as of June 30, 2022 and December 31, 2021:

June 30, 2022:

	Notional Amount	Fair Value	Weighted Average		
			Pay Rate	Receive Rate	Remaining Years to Maturity
	(In thousands)				
2023	$ 664,398	$ 14,248	0.64 %	1.68 %	0.88
2024	719,357	19,436	1.34	1.50	1.71
2025	241,193	3,424	2.29	1.50	2.82
2026	100	8	0.79	1.24	4.08
2027	333,450	990	2.67	1.50	4.92
2028	109,534	9,655	1.37	1.32	5.98
2029	54,428	1,657	2.45	1.59	6.82
2030	68,300	2,154	2.30	1.51	7.89
2031	161,009	15,538	1.71	1.59	8.96
2032	79,027	2,564	2.34	1.50	9.80
2035	500	112	0.78	1.58	13.32
2036	1,100	201	1.45	1.46	13.64
2040	500	136	0.90	1.58	18.32
2049	5,796	10	2.89	0.96	26.53
2050	500	161	0.98	1.58	28.33
2052	5,000	535	2.07	1.50	29.77
Total	$ 2,444,192	$ 70,829	1.54 %	1.55 %	3.38

December 31, 2021:

			Weighted Average		
Maturity	Notional Amount	Fair Value	Pay Rate	Receive Rate	Remaining Years to Maturity
	(In thousands)				
2022	$ 64,100	$ (282)	0.99 %	0.18 %	0.18
2023	771,110	1,488	0.58	0.19	1.52
2024	314,762	3,685	0.43	0.16	2.23
2025	14,993	426	0.49	0.16	3.81
2026	30,625	481	0.89	0.15	4.48
2027	14,732	448	0.80	0.19	5.60
2028	149,524	470	1.33	0.17	6.55
2029	19,152	(801)	1.98	0.16	7.55
2030	9,585	291	1.09	0.18	8.23
2031	122,509	535	1.45	0.17	9.47
2035	500	38	0.78	0.08	13.81
2036	1,100	25	1.45	0.16	14.13
2040	500	45	0.90	0.08	18.82
2049	5,796	(1,599)	2.89	0.13	27.02
2050	500	54	0.98	0.08	28.82
Total	$ 1,519,488	$ 5,304	0.75 %	0.18 %	3.11

The following tables provide information about the Company's fixed receiver interest rate swaps as of June 30, 2022 and December 31, 2021:

June 30, 2022:

Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining Years to Maturity
	(In thousands)				
2023	$ 41,407	$ (107)	2.10 %	2.00 %	0.72
2024	786,141	(11,287)	1.36	2.03	1.75
2026	215,852	(3,371)	1.49	2.26	3.76
2027	12,900	(42)	1.50	2.63	4.86
2032	8,355	(40)	1.50	2.68	9.88
2035	500	(115)	1.50	0.74	13.32
2040	500	(140)	1.50	0.84	18.32
2050	500	(169)	1.50	0.90	28.33
Total	$ 1,066,155	$ (15,271)	1.42 %	2.09 %	2.25

December 31, 2021:

Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining Years to Maturity
	(In thousands)				
2022	$ 53,974	$ 475	0.17 %	1.85 %	0.16
2023	241,407	(265)	0.15	0.73	1.69
2024	37,142	556	0.13	1.59	2.78
2026	105,040	(907)	0.18	1.10	4.72
2031	35,678	(114)	0.15	1.48	9.76
2035	500	(41)	0.05	0.74	13.81
2040	500	(50)	0.08	0.84	18.82
2050	500	(63)	0.08	0.90	28.82
Total	$ 474,741	$ (409)	0.15 %	1.06 %	2.94

Credit Default Swaps

The following table provides information about the Company's credit default swaps as of June 30, 2022 and December 31, 2021:

	As of					
	June 30, 2022			December 31, 2021		
Type[1]	**Notional**	**Fair Value**	**Weighted Average Remaining Term (Years)**	**Notional**	**Fair Value**	**Weighted Average Remaining Term (Years)**
($ in thousands)						
Asset:						
Long:						
Credit default swaps on asset-backed indices	$ 270	$ 4	15.50	$ 484	$ 7	24.32
Credit default swaps on corporate bond indices	1,996	13	1.47	2,168	156	1.97
Short:						
Credit default swaps on asset-backed securities	(916)	202	13.21	(910)	303	13.71
Credit default swaps on asset-backed indices	(16,285)	2,085	41.54	(13,947)	1,744	42.43
Credit default swaps on corporate bonds	(6,000)	201	4.98	—	—	—
Credit default swaps on corporate bond indices	(50,561)	1,392	4.70	—	—	—
Liability:						
Long:						
Credit default swaps on asset-backed indices	249	(34)	34.70	89	(39)	27.41
Short:						
Credit default swaps on asset-backed indices	(1)	—	27.51	(491)	—	24.42
Credit default swaps on corporate bonds	(16,400)	(338)	4.56	(3,400)	(99)	3.47
Credit default swaps on corporate bond indices	—	—	—	(21,183)	(1,870)	4.75
	$ (87,648)	$ 3,525	11.58	$ (37,190)	$ 202	19.10

(1) Long notional represents contracts where the Company has written protection and short notional represents contracts where the Company has purchased protection.

Futures

The following table provides information about the Company's long and short positions in futures as of June 30, 2022 and December 31, 2021:

	As of					
	June 30, 2022			December 31, 2021		
Description	Notional Amount	Fair Value	Remaining Months to Expiration	Notional Amount	Fair Value	Remaining Months to Expiration
	(In thousands)			(In thousands)		
Assets:						
Short Contracts:						
U.S. Treasury futures	$ (50,100)	$ 316	3.06	$ (170,000)	$ 478	3.00
Liabilities:						
Long Contracts:						
U.S. Treasury futures	1,900	(96)	2.77	1,900	(36)	2.70
Short Contracts:						
U.S. Treasury futures	—	—	—	(51,400)	(39)	2.70
Total, net	$ (48,200)	$ 220	3.08	$ (219,500)	$ 403	2.93

Options

The following table provides information about the Company's options contracts as of December 31, 2021. The Company did not hold any options contracts as of June 30, 2022.

December 31, 2021:

	Option		Underlying Swap		
Type	Fair Value	Months to Expiration	Notional Amount	Term (Years)	Fixed Rate
($ in thousands)					
Put options on credit default swaps on corporate bond indices [1]	$ 278	5.5	$ 30,000	5.00	5.00 %

(1) Represents the option on the part of the Company to enter into a credit default swap on a corporate bond index whereby the Company would pay a fixed rate and receive credit protection payments.

Warrants

The following table provides information about the Company's warrants contracts to purchase shares as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
Description	Number of Shares Underlying Warrant[1]	Fair Value	Remaining Years to Expiration	Number of Shares Underlying Warrant	Fair Value	Remaining Years to Expiration
	(In thousands)			(In thousands)		
Warrants	3,559	$ 803	1.17	1,521	$ 706	2.17

(1) Excludes number of shares underlying warrant to purchase additional equity interest in a loan originator in which the Company currently holds an equity interest. The Company has the right to purchase 10% of the loan originator at the time of purchase for a pre-determined price. As of June 30, 2022, the fair value of the estimated fair value of such warrants was insignificant. Such warrants were not held at December 31, 2021.

TBAs

The Company transacts in the forward settling TBA market. 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. TBAs are generally liquid, have quoted market prices, and represent the most actively traded class of MBS. The Company uses TBAs

to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for investment purposes, including holding long positions.

The Company does not usually take delivery of TBAs; rather, it settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished.

As of June 30, 2022 and December 31, 2021, the Company had outstanding TBA purchase and sale contracts as follows:

	June 30, 2022				December 31, 2021			
TBA Securities	**Notional Amount[1]**	**Cost Basis[2]**	**Market Value[3]**	**Net Carrying Value[4]**	**Notional Amount[1]**	**Cost Basis[2]**	**Market Value[3]**	**Net Carrying Value[4]**
(In thousands)								
Purchase contracts:								
Assets	$ 30,500	$ 30,142	$ 30,362	$ 220	$ 196,723	$ 196,119	$ 196,641	$ [illegible]
Liabilities	20,777	20,349	20,258	(91)	76,500	76,468	76,333	[illegible]
	51,277	50,491	50,620	129	273,223	272,587	272,974	[illegible]
Sale contracts:								
Assets	(371,904)	(343,316)	(340,367)	2,949	(416,168)	(439,438)	(438,731)	[illegible]
Liabilities	(240,433)	(227,187)	(229,874)	(2,687)	(497,214)	(512,675)	(513,449)	[illegible]
	(612,337)	(570,503)	(570,241)	262	(913,382)	(952,113)	(952,180)	
Total TBA securities, net	$ (561,060)	$ (520,012)	$ (519,621)	$ 391	$ (640,159)	$ (679,526)	$ (679,206)	$ [illegible]

(1) Notional amount represents the principal balance of the underlying Agency RMBS.
(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.
(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.
(4) Net carrying value represents the difference between the market value of the TBA contract as of period end and the cost basis, and is reported in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Table of Contents

Gains and losses on the Company's derivative contracts for the three- and six-month periods ended June 30, 2022 and 2021 are summarized in the tables below:

		Three-Month Period Ended June 30, 2022					
Derivative Type	Primary Risk Exposure	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps(1)	Change in Net Unrealized Gains (Losses) on Financial Derivatives(1)
(In thousands)							
Interest rate swaps	Interest Rate	$ (499)	$ 12,221	$ 11,722	$ 836	$ 5,983	$ 6,819
Credit default swaps on asset-backed securities	Credit		(6)	(6)		(102)	(102)
Credit default swaps on asset-backed indices	Credit		(351)	(351)		1,297	1,297
Credit default swaps on corporate bond indices	Credit		414	414		3,351	3,351
Credit default swaps on corporate bonds	Credit		(10)	(10)		92	92
Options	Credit		147	147		178	178
TBAs	Interest Rate		26,003	26,003		(3,754)	(3,754)
Futures	Interest Rate		8,390	8,390		(5,442)	(5,442)
Forwards	Currency		470	470		315	315
Warrants	Equity Market/Credit		—	—		(254)	(254)
Total		$ (499)	$ 47,278	$ 46,779	$ 836	$ 1,664	$ 2,500

(1) Includes foreign currency remeasurement on financial derivatives in the amount of $(16) thousand for the three-month period ended June 30, 2022, which is included on the Consolidated Statement of Operations in Other, net.

Derivative Type	Primary Risk Exposure	Three-Month Period Ended June 30, 2021					
		Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps[1]	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps[2]	Change in Net Unrealized Gains (Losses) on Financial Derivatives[1]
(In thousands)							
Interest rate swaps	Interest Rate	$ 77	$ (300)	$ (223)	$ (709)	$ (4,221)	$ (4,930)
Credit default swaps on asset-backed securities	Credit		16	16		(18)	(18)
Credit default swaps on asset-backed indices	Credit		129	129		(221)	(221)
Credit default swaps on corporate bond indices	Credit		836	836		(1,418)	(1,418)
Credit default swaps on corporate bonds	Credit		153	153		(219)	(219)
Total return swaps	Credit		(860)	(860)		801	801
TBAs	Interest Rate		(358)	(358)		2,365	2,365
Options	Credit		—	—		(62)	(62)
Futures	Interest Rate		896	896		(2,037)	(2,037)
Forwards	Currency		(164)	(164)		98	98
Warrants	Equity Market/Credit		—	—		(39)	(39)
Total		$ 77	$ 348	$ 425	$ (709)	$ (4,971)	$ (5,680)

(1) Includes foreign currency remeasurement on financial derivatives in the amount of $3 thousand for the three-month period ended June 30, 2021, which is included on the Condensed Consolidated Statement of Operations in Other, net.

Derivative Type	Primary Risk Exposure	Six-Month Period Ended June 30, 2022					
		Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps(1)	Change in Net Unrealized Gains (Losses) on Financial Derivatives(1)
(In thousands)							
Interest rate swaps	Interest Rate	$ (2,201)	$ 10,072	$ 7,871	$ 1,397	$ 40,035	$ 41,432
Credit default swaps on asset-backed securities	Credit		(11)	(11)		(102)	(102)
Credit default swaps on asset-backed indices	Credit		(336)	(336)		1,704	1,704
Credit default swaps on corporate bond indices	Credit		237	237		3,657	3,657
Credit default swaps on corporate bonds	Credit		(18)	(18)		108	108
Options	Credit		147	147		148	148
TBAs	Interest Rate		46,791	46,791		71	71
Futures	Interest Rate		15,049	15,049		(182)	(182)
Forwards	Currency		797	797		451	451
Warrants	Equity Market/Credit		(413)	(413)		512	512
Total		$ (2,201)	$ 72,315	$ 70,114	$ 1,397	$ 46,402	$ 47,799

(1) Includes foreign currency remeasurement on financial derivatives in the amount of $(24) thousand for the six-month period ended June 30, 2022, which is included on the Consolidated Statement of Operations in Other, net.

Derivative Type	Primary Risk Exposure	Six-Month Period Ended June 30, 2021					
		Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	**Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps[1]**	**Net Realized Gains (Losses) on Financial Derivatives[1]**	**Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps**	**Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps[2]**	**Change in Net Unrealized Gains (Losses) on Financial Derivatives[2]**
(In thousands)							
Interest rate swaps	Interest Rate	$ (739)	$ 147	$ (592)	$ (299)	$ 3,454	$ 3,155
Credit default swaps on asset-backed securities	Credit		42	42		(44)	(44)
Credit default swaps on asset-backed indices	Credit		1,199	1,199		(1,178)	(1,178)
Credit default swaps on corporate bond indices	Credit		(88)	(88)		(890)	(890)
Credit default swaps on corporate bonds	Credit		81	81		(153)	(153)
Total return swaps	Credit		(1,202)	(1,202)		940	940
Options	Credit		—	—		(62)	(62)
TBAs	Interest Rate		4,961	4,961		1,661	1,661
Futures	Interest Rate		1,913	1,913		878	878
Forwards	Currency		(76)	(76)		725	725
Warrants	Equity Market/Credit		—	—		(34)	(34)
Total		$ (739)	$ 6,977	$ 6,238	$ (299)	$ 5,297	$ 4,998

(1) Includes realized gain/(loss) on transactions involving foreign-currency-denominated financial derivatives in the amount of $18 thousand for the six-month period ended June 30, 2021, which is included on the Consolidated Statement of Operations in Other, net.

(2) Includes foreign currency remeasurement on financial derivatives in the amount of $(30) thousand for the six-month period ended June 30, 2021, which is included on the Consolidated Statement of Operations in Other, net.

The table below details the average notional values of the Company's financial derivatives, using absolute value of month end notional values, for the six-month period ended June 30, 2022 and the year ended December 31, 2021:

Derivative Type	**Six-Month Period Ended June 30, 2022**	**Year Ended December 31, 2021**
(In thousands)		
Interest rate swaps	$ 2,660,695	$ 1,343,0
TBAs	827,022	1,105,3
Futures	190,400	193,6
Credit default swaps	60,999	110,0
Forwards	15,201	21,1
Options	25,714	13,8
Total return swaps	—	2,5
Warrants	3,289	1,9

From time to time the Company enters into credit derivative contracts for which the Company sells credit protection ("written credit derivatives"). As of June 30, 2022 and December 31, 2021, all of the Company's open written credit derivatives were credit default swaps on either mortgage/asset-backed indices (ABX and CMBX indices) or corporate bond indices (CDX), collectively referred to as credit indices, or on individual corporate bonds, for which the Company receives periodic payments at fixed rates from credit protection buyers, and is obligated to make payments to the credit protection buyer upon the occurrence of a "credit event" with respect to underlying reference assets.

Written credit derivatives held by the Company at June 30, 2022 and December 31, 2021 are summarized below:

Credit Derivatives	June 30, 2022	December 31, 2021
(In thousands)		
Fair Value of Written Credit Derivatives, Net	$ (17)	$ 124
Notional Value of Written Credit Derivatives [(1)]	2,515	2,741

(1) The notional value is the maximum amount that a seller of credit protection would be obligated to pay, and a buyer of credit protection would receive, upon occurrence of a "credit event." Movements in the value of credit default swap transactions may require the Company or the counterparty to post or receive collateral. Amounts due or owed under credit derivative contracts with an International Swaps and Derivatives Association, or "ISDA," counterparty may be offset against amounts due or owed on other credit derivative contracts with the same ISDA counterparty. As a result, the notional value of written credit derivatives involving a particular underlying reference asset or index has been reduced (but not below zero) by the notional value of any contracts where the Company has purchased credit protection on the same reference asset or index with the same ISDA counterparty.

A credit default swap on a credit index or a corporate bond typically terminates at the stated maturity date in the case of corporate indices or bonds, or, in the case of ABX and CMBX indices, the date that all of the reference assets underlying the index are paid off in full, retired, or otherwise cease to exist. Implied credit spreads may be used to determine the market value of such contracts and are reflective of the cost of buying/selling credit protection. Higher spreads would indicate a greater likelihood that a seller will be obligated to perform (*i.e.*, make protection payments) under the contract. In situations where the credit quality of the underlying reference assets has deteriorated, the percentage of notional values that would be paid up front to enter into a new such contract ("points up front") is frequently used as an indication of credit risk. Credit protection sellers entering the market in such situations would expect to be paid points up front corresponding to the approximate fair value of the contract. For the Company's written credit derivatives that were outstanding at June 30, 2022 and December 31, 2021, implied credit spreads on such contracts ranged between 174.5 and 462.1 basis points and 112.7 and 141.1 basis points, respectively. Excluded from these spread ranges are contracts outstanding for which the individual spread is greater than 2,000 basis points. The Company believes that these contracts would be quoted based on estimated points up front. The total fair value of contracts with individual implied credit spreads in excess of 2,000 basis points was $(33) thousand and $38 thousand as of June 30, 2022 and December 31, 2021, respectively. Estimated points up front on these contracts as of June 30, 2022 ranged between 46.3 and 88.8. Estimated points up front on these contracts as of December 31, 2021 ranged between 55.4 and 85.2. Total net up-front payments (paid) or received relating to written credit derivatives outstanding as of both June 30, 2022 and December 31, 2021 were $0.8 million.

9. Consolidated VIEs

As discussed in Note 2, the Company has interests in entities that it has determined to be VIEs. The following table summarizes the assets and liabilities of the Company's consolidated VIEs that are included on the Company's Consolidated Balance Sheet as of June 30, 2022 and December 31, 2021. See Note 10 and Note 13 for additional information on the Company's consolidated VIEs.

(In thousands)	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 1,105	$ 9,214
Restricted cash	—	175
Securities, at fair value	78,166	72,840
Loans, at fair value	3,474,285	2,384,078
Investments in unconsolidated entities, at fair value	65,019	36,874
Real estate owned	20,866	24,681
Investment related receivables	26,137	46,621
Other assets	2,149	2,434
Total Assets	$ 3,667,727	$ 2,576,917
Liabilities		
Repurchase agreements	$ 1,238,420	$ 613,314
Other secured borrowings	45,455	95,621
Other secured borrowings, at fair value	1,448,182	984,168
Interest payable	2,082	1,087
Accrued expenses and other liabilities	836	1,579
Total Liabilities	2,734,975	1,695,769
Total Stockholders' Equity	919,149	862,632
Non-controlling interests	13,603	18,516
Total Equity	932,752	881,148
Total Liabilities and Equity	$ 3,667,727	$ 2,576,917

10. Securitization Transactions

Participation in CLO Transactions

Since June 2017, an affiliate of Ellington has sponsored four CLO securitization transactions (the "Ellington-sponsored CLO Securitizations"), collateralized by corporate loans and managed by an affiliate of Ellington (the "CLO Manager"). Ellington, the Company, several other affiliates of Ellington, and in certain cases, third parties, participated in the Ellington-sponsored CLO Securitizations (collectively, the "CLO Co-Participants").

Pursuant to each Ellington-sponsored CLO Securitization, a newly formed securitization trust (each a "CLO Issuer") issued various classes of notes, which were in turn sold to unrelated third parties and the applicable CLO Co-Participants.

The CLO Issuers are each deemed to be a VIE. The Company evaluates its interests in the CLO Issuers under ASC 810, and while the Company retains credit risk in each of the securitization trusts through its beneficial ownership of a portion of the subordinated interests of each of the securitization trusts, which are the first to absorb credit losses on the securitized assets, the Company does not retain control of these assets or the power to direct the activities of the CLO Issuers that most significantly impact the CLO Issuers' economic performance. As a result, the Company determined that it is not the primary beneficiary of the CLO Issuers, and therefore the Company has not consolidated the CLO Issuers. The Company's maximum amount at risk is limited to the Company's investment in each of the CLO Issuers. As of June 30, 2022 and December 31, 2021, the fair value of the Company's investment in the notes issued by the CLO Issuers was $11.3 million and $27.6 million, respectively.

See Note 13 for further details on the Company's participation in CLO transactions.

Residential Mortgage Loan Securitizations

Since November 2017, the Company, through certain wholly owned subsidiaries (each, a "Sponsor"), has sponsored securitizations of non-QM loans. In each case, the applicable Sponsor transferred a pool of non-QM loans (each, a Collateral Pool") to a wholly owned entity (each, a "Depositor") and on the closing date such loans were deposited into newly created securitization trusts (collectively, the "Issuing Entities"). Pursuant to the securitizations, the Issuing Entities issued various classes of mortgage pass-through certificates (the "Certificates") which are backed by the cash flows from the underlying non-QM loans.

Under the Dodd-Frank Act, sponsors of securitizations are generally required to retain at least 5% of the economic interest in the credit risk of the securitized assets (the "Risk Retention Rules"). In order to comply with the Risk Retention Rules, in each securitization, the Company purchased and intends to hold, at a minimum, the requisite amount of the most subordinated classes of Certificates and the excess cash flow certificates. The applicable Sponsor also purchased the Certificates entitled to excess servicing fees in each securitization, while the remaining classes of Certificates were purchased by unrelated parties.

Notwithstanding that the Certificates carry final scheduled distribution dates in November 2059 or later, the applicable Depositor may, at its sole option, purchase all of the outstanding Certificates (an "Optional Redemption") following the earlier of (1) the applicable anniversary of the closing date (typically two or three years) of the respective securitization or (2) the date on which the aggregate unpaid principal balance of the applicable Collateral Pool has declined below 30% of the aggregate unpaid principal balance of the applicable Collateral Pool as of the date as of which such loans were originally transferred to the applicable Issuing Entity. The purchase price that the Depositor is required to pay in connection with an Optional Redemption is equal to the sum of the unpaid principal balance of each class of Certificates as of the redemption date and any accrued and unpaid interest thereon. In light of these Optional Redemption rights held by the applicable Depositor, the transfers of non-QM loans to each of the Issuing Entities do not qualify as sales under ASC 860-10.

In the event that certain breaches of representations or warranties are discovered with respect to any underlying non-QM loans, the Company could be required to repurchase or replace such loans.

Each Sponsor also serves as the servicing administrator of its respective securitization, for which it is entitled to receive a monthly fee equal to one-twelfth of the product of (a) 0.03% and (b) the unpaid principal balance of the underlying non-QM loans as of the first day of the related due period. Each Sponsor in its role as servicing administrator provides direction and consent for certain loss mitigation activities to the third-party servicer of the underlying non-QM loans. In certain circumstances, the servicing administrator will be required to reimburse the servicer for principal and interest advances and servicing advances made by the servicer.

In light of the Company's retained interests in each of the securitizations, together with the Optional Redemption rights and the Company's ability to direct the third-party servicer regarding certain loss mitigation activities, the Company is deemed to be the primary beneficiary of the Issuing Entities, which are VIEs, and has consolidated the Issuing Entities. Interest income from these loans and the expenses related to the servicing of these loans are included in Interest income and Investment related expenses—Servicing expense, respectively, on the Consolidated Statement of Operations.

The Issuing Entities each meet the definition of a CFE as defined in Note 2, and as a result the assets of each of the Issuing Entities have been valued using the fair value of the liabilities of the respective Issuing Entity, as such liabilities have been assessed to be more observable than such assets.

The debt of the Issuing Entities is included in Other secured borrowings, at fair value, on the Consolidated Balance Sheet and is shown net of the Certificates held by the Company.

The following table details the Company's outstanding consolidated residential mortgage loan securitizations:

Issuing Entity	Closing Date	Principal Balance of Loans Transferred to the Depositor	Total Face Amount o Certificates Issued
		(In thousands)	
Ellington Financial Mortgage Trust 2019-2	11/19	$ 267,255	$ 267,255 (
Ellington Financial Mortgage Trust 2020-1	6/20	259,273	259,273 (
Ellington Financial Mortgage Trust 2020-2	10/20	219,732	219,732 (
Ellington Financial Mortgage Trust 2021-1	2/21	251,771	251,771 (
Ellington Financial Mortgage Trust 2021-2	6/21	331,777	331,777 (
Ellington Financial Mortgage Trust 2021-3	10/21	257,645	257,645 (
Ellington Financial Mortgage Trust 2022-1	1/22	417,188	417,188 (
Ellington Financial Mortgage Trust 2022-2	4/22	425,651	425,651 (

(1) In order to comply with the Risk Retention Rules, the Sponsor purchased the two most subordinated classes of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 6.4% of the fair value of all Certificates issued. The Sponsor also purchased, for an aggregate purchase price of $1.7 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(2) In order to comply with the Risk Retention Rules, the Sponsor purchased the most subordinated class of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 5.1% of the fair value of all Certificates issued. Additionally, the Sponsor purchased two other subordinated classes of Certificates with an aggregate value equal to 6.4% of the fair value of all Certificates issued as of the settlement date; the Company subsequently sold such subordinated classes of Certificates to third parties. Finally, the Sponsor also purchased, for an aggregate purchase price of $1.9 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(3) In order to comply with the Risk Retention Rules, the Sponsor purchased the excess cash flow certificates, with an aggregate value as of the settlement date equal to 5.2% of the fair value of all Certificates issued. Additionally, the Sponsor purchased the most subordinated class of Certificates with an aggregate value as of the settlement date equal to 2.4% of the fair value of all Certificates issued. Finally, the Sponsor also purchased, for an aggregate purchase price of $1.4 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(4) In order to comply with the Risk Retention Rules, the Sponsor purchased the excess cash flow certificates, with an aggregate value as of the settlement date equal to 5.4% of the fair value of all Certificates issued. Additionally, the Sponsor purchased the most subordinated class of Certificates with an aggregate value as of the settlement date equal to 0.4% of the fair value of all Certificates issued. Finally, the Sponsor also purchased, for an aggregate purchase price of $1.6 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(5) In order to comply with the Risk Retention Rules, the Sponsor purchased the most subordinated class of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 6.5% of the fair value of all Certificates issued. The Sponsor also purchased, for an aggregate purchase price of $2.1 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(6) In order to comply with the Risk Retention Rules, the Sponsor purchased the most subordinated class of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 6.3% of the fair value of all Certificates issued. Additionally, the Sponsor purchased one other subordinated class of Certificates with an aggregate value equal to 2.0% of the fair value of all Certificates issued as of the settlement date; the Company subsequently sold such subordinated class of Certificates to third parties. The Sponsor also purchased, for an aggregate purchase price of $1.8 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(7) In order to comply with the Risk Retention Rules, the Sponsor purchased the most subordinated class of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 5.3% of the fair value of all Certificates issued. The Sponsor also purchased, for an aggregate purchase price of $3.6 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

(8) In order to comply with the Risk Retention Rules, the Sponsor purchased the two most subordinated class of Certificates and the excess cash flow certificates, with an aggregate value as of the settlement date equal to 5.6% of the fair value of all Certificates issued. The Sponsor also purchased, for an aggregate purchase price of $1.3 million, the Certificates entitled to excess servicing fees, while the remaining classes of Certificates were purchased by unrelated third parties.

The following table details the assets and liabilities of the consolidated securitization trusts included in the Company's Consolidated Balance Sheet as of June 30, 2022 and December 31, 2021:

(In thousands)	June 30, 2022	December 31, 2021
Assets:		
Loans, at fair value	$ 1,561,813	$ 1,041,545
Investment related receivables	8,499	23,069
Liabilities:		
Other secured borrowings, at fair value	1,448,182	984,168

Participation in Multi-Seller Consumer Loan Securitizations

The Company has participated in various securitizations whereby the Company, together with certain other entities managed by Ellington (the "Consumer Co-Participants"), sold consumer loans to newly formed securitization trusts (each a "Consumer Securitization Issuer"). The sales were accounted for as sales in accordance with ASC 860-10. The following table provides additional details for each such securitization.

Securitization Closing	UPB of Loans Sold to Consumer Securitization Issuer	% Contributed by the Company	Principal Amount of Notes Issued(1)	% Ownership of Consumer Risk Retention Vehicle
November 2020	$ 205,088	56.3 %	$ 193,650	56.3 %
March 2022(2)	193,450	24.7 %	400,000	24.6 %

(1) Total principal amount of notes issued by the Consumer Securitization Issuer pursuant to the securitization.
(2) UPB of loans sold to the Consumer Securitization Issuer represent the UPB of consumer loans sold by the Company and the Consumer Co-Participants. Such amount excludes $227.6 million of UPB of consumer loans sold to the Consumer Securitization Issuer by a third-party.

As shown in the above table, pursuant to each of the securitizations, the respective Consumer Securitization Issuer issued senior and subordinated notes. Trust certificates representing beneficial ownership of each of the Consumer Securitization Issuers were also issued. In connection with each transaction, through a jointly owned newly formed entity (each a "Consumer Risk Retention Vehicle"), the Company and the Consumer Co-Participants acquired certain of the subordinated notes as well as the trust certificates in the respective Consumer Securitization Issuer. As of June 30, 2022 and December 31, 2021, the Company's total interest in the Consumer Risk Retention Vehicles, for which the Company has elected the FVO, was $10.0 million and $11.5 million, respectively. The fair value of the Consumer Risk Retention Vehicles is included on the Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value.

The notes and trust certificates issued by each of the Consumer Securitization Issuers are backed by the cash flows from the underlying consumer loans. If there are breaches of representations and warranties with respect to any underlying consumer loans, the Company could, under certain circumstances, be required to repurchase or replace such loans. Absent such breaches, the Company has no obligation to repurchase or replace any underlying consumer loans that become delinquent or otherwise default. In addition, another affiliate of Ellington acts as the administrator for these securitizations and is paid a monthly fee for its services.

The Consumer Securitization Issuers are each deemed to be a VIE. The Company has evaluated its interest in each of the Consumer Securitization Issuers under ASC 810, and while the Company retains credit risk in each of the securitization trusts through its beneficial ownership of most of the subordinated interests of each of the securitization trusts, which are the first to absorb credit losses on the securitized assets, neither the Company nor the Consumer Risk Retention Vehicles retain control of these assets or the power to direct the activities of the Consumer Securitization Issuers that most significantly impact the Consumer Securitization Issuers' economic performance. As a result, the Company determined that neither the Company nor the Consumer Risk Retention Vehicles are the primary beneficiary of the respective Consumer Securitization Issuer, and therefore the Company has not consolidated the Consumer Securitization Issuers. Additionally, the Company evaluated its interest in each of the Consumer Risk Retention Vehicles, which do not meet the criteria to be deemed a VIE, under the voting interest model provided by ASC 810 and determined the Company does not control the Consumer Risk Retention Vehicles. As a result, the Company has not consolidated the Consumer Risk Retention Vehicles.

11. Borrowings

Secured Borrowings

The Company's secured borrowings consist of repurchase agreements, Other secured borrowings, and Other secured borrowings, at fair value. As of June 30, 2022 and December 31, 2021, the Company's total secured borrowings were $4.4 billion and $3.6 billion, respectively.

Repurchase Agreements

The Company enters into repurchase agreements. A repurchase agreement involves the sale of an asset to a counterparty together with a simultaneous agreement to repurchase the transferred asset or similar asset from such counterparty at a future date. The Company accounts for its repurchase agreements as collateralized borrowings, with the transferred assets effectively serving as collateral for the related borrowing. The Company's repurchase agreements typically range in term from 30 to 364 days, although the Company also has repurchase agreements that provide for longer or shorter terms. The principal economic terms of each repurchase agreement—such as loan amount, interest rate, and maturity date—are typically negotiated on a transaction-by-transaction basis. Other terms and conditions, such as those relating to events of default, are typically governed under the Company's master repurchase agreements. Absent an event of default, the Company maintains beneficial ownership

of the transferred securities during the term of the repurchase agreement and receives the related principal and interest payments. Interest rates on these borrowings are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and for most repurchase agreements, interest is generally paid at the termination of the repurchase agreement, at which time the Company may enter into a new repurchase agreement at prevailing market rates with the same counterparty, repay that counterparty and possibly negotiate financing terms with a different counterparty, or choose to no longer finance the related asset. Some repurchase agreements provide for periodic payments of interest, such as monthly payments. In response to a decline in the fair value of the transferred securities, whether as a result of changes in market conditions, security paydowns, or other factors, repurchase agreement counterparties will typically make a margin call, whereby the Company will be required to post additional securities and/or cash as collateral with the counterparty in order to re-establish the agreed-upon collateralization requirements. In the event of increases in fair value of the transferred securities, the Company can generally require the counterparty to post collateral with it in the form of cash or securities. The Company is generally permitted to sell or re-pledge any securities posted by the counterparty as collateral; however, upon termination of the repurchase agreement, or other circumstance in which the counterparty is no longer required to post such margin, the Company must return to the counterparty the same security that had been posted.

At any given time, the Company seeks to have its outstanding borrowings under repurchase agreements with several different counterparties in order to reduce the exposure to any single counterparty. The Company had outstanding borrowings under repurchase agreements with 23 counterparties as of both June 30, 2022 and December 31, 2021.

As of June 30, 2022, remaining days to maturity on the Company's open repurchase agreements ranged from 1 day to 457 days. Interest rates on the Company's open repurchase agreements ranged from 0.16% to 5.45% as of June 30, 2022. As of December 31, 2021, remaining days to maturity on the Company's open repurchase agreements ranged from 3 days to 638 days. Interest rates on the Company's open repurchase agreements ranged from 0.10% to 3.75% as of December 31, 2021.

The following table details the Company's outstanding borrowings under repurchase agreements for Agency RMBS and credit assets (which can include non-Agency RMBS, CMBS, CLOs, consumer loans, corporate debt, residential mortgage loans, and commercial mortgage loans and REO), by remaining maturity as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
		Weighted Average			Weighted Average	
Remaining Maturity	**Outstanding Borrowings**	**Interest Rate**	**Remaining Days to Maturity**	**Outstanding Borrowings**	**Interest Rate**	**Remaining Days to Maturity**
Agency RMBS:	*(In thousands)*			*(In thousands)*		
30 Days or Less	$ 277,526	0.91 %	14	$ 180,059	0.17 %	9
31-60 Days	452,660	0.78 %	45	254,027	0.23 %	44
61-90 Days	200,636	0.82 %	75	154,520	0.20 %	70
91-120 Days	139,651	0.53 %	112	129,057	0.16 %	105
121-150 Days	92,943	0.88 %	134	275,915	0.17 %	136
151-180 Days	57,239	2.13 %	166	71,824	0.16 %	164
181-364 Days	118,707	0.99 %	205	570,694	0.20 %	260
> 364 Days	—	— %	—	3,791	0.13 %	366
Total Agency RMBS	1,339,362	0.87 %	75	1,639,887	0.19 %	144
Credit:						
30 Days or Less	7,379	2.54 %	11	377,440	2.09 %	16
31-60 Days	99,126	2.53 %	45	102,567	1.38 %	44
61-90 Days	67,223	2.78 %	77	96,823	1.50 %	78
91-120 Days	307,046	2.81 %	116	35,346	2.00 %	109
121-150 Days	14,459	3.38 %	146	3,353	1.56 %	139
151-180 Days	57,075	3.64 %	163	87,863	2.82 %	151
181-364 Days	675,426	3.89 %	192	—	— %	—
> 364 Days	273,863	3.92 %	413	126,484	2.58 %	462
Total Credit Assets	1,501,597	3.51 %	200	829,876	2.08 %	114
U.S. Treasury Securities:						
30 Days or Less	24,263	1.58 %	1	—	— %	—
Total U.S. Treasury Securities	24,263	1.58 %	1	—	— %	—
Total	$ 2,865,222	2.26 %	140	$ 2,469,763	0.82 %	134

Repurchase agreements involving underlying investments that the Company sold prior to period end, for settlement following period end, are shown using their contractual maturity dates even though such repurchase agreements may be expected to be terminated early upon settlement of the sale of the underlying investment.

As of June 30, 2022 and December 31, 2021, the fair value of investments transferred as collateral under outstanding borrowings under repurchase agreements was $3.3 billion and $2.8 billion, respectively. Collateral transferred under outstanding borrowings under repurchase agreements as of June 30, 2022 and December 31, 2021, include investments in the amount of $37.6 million and $4.1 million, respectively, that were sold prior to period end but for which such sale had not yet settled. In addition, as of June 30, 2022 and December 31, 2021, the Company posted net cash collateral of $83.3 million and $70.3 million, respectively, to its counterparties.

Amount at risk represents the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. The following table provides details by counterparty for such counterparties for which the amounts at risk relating to our repurchase agreements was greater than 10% of total equity as of June 30, 2022. There was no counterparty for which the amount at risk was greater than 10% of total equity as of December 31, 2021.

Counterparty	**Amount at Risk**	**Weighted Average Remaining Days to Maturity**	**Percentage of Equity**
	(In thousands)		
Nomura Holdings Inc.	$ 190,230	183	15.4 %

Other Secured Borrowings

The Company entered into agreements to finance a portfolio of unsecured loans through a recourse secured borrowing facility. The facility terminated in February 2022. The facility accrued interest on a floating-rate basis. As of December 31, 2021, the Company had outstanding borrowings under this facility in the amount of $2.7 million, which is included under the caption Other secured borrowings, on the Company's Consolidated Balance Sheet. The effective interest rate, inclusive of related deferred financing costs, was 2.10% as of December 31, 2021. As of December 31, 2021, the fair value of unsecured loans collateralizing this borrowing was $4.3 million.

The Company had a non-recourse secured borrowing facility that was used to finance a portfolio of unsecured loans; such facility was terminated in March 2022. The facility accrued interest on a floating rate basis. As of December 31, 2021, the Company had outstanding borrowings under this facility in the amount of $38.5 million, which is included under the caption Other secured borrowings, on the Company's Consolidated Balance Sheet. The effective interest rate on this facility, inclusive of any related deferred financing costs, was 2.25% as of December 31, 2021. As of December 31, 2021, the fair value of unsecured loans collateralizing this borrowing was $57.1 million.

The Company has entered into an agreement to finance a portfolio of ABS backed by consumer loans through a recourse secured borrowing facility. The facility includes a revolving borrowing period ending in September 2022 (or earlier following a trigger event), whereby the Company can vary its borrowings based on the size of its portfolio, subject to certain maximum limits. Following the revolving borrowing period, the facility amortizes, with a final termination date in September 2024. The facility accrues interest on a floating rate basis. As of June 30, 2022 and December 31, 2021, the Company had outstanding borrowings under this facility in the amount of $45.5 million and $46.9 million, respectively, which is included under the caption Other secured borrowings, on the Company's Consolidated Balance Sheet. The effective interest rate on this facility, inclusive of any related deferred financing costs, was 4.79% and 4.70% as of June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, the fair value of ABS backed by consumer loans collateralizing this borrowing was $74.2 million and $67.5 million, respectively. There are a number of covenants, including several financial covenants, associated with this borrowing; as of both June 30, 2022 and December 31, 2021, the Company was in compliance with all of its covenants.

The Company has completed securitization transactions, as discussed in Note 10, whereby it financed portfolios of non-QM loans. As of June 30, 2022 and December 31, 2021, the fair value of the Company's outstanding liabilities associated with these securitization transactions was $1.448 billion and $984.2 million, respectively, representing the fair value of the securitization trust certificates held by third parties as of such date, and is included on the Company's Consolidated Balance Sheet in Other secured borrowings, at fair value. The weighted average coupon of the Certificates held by third parties was 2.55% and 1.68% as of June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, the fair value of non-QM loans held in the consolidated securitization trusts was $1.6 billion and $1.0 billion, respectively.

In March 2020, the Company entered into a participation agreement with an unrelated third-party, the "Junior Participant," whereby the Company transferred to the Junior Participant an interest in a small balance commercial mortgage loan, the "Partial Loan," (together with the Company's interest, the "Whole Commercial Loan"). The Partial Loan was subordinate to the interest in the loan held by the Company. In accordance with ASC 860-10, the Partial Loan transferred to the Junior Participant did not meet the definition of a participating interest and, as a result, the Company did not recognize the transfer of the Partial Loan to the Junior Participant as a sale. The Company recorded the Whole Commercial Loan in Loans, at fair value, on the Consolidated Balance Sheet. The Whole Commercial Loan was repaid in February 2022. As of December 31, 2021, the fair value of the Whole Commercial Loan was $18.0 million. The Company's liability to the Junior Participant as of December 31, 2021, was $7.5 million, and is included in Other secured borrowings on the Company's Consolidated Balance Sheet.

The Company and a third-party (the "Participant") have entered into participation agreements whereby in each case the Company sold a participation in a syndicated bank loan (the "Participated Loans"). Simultaneous with the execution of the participation agreement, the Company entered into a forward purchase agreement with the Participant to repurchase the Participated Loan at a predetermined price. As of December 31, 2021, the fair value of the Participated Loans was $1.1 million, and is included in Securities, at fair value on the Company's Consolidated Balance Sheet. The Company's liability to the Participant was $1.0 million, as of December 31, 2021, and is included in Other secured borrowings on the Company's Consolidated Balance Sheet. The effective interest rate on the liability to the Participant was 3.17% as of December 31, 2021.

Unsecured Borrowings

Senior Notes

The Company has issued $86.0 million in aggregate principal amount of unsecured long-term debt, which is structured as a joint and several co-issuance by certain of the Company's consolidated subsidiaries and fully guaranteed by the Company (the "5.50% Senior Notes"). The 5.50% Senior Notes bear interest at a rate of 5.50%, subject to adjustment based on changes, if any,

in the ratings of the 5.50% Senior Notes. Interest on the 5.50% Senior Notes is payable semi-annually in arrears on March 1 and September 1 of each year. The 5.50% Senior Notes mature on September 1, 2022. The Company may redeem the 5.50% Senior Notes, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the 5.50% Senior Notes to be redeemed, plus accrued and unpaid interest. The 5.50% Senior Notes are carried at amortized cost and are included in Senior Notes, net, on the Condensed Consolidated Balance Sheet. The Company amortizes debt issuance costs over the life of the associated debt; the amortized portion of debt issuance costs is included in Interest expense on the Consolidated Statement of Operations. The 5.50% Senior Notes have an effective interest rate of approximately 5.80%, inclusive of debt issuance costs.

In addition to the 5.50% Senior Notes, the Company has also issued $210.0 million in aggregate principal amount of unsecured long-term debt, which is structured as a joint and several co-issuance by certain of the Company's consolidated subsidiaries and fully guaranteed by the Company (the "5.875% Senior Notes"). The 5.875% Senior Notes bear interest at a rate of 5.875%, subject to adjustment based on changes, if any, in the ratings of the 5.875% Senior Notes. Interest on the 5.875% Senior Notes is payable semi-annually in arrears on April 1 and October 1 of each year. The 5.875% Senior Notes mature on April 1, 2027. Prior to April 1, 2026, the Company may redeem the 5.875% Senior Notes, at its option, in whole or in part, at a premium as detailed in the indenture dated March 31, 2022. On or after April 1, 2026, the Company may redeem all or a part of the 5.875% Senior Notes at a redemption price of 100%, plus accrued and unpaid interest.

The Company has elected the FVO for the 5.875% Senior Notes which are included in Senior Notes, at fair value on the Condensed Consolidated Balance Sheet. Change in unrealized gains and losses on the Company's Senior Notes, at fair value are included in Other, net, on the Condensed Consolidated Statement of Operations.

There are a number of covenants, including several financial covenants, associated with each of the 5.50% Senior Notes and the 5.875% Senior Notes (collectively, the "Senior Notes"); as of both June 30, 2022 and December 31, 2021, the Company was in compliance with all of its covenants for the Senior Notes. The Senior Notes are unsecured and are effectively subordinated to secured indebtedness of the Company, to the extent of the value of the collateral securing such indebtedness.

Schedule of Principal Repayments

The following table details the Company's principal repayment schedule, over the next 5 years, for outstanding borrowings as of June 30, 2022:

Year	Repurchase Agreements[1]	Other Secured Borrowings[2]	Senior Notes[1]	Total
(In thousands)				
Next Twelve Months	$ 2,724,458	$ 436,345	$ 86,000	$ 3,246,803
Year 2	140,764	285,525	—	426,289
Year 3	—	212,644	—	212,644
Year 4	—	161,125	—	161,125
Year 5	—	127,618	210,000	337,618
Total	$ 2,865,222	$ 1,223,257	$ 296,000	$ 4,384,479

(1) Reflects the Company's contractual principal repayment dates.
(2) Includes $1.178 billion of expected principal repayments related to the Company's consolidated residential mortgage loan securitizations, which are projected based upon the underlying assets' expected repayments and may be prior to the stated contractual maturities.

12. Income Taxes

The Company has elected to be taxed as a REIT under the Code. A REIT is generally not subject to U.S. federal, state, and local income tax on the portion of its income that is distributed to its owners if it distributes at least 90% of its REIT taxable income within the prescribed time frames, determined without regard to the deduction for dividends paid and excluding any net capital gains. The Company intends to operate in a manner which will allow it to continue to meet the requirements for qualification as a REIT. Accordingly, Ellington Financial Inc. does not believe that it will be subject to U.S. federal, state, and local income tax on the portion of its net taxable income that is distributed to its stockholders as long as certain asset, income, and share ownership tests are met.

Cash dividends declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a dividend is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*, or "ASC 740." Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities under U.S. GAAP and the carrying amounts used for income tax purposes. For the three-month periods ended June 30, 2022 and 2021, the Company recorded income tax expense (benefit) of $(7.8) million and $3.1 million, respectively. For the six-month periods ended June 30, 2022 and 2021, the Company recorded income tax expense (benefit) of $(14.8) million and $5.2 million, respectively. The reversal in the Company's income tax accruals was the result of net realized and unrealized losses in a domestic TRS for the three- and six-month periods ended June 30, 2022 as compared to net realized and unrealized gains in a domestic TRS for the three- and six-month periods ended June 30, 2021. Based upon the available evidence at June 30, 2022, the Company determined that it was more likely than not that the deferred tax assets of its TRS would not be utilized in future periods. As a result, the Company recorded a $9.6 million valuation allowance to fully reserve against these deferred tax assets.

13. Related Party Transactions

The Company is party to the Management Agreement (which may be amended from time to time), pursuant to which the Manager manages the assets, operations, and affairs of the Company, in consideration of which the Company pays the Manager management and incentive fees. The descriptions of the Base Management Fees and Incentive Fees are detailed below.

Base Management Fees

The Operating Partnership pays the Manager 1.50% per annum of total equity of the Operating Partnership calculated in accordance with U.S. GAAP as of the end of each fiscal quarter (before deductions for base management fees and incentive fees payable with respect to such fiscal quarter), provided that total equity is adjusted to exclude one-time events pursuant to changes in U.S. GAAP, as well as non-cash charges after discussion between the Manager and the Company's independent directors, and approval by a majority of the Company's independent directors in the case of non-cash charges.

Pursuant to the Management Agreement, if the Company invests at issuance in the equity of any collateralized debt obligation that is managed, structured, or originated by Ellington or one of its affiliates, or if the Company invests in any other investment fund or other investment for which Ellington or one of its affiliates receives management, origination, or structuring fees, then, unless agreed otherwise by a majority of the Company's independent directors, the base management and incentive fees payable by the Company to its Manager will be reduced by an amount equal to the applicable portion (as described in the Management Agreement) of any such management, origination, or structuring fees.

For the three-month period ended June 30, 2022, the total base management fee incurred was $4.0 million, consisting of $4.6 million of total gross base management fee incurred, less $0.6 million of management fee rebates. For the three-month period ended June 30, 2021, the total base management fee incurred was $3.4 million, consisting of approximately $3.6 million of total gross base management fee incurred, less $0.2 million of management fee rebates. For the six-month period ended June 30, 2022, the total base management fee incurred was $8.3 million, consisting of $9.5 million of total gross base management fee incurred, less $1.3 million of management fee rebates. For the six-month ended June 30, 2021, the total base management fee incurred was $6.6 million, consisting of $7.0 million of total gross base management fee incurred, less $0.4 million of management fee rebates. See "*—Participation in CLO Transactions*" below for details on management fee rebates.

Incentive Fees

The Manager is entitled to receive a quarterly incentive fee equal to the positive excess, if any, of (i) the product of (A) 25% and (B) the excess of (1) Adjusted Net Income (described below) for the Incentive Calculation Period (which means such fiscal quarter and the immediately preceding three fiscal quarters) over (2) the sum of the Hurdle Amounts (described below) for the Incentive Calculation Period, over (ii) the sum of the incentive fees already paid or payable for each fiscal quarter in the Incentive Calculation Period preceding such fiscal quarter.

For purposes of calculating the incentive fee, "Adjusted Net Income" for the Incentive Calculation Period means the net increase in equity from operations of the Operating Partnership, after all base management fees but before any incentive fees for such period, and excluding any non-cash equity compensation expenses for such period, as reduced by any Loss Carryforward (as described below) as of the end of the fiscal quarter preceding the Incentive Calculation Period.

For purposes of calculating the incentive fee, the "Loss Carryforward" as of the end of any fiscal quarter is calculated by determining the excess, if any, of (1) the Loss Carryforward as of the end of the immediately preceding fiscal quarter over (2) the Company's net increase in equity from operations (expressed as a positive number) or net decrease in equity from operations (expressed as a negative number) of the Operating Partnership for such fiscal quarter. As of June 30, 2022 there was a Loss Carryforward of $75.1 million; there was no Loss Carryforward as of December 31, 2021.

For purposes of calculating the incentive fee, the "Hurdle Amount" means, with respect to any fiscal quarter, the product of (i) one-fourth of the greater of (A) 9% and (B) 3% plus the 10-year U.S. Treasury rate for such fiscal quarter, (ii) the sum of (A) the weighted average gross proceeds per share of all common stock and OP Unit issuances since inception of the Company and up to the end of such fiscal quarter, with each issuance weighted by both the number of shares of common stock and OP Units issued in such issuance and the number of days that such issued shares of common stock and OP Units were outstanding during such fiscal quarter, using a first-in first-out basis of accounting (*i.e.* attributing any share of common stock and OP Unit repurchases to the earliest issuances first) and (B) the result obtained by dividing (I) retained earnings attributable to shares of common stock and OP Units at the beginning of such fiscal quarter by (II) the average number of shares of common stock and OP Units outstanding for each day during such fiscal quarter, and (iii) the sum of (x) the average number of shares of common stock and long term incentive plan units of the Company outstanding for each day during such fiscal quarter, and (y) the average number of Convertible Non-controlling Interests outstanding for each day during such fiscal quarter. For purposes of determining the Hurdle Amount, issuances of common stock, and Convertible Non-controlling Interests (a) as equity incentive awards, (b) to the Manager as part of its base management fee or incentive fee and (c) to the Manager or any of its affiliates in privately negotiated transactions, are excluded from the calculation. The payment of the incentive fee will be in a combination of shares of common stock and cash, provided that at least 10% of any quarterly payment will be made in shares of common stock.

The Company incurred incentive fees of $7.2 million for each of the three- and six-month periods ended June 30, 2021. The Company did not accrue an incentive fee for either of the three- or six-month periods ended June 30, 2022, since on a rolling four quarter basis, the Company's income did not exceed the prescribed hurdle amount.

Termination Fees

The Management Agreement requires the Company to pay a termination fee to the Manager in the event of (1) the Company's termination or non-renewal of the Management Agreement without cause or (2) the Company's termination of the Management Agreement based on unsatisfactory performance by the Manager that is materially detrimental to the Company or (3) the Manager's termination of the Management Agreement upon a default by the Company in the performance of any material term of the Management Agreement. Such termination fee will be equal to the amount of three times the sum of (i) the average annual quarterly base management fee amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal and (ii) the average annual quarterly incentive fee amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal.

Expense Reimbursement

Under the terms of the Management Agreement the Company is required to reimburse the Manager for operating expenses related to the Company that are incurred by the Manager, including expenses relating to legal, accounting, due diligence, other services, and all other costs and expenses. The Company's reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash within 60 days following delivery of the expense statement by the Manager; provided, however, that such reimbursement may be offset by the Manager against amounts due to the Company from the Manager. The Company will not reimburse the Manager for the salaries and other compensation of the Manager's personnel except that the Company will be responsible for expenses incurred by the Manager in employing certain dedicated or partially dedicated personnel as further described below.

The Company reimburses the Manager for the allocable share of the compensation, including, without limitation, wages, salaries, and employee benefits paid or reimbursed, as approved by the Compensation Committee of the Board of Directors to certain dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, such personnel will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the six-month periods ended June 30, 2022 and 2021, the Company reimbursed the Manager $9.2 million and $6.0 million, respectively, for previously incurred operating expenses. As of June 30, 2022 and December 31, 2021, the outstanding payable to the Manager for operating expenses was $3.1 million and $3.7 million, respectively, which are included in Accrued expenses and other liabilities on the Consolidated Balance Sheet.

Transactions Involving Certain Loan Originators

As of June 30, 2022 and December 31, 2021, the loan originators in which the Company holds equity investments represent related parties. Transactions that have been entered into with these related party loan originators are summarized below.

The Company is a party to a mortgage loan purchase and sale flow agreement, with a mortgage loan originator in which the Company holds a non-controlling equity investment, whereby the Company purchases residential mortgage loans that satisfy certain specified criteria. The Company has also provided a $5.0 million line of credit to the mortgage originator. Under the terms of this line of credit, the Company has agreed to make advances to the mortgage originator solely for the purpose of funding specifically identified residential mortgage loans designated for sale to the Company. To the extent the advances are drawn by the mortgage originator, it must pay interest, at a rate of 15% per annum, on the outstanding balance of each advance from the date the advance is made until such advance is repaid in full. The mortgage originator is required to repay advances in full no later than two business days following the date that the Company purchases the related residential mortgage loans from the mortgage originator. As of both June 30, 2022 and December 31, 2021, there were no advances outstanding. The Company has also entered into agreements whereby it guarantees the performance of such mortgage originator under third-party master repurchase agreements. See Note 21, Commitments and Contingencies, for further information on the Company's guarantees of the third-party borrowing arrangements. Additionally, in August 2020, the Company entered into a commitment agreement whereby the Company committed to purchase $150 million of residential mortgage loans. In connection with satisfying the conditions set forth under such commitment agreement, the Company received warrants to purchase a maximum of 9.329 million shares of non-voting common stock. In December 2021, warrants to purchase 1.049 million shares of non-voting common stock were terminated. As of both June 30, 2022 and December 31, 2021, the Company held warrants to purchase 8.28 million shares; such warrants have a fair value of $7.4 million and $10.0 million, respectively, and are included in Investments in unconsolidated entities on the Consolidated Balance Sheet.

The Company, through a related party of Ellington, or the "Loan Purchaser," is a party to a consumer loan purchase and sale flow agreement with a consumer loan originator in which the Company holds an investment in common and preferred stock and warrants to purchase additional preferred stock, whereby the Loan Purchaser purchases consumer loans that satisfy certain specified criteria. The Company has investments in participation certificates related to consumer loans titled in the name of the Loan Purchaser. Through its participation certificates, the Company has beneficial interests in the loan cash flows, net of servicing-related fees and expenses. The total fair value of the Company's participation certificates was $78.2 million and $72.8 million as of June 30, 2022 and December 31, 2021, respectively, which is included in Securities, at fair value on the Consolidated Balance Sheet. An employee of Ellington has a less-than-10% equity interest in, and serves on the board of, this consumer loan originator. Another employee of Ellington, who serves as an officer of the Company, also serves on the board, as the Company's representative.

The following table provides details of financing that the Company has provided, in the form of secured promissory notes, to certain loan origination-related entities in which the Company also holds equity investments:

			Interest Rate as of		Outstanding Borrowings as of		Fair Value[1] as of	
Effective Date of Promissory Note	Maturity Date of Promissory Note	Maximum Borrowing	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
		(In thousands)			(In thousands)			
May 2021[2]	December 31, 2025	$ 6,000	6.0%	3.0%	$ 3,000	$ 3,000	$ 3,000	$ 3,000
February 2022	January 31, 2025	500	7.0%	—	325	—	325	—

(1) Classified as a Corporate loan and is included in Loans, at fair value on the Consolidated Balance Sheet.
(2) Convertible into non-voting equity interests, at the option of the borrower, at any time prior to maturity.

In June 2022, the Company converted a $2.0 million corporate loan to a mortgage loan originator into preferred equity, and in connection with such conversion, the Company purchased an additional $150 thousand of such preferred equity. The Company also holds a non-controlling common equity investment in this originator. As of June 30, 2022, the fair value of the Company's investments in this originator was $1.2 million, which is included in Investments in unconsolidated entities, at fair value, on the Consolidated Balance Sheet. For the three- and six-month periods ended June 30, 2022, the Company has recognized net unrealized losses of $(3.5) million related to its investment in this originator, which are included in Earnings (losses) from investments in unconsolidated entities, on its Consolidated Statement of Operations.

Consumer, Residential, and Commercial Loan Transactions with Affiliates

The Company purchases certain of its consumer loans through an affiliate, or the "Purchasing Entity." The Purchasing Entity has entered into purchase agreements, open-ended in duration, with third party consumer loan originators whereby it has agreed to purchase eligible consumer loans. The amount of loans purchased under these purchase agreements is dependent on, among other factors, the amount of loans originated in any given period by the selling originators. The Company and certain other affiliates of Ellington have entered into agreements with the Purchasing Entity whereby the Company and each of those other affiliates of Ellington have agreed to purchase their allocated portion (subject to monthly determination based on available

capital and other factors) of the eligible loans acquired by the Purchasing Entity under each purchase agreement. Immediately after the Purchasing Entity purchases beneficial interests in the loans, the Company and other affiliates of Ellington purchase such beneficial interests from the Purchasing Entity, at the same price paid by the Purchasing Entity. During the six-month periods ended June 30, 2022 and 2021, the Company purchased loans under these agreements with an aggregate principal balance of $10.0 million and $11.9 million, respectively. As of December 31, 2021, the estimated remaining contingent purchase obligations of the Company under these purchase agreements was approximately $13.4 million in principal balance; as of June 30, 2022, there were no remaining contingent purchase obligations.

The Company's beneficial interests in the consumer loans purchased through the Purchasing Entity are evidenced by participation certificates issued by trusts that hold legal title to the loans. These trusts are owned by a related party of Ellington and were established to hold such loans. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by each trust. The total amount of consumer loans underlying the Company's participation certificates and held in the related party trusts was $6.9 million and $61.7 million as of June 30, 2022 and December 31, 2021, respectively.

The Company has beneficial interests in residential mortgage loans and REO held in a trust owned by a related party of Ellington. Through these beneficial interests, the Company participates in the cash flows of the underlying loans held by such trust. The total amount of residential mortgage loans and REO underlying the Company's beneficial interests and held in the related party trust was $1.435 billion and $975.7 million as of June 30, 2022 and December 31, 2021, respectively.

The Company is a co-investor in certain small balance commercial mortgage loans with several other investors, including an unrelated third party and various affiliates of Ellington. These loans are beneficially owned by a consolidated subsidiary of the Company. As of June 30, 2022 and December 31, 2021, the aggregate fair value of these small balance commercial loans was $16.0 million and $34.0 million, respectively. As of June 30, 2022, the non-controlling interests held by the unrelated third party and the Ellington affiliates were $1.3 million and $2.0 million, respectively. As of December 31, 2021, the non-controlling interests held by the unrelated third party and the Ellington affiliates were $2.0 million and $3.6 million, respectively.

The Company is also a co-investor in certain small balance commercial mortgage loans and REO with other investors, including various unrelated third parties and various affiliates of Ellington. Each co-investor in a particular loan has an interest in the limited liability company that owns such loan or REO. As of June 30, 2022 and December 31, 2021, the aggregate fair value of the Company's investments in the jointly owned limited liability companies was approximately $65.0 million and $36.9 million, respectively. Such investments are included in Investments in unconsolidated entities, on the Consolidated Balance Sheet.

The consumer, residential mortgage, and certain commercial mortgage loans that are the subject of the foregoing loan transactions are held in trusts, each of which the Company has determined to be a VIE. The Company has evaluated each of these VIEs and determined that the Company has the power to direct the activities of each VIE that most significantly impact such VIE's economic performance and the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result the Company has determined it is the primary beneficiary of each of these VIEs and has consolidated each VIE.

Equity Investment in Unconsolidated Entity

The Company is a co-investor, together with other affiliates of Ellington, in Jepson Holdings Limited ("Jepson"), the parent of an entity (the "Jepson Risk Retention Vehicle") that has sponsored various European mortgage loan securitizations. The Jepson Risk Retention Vehicle is expected to hold certain of the notes it issues for each securitization it completes in order to comply with European risk retention rules.

As of both June 30, 2022 and December 31, 2021, the Company's equity investment in Jepson Holdings Limited had a fair value of $0.7 million and $1.0 million, respectively. See Note 6 for additional details on this equity investment.

Participation in Multi-Borrower Financing Facilities

The Company is a co-participant with certain other entities managed by Ellington or its affiliates (the "Affiliated Entities") in various entities (each, a "Joint Entity"), which were formed in order to facilitate the financing of small balance commercial mortgage loans, residential mortgage loans, and REO (collectively, the "Mortgage Loan and REO Assets"), through repurchase agreements. Each Joint Entity has a master repurchase agreement with a particular financing counterparty.

In connection with the financing of the Mortgage Loan and REO Assets under repurchase agreements, each of the Company and the Affiliated Entities transferred certain of their respective Mortgage Loan and REO Assets to one of the Joint Entities in exchange for its pro rata share of the financing proceeds that the respective Joint Entity received from the financing

counterparty. While the Company's Mortgage Loan and REO Assets were transferred to the Joint Entity, the Company's Mortgage Loan and REO Assets and the related debt were not derecognized for financial reporting purposes, in accordance with ASC 860-10, because the Company continued to retain the risks and rewards of ownership of its Mortgage Loan and REO Assets. As of June 30, 2022 and December 31, 2021, the Joint Entities had aggregate outstanding issued debt under the repurchase agreements in the amount of $917.7 million and $566.0 million, respectively. The Company's segregated silo of this debt as of June 30, 2022 and December 31, 2021 was $305.0 million and $150.5 million, respectively, and is included under the caption Repurchase agreements on the Company's Consolidated Balance Sheet. To the extent that there is a default under the repurchase agreements, all of the assets of each respective Joint Entity, including those beneficially owned by any non-defaulting owners of such Joint Entity, could be used to satisfy the outstanding obligations under such repurchase agreement. As of both June 30, 2022 and December 31, 2021, no party to any of the repurchase agreements was in default.

Each of the Joint Entities has been determined to be a VIE. The Company has evaluated each of these VIEs and determined that it continued to retain the risks and rewards of ownership of certain of the Mortgage Loan and REO Assets, where such Mortgage Loan and REO Assets and the related debt are segregated for the Company and each of the Affiliated Entities. On account of the segregation of certain of each co-participant's assets and liabilities within each of the Joint Entities, as well as the retention by each co-participant of control over its segregated Mortgage Loan and REO Assets within the Joint Entities, the Company has determined that it is the primary beneficiary of, and has consolidated its segregated silo of assets and liabilities within, each of the Joint Entities. See Note 9 and Note 11 for additional information.

Participation in CLO Transactions

As discussed in Note 10, the Company participated in a number of CLO securitization transactions, all managed by the CLO Manager.

The CLO Manager is entitled to receive management and incentive fees in accordance with the respective management agreements between the CLO Manager and the respective CLO Issuers. In accordance with the Management Agreement, the Manager rebates to the Company the portion of the management fees payable by each CLO Issuer to the CLO Manager that are allocable to the Company's participating interest in the unsecured subordinated notes issued by such CLO Issuer. For the three-month periods ended June 30, 2022 and 2021, the amount of such management fee rebates was $0.6 million and $0.2 million, respectively. For the six-month periods ended June 30, 2022 and 2021, the amount of such management fee rebates was $1.3 million and $0.4 million, respectively

In addition, from time to time, the Company along with various other affiliates of Ellington, and in certain cases various third parties, advance funds in the form of loans ("Initial Funding Loans") to securitization vehicles to enable them to establish warehouse facilities for the purpose of acquiring the assets to be securitized. Pursuant to the terms of the warehouse facilities and the Initial Funding Loans, the applicable securitization trust is required, at the closing of each respective CLO securitization, first to repay the warehouse facility, then to repay the Initial Funding Loans, and then to distribute interest earned, net of any necessary reserves and/or interest expense, and the aggregate realized or unrealized gains, if any, on assets purchased into the warehouse facility. In the event that such CLO securitization fails to close, the assets held by the respective securitization vehicle would, subject to a cure period, be liquidated. As of June 30, 2022 and December 31, 2021, the Company's investment in such warehouse facilities was $0.5 million and $1.7 million, respectively, which are included on the Consolidated Balance Sheet in Investments in unconsolidated entities.

During the six-month periods ended June 30, 2022 and 2021, the Company purchased various underperforming corporate debt and equity securities from certain of the Ellington-sponsored CLO Securitizations at market prices determined through the procedures set forth in the indentures of the respective Ellington-sponsored CLO Securitizations. The total amount of such debt and equity securities purchased during the three-month periods ended June 30, 2022 and 2021 was $3.9 million and $3.2 million respectively. The total amount of such debt and equity securities purchased during the six-month periods ended June 30, 2022 and 2021 was $5.0 million and $5.5 million, respectively.

14. Long-Term Incentive Plan Units

OP LTIP Units subject to the Company's incentive plans are generally exercisable by the holder at any time after vesting. Each OP LTIP Unit is convertible into an OP Unit on a one-for-one basis. Subject to certain conditions, the OP Units are redeemable by the holder for an equivalent number of shares of common stock of the Company or for the cash value of such shares of common stock, at the Company's election. Costs associated with the OP LTIP Units issued under the Company's incentive plans are measured as of the grant date and expensed ratably over the vesting period. Total expense associated with OP LTIP Units issued under the Company's incentive plans for the three-month periods ended June 30, 2022 and 2021 was $0.4 million and $0.2 million, respectively. Total expense associated with OP LTIP Units issued under the Company's incentive plans for the six-month periods ended June 30, 2022 and 2021 was $0.7 million and $0.5 million, respectively.

On March 7, 2022, the Company's Board of Directors authorized the issuance of 40,254 OP LTIP Units to certain of Ellington's personnel dedicated to the Company pursuant to the Company's 2017 Equity Incentive Plan.

The below table details unvested OP LTIP Units as of June 30, 2022:

Grant Recipient	Number of OP LTIP Units Granted	Grant Date	Vesting Date[(1)]
Directors:			
	16,264	September 14, 2021	September 13, 2022
Dedicated or partially dedicated personnel:			
	14,598	December 17, 2020	December 17, 2022
	13,534	March 3, 2021	December 31, 2022
	19,701	December 16, 2021	December 16, 2022
	15,789	December 16, 2021	December 16, 2023
	40,254	March 7, 2022	December 31, 2023
Total unvested OP LTIP Units at June 30, 2022	120,140		

(1) Date at which such OP LTIP Units will vest and become non-forfeitable.

The following tables summarize issuance and exercise activity of OP LTIP Units for the three-month periods ended June 30, 2022 and 2021:

	Three-Month Period Ended					
	June 30, 2022			June 30, 2021		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
OP LTIP Units Outstanding (3/31/2022 and 3/31/2021, respectively)	365,518	350,549	716,067	365,518	264,251	629,769
Granted	—	—	—	—	—	—
OP LTIP Units Outstanding (6/30/2022 and 6/30/2021, respectively)	365,518	350,549	716,067	365,518	264,251	629,769
OP LTIP Units Unvested and Outstanding (6/30/2022 and 6/30/2021, respectively)	—	120,140	120,140	—	92,781	92,781
OP LTIP Units Vested and Outstanding (6/30/2022 and 6/30/2021, respectively)	365,518	230,409	595,927	365,518	171,470	536,988

The following tables summarize issuance and exercise activity of OP LTIP Units for the six-month periods ended June 30, 2022 and 2021:

	Six-Month Period Ended					
	June 30, 2022			June 30, 2021		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
OP LTIP Units Outstanding (12/31/2021 and 12/31/2020, respectively)	365,518	310,295	675,813	365,518	247,020	612,538
Granted	—	40,254	40,254	—	17,231	17,231
OP LTIP Units Outstanding (6/30/2022 and 6/30/2021, respectively)	365,518	350,549	716,067	365,518	264,251	629,769
OP LTIP Units Unvested and Outstanding 6/30/2022 and 6/30/2021, respectively)	—	120,140	120,140	—	92,781	92,781
OP LTIP Units Vested and Outstanding (6/30/2022 and 6/30/2021, respectively)	365,518	230,409	595,927	365,518	171,470	536,988

There were an aggregate of 1,565,004 and 1,624,352 shares of common stock of the Company underlying awards, including OP LTIP Units, available for future issuance under the Company's 2017 Equity Incentive Plan as of June 30, 2022 and December 31, 2021, respectively.

15. Non-controlling Interests

Operating Partnership

Non-controlling interests include the Convertible Non-controlling Interests in the Operating Partnership owned by an affiliate of our Manager, our directors, and certain current and former Ellington employees and their related parties in the form

of OP LTIP Units. Income allocated to Convertible Non-controlling Interests is based on the non-controlling interest owners' ownership percentage of the Operating Partnership during the period, calculated using a daily weighted average of all shares of common stock of the Company and Convertible Non-controlling Interests outstanding during the period. Holders of Convertible Non-controlling Interests are entitled to receive the same distributions that holders of shares of common stock of the Company receive. Convertible Non-controlling Interests are non-voting with respect to matters as to which holders of common stock of the Company are entitled to vote.

As of June 30, 2022, the Convertible Non-controlling Interests consisted of the outstanding 716,067 OP LTIP Units and 46,360 OP Units, and represented an interest of approximately 1.0% in the Operating Partnership. As of December 31, 2021, the Convertible Non-controlling Interests consisted of the outstanding 675,813 OP LTIP Units and 46,360 OP Units, and represented an interest of approximately 1.0% in the Operating Partnership. As of June 30, 2022 and December 31, 2021, non-controlling interests related to all outstanding Convertible Non-controlling Interests was $12.5 million and $13.4 million, respectively.

Joint Venture Interests

Non-controlling interests also include the interests of joint venture partners in various consolidated subsidiaries of the Company. These subsidiaries hold the Company's investments in certain commercial mortgage loans and REO. The joint venture partners participate in the income, expense, gains and losses of such subsidiaries as set forth in the related operating agreements of the subsidiaries. The joint venture partners make capital contributions to the subsidiaries as new approved investments are purchased by the subsidiaries, and are generally entitled to distributions when investments are sold or otherwise disposed of. As of June 30, 2022 and December 31, 2021, the joint venture partners' interests in subsidiaries of the Company were $13.7 million and $18.7 million, respectively.

The joint venture partners' interests are not convertible into shares of common stock of the Company or OP Units, nor are the joint venture partners entitled to receive distributions that holders of shares of common stock of the Company receive.

16. Equity

Preferred Stock

The Company has authorized 100,000,000 shares of preferred stock, $0.001 par value per share. As of June 30, 2022 and December 31, 2021, the total amount of cumulative preferred dividends in arrears was $2.5 million and $1.6 million, respectively.

As of both June 30, 2022 and December 31, 2021, there were 4,600,000 shares of 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.001 par value per share ("Series A Preferred Stock") outstanding.

As of June 30, 2022 and December 31, 2021, there were 4,820,421 and 4,800,000 shares, respectively, of 6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock, $0.001 par value per share ("Series B Preferred Stock") outstanding.

On January 20, 2022, the Company commenced an "at-the-market" offering for our preferred stock, or the "Preferred ATM Program," by entering into equity distribution agreements with third party sales agents under which it is authorized to offer and sell up to $100.0 million of Series A Preferred Stock and/or Series B Preferred Stock from time to time. During the six-month period ended June 30, 2022, the Company issued 20,421 shares of Series B Preferred Stock, which provided $0.5 million of net proceeds after $23 thousand of commissions and offering costs. The Company did not issue any shares of preferred stock during the three-month period ended June 30, 2022.

Series A

The Company's Series A Preferred Stock ranks senior to its common stock and Convertible Non-controlling Interests with respect to the payment of dividends and the distribution of assets upon a voluntary or involuntary liquidation, dissolution or winding up of the Company. Additionally, the Company's Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series A Preferred Stock is not redeemable by the Company prior to October 30, 2024, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series A Preferred Stock generally do not have any voting rights.

Holders of the Series A Preferred Stock are entitled to receive cumulative cash dividends (i) from and including the original issue date to, but excluding, October 30, 2024, at a fixed rate equal to 6.750% per annum of the $25.00 per share liquidation preference and (ii) from and including October 30, 2024, at a floating rate equal to three-month LIBOR plus a

spread of 5.196% per annum of the $25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

Series B

The Company's Series B Preferred Stock ranks senior to its common stock and Convertible Non-controlling Interests but on a parity with the Company's Series A Preferred Stock with respect to the payment of dividends and the distribution of assets upon a voluntary or involuntary liquidation, dissolution or winding up of the Company. Additionally, the Company's Series B Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series B Preferred Stock is not redeemable by the Company prior to January 30, 2027, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series B Preferred Stock generally do not have any voting rights.

Holders of the Series B Preferred Stock are entitled to receive cumulative cash dividends from and including the original issue date to, but excluding, January 30, 2027 (the "First Reset Date"), at a fixed rate equal to 6.250% per annum of the $25.00 per share liquidation preference. The applicable fixed rate resets on the First Reset Date and again on the fifth anniversary of the preceding reset date (each a "Reset Date"), at a rate equal to the five-year treasury rate as measured three business days prior to the Reset Date plus 4.99% per annum of the $25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

Common Stock

The Company has authorized 100,000,000 shares of common stock, $0.001 par value per share. The Board of Directors may authorize the issuance of additional shares, subject to the approval of the holders of at least a majority of the shares of common stock then outstanding present in person or represented by proxy at a meeting of the stockholders. As of June 30, 2022 and December 31, 2021, there were 59,957,779 and 57,458,169 shares of common stock outstanding, respectively.

On February 22, 2022, the Company issued 19,094 shares of its common stock to its Manager for payment of 10% of the incentive fee incurred; see Note 13 for additional details on the Management Agreement.

On August 6, 2021, the Company commenced an "at-the-market" offering program for shares of its common stock, or "Common ATM program," by entering into equity distribution agreements with third party sales agents under which it was authorized to offer and sell up to 10.0 million shares of common stock from time to time. During the three-month period ended June 30, 2022, the Company issued 383,700 shares of common stock under the Common ATM Program which provided $6.7 million of net proceeds after $0.1 million of agent commissions and offering costs. During the six-month period ended June 30, 2022, the Company issued 2,568,700 shares of common stock under the Common ATM Program which provided $45.2 million of net proceeds after $0.7 million of agent commissions and offering costs.

The following table summarizes issuance, repurchase, and other activity with respect to the Company's common stock for the three- and six-month periods ended June 30, 2022 and 2021:

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Shares of Common Stock Outstanding (3/31/2022, 3/31/2021, 12/31/2021, and 12/31/2020, respectively)	59,662,263	43,781,684	57,458,169	43,781,684
Share Activity:				
Shares of common stock issued	383,700	—	2,568,700	—
Shares of common stock issued in connection with incentive fee payment	—	—	19,094	—
Shares of common stock repurchased	(88,184)	—	(88,184)	—
Shares of Common Stock Outstanding (6/30/2022, 6/30/2021, 6/30/2022, and 6/30/2021, respectively)	59,957,779	43,781,684	59,957,779	43,781,684

If all Convertible Non-controlling Interests that have been previously issued were to become fully vested and exchanged for shares of common stock as of June 30, 2022 and December 31, 2021, the Company's issued and outstanding shares of common stock would increase to 60,720,206 and 58,180,342 shares, respectively.

On June 13, 2018, the Board of Directors approved the adoption of a share repurchase program under which the Company is authorized to repurchase up to 1.55 million shares of common stock. The program, which is open-ended in duration, allows the Company to make repurchases from time to time on the open market or in negotiated transactions, including under Rule 10b5-1 plans. Repurchases are at the Company's discretion, subject to applicable law, share availability, price and financial performance, among other considerations. During the three- and six-month periods ended June 30, 2022, the Company repurchased 88,184 shares at an average price per share of $13.20 and a total cost of $1.2 million. The Company did not repurchase any shares of common stock during either of the three- or six-month periods ended June 30, 2021. From inception of the current repurchase plan through June 30, 2022, the Company repurchased 790,149 shares at an average price per share of $13.34 and a total cost of $10.5 million.

17. Earnings Per Share

The components of the computation of basic and diluted EPS are as follows:

	Three-Month Period Ended		Six-Month Period Ended	
(In thousands except share amounts)	**June 30, 2022**	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Net income (loss) attributable to common stockholders	$ (64,881)	$ 32,655	$ (74,783)	$ 70,511
Add: Net income (loss) attributable to Convertible Non-controlling Interests[1]	(824)	505	(949)	1,082
Net income (loss) attributable to common stockholders and Convertible Non-controlling Interests	(65,705)	33,160	(75,732)	71,593
Dividends declared:				
Common stockholders	(27,008)	(19,265)	(53,197)	(32,399)
Convertible Non-controlling Interests	(342)	(298)	(674)	(498)
Total dividends declared to common stockholders and Convertible Non-controlling Interests	(27,350)	(19,563)	(53,871)	(32,897)
Undistributed (Distributed in excess of) earnings:				
Common stockholders	(91,889)	13,390	(127,980)	38,112
Convertible Non-controlling Interests	(1,166)	207	(1,623)	584
Total undistributed (distributed in excess of) earnings attributable to common stockholders and Convertible Non-controlling Interests	$ (93,055)	$ 13,597	$ (129,603)	$ 38,696
Weighted average shares outstanding (basic and diluted):				
Weighted average shares of common stock outstanding	60,028,141	43,781,684	58,827,747	43,781,684
Weighted average Convertible Non-controlling Interest Units outstanding	762,427	678,178	747,971	672,371
Weighted average shares of common stock and Convertible Non-controlling Interest Units outstanding	60,790,568	44,459,862	59,575,718	44,454,055
Basic earnings per share of common stock and Convertible Non-controlling Interest Unit:				
Distributed	$ 0.45	$ 0.44	$ 0.90	$ 0.74
Undistributed (Distributed in excess of)	(1.53)	0.31	(2.17)	0.87
	$ (1.08)	$ 0.75	$ (1.27)	$ 1.61
Diluted earnings per share of common stock and Convertible Non-controlling Interest Unit:				
Distributed	$ 0.45	$ 0.44	$ 0.90	$ 0.74
Undistributed (Distributed in excess of)	(1.53)	0.31	(2.17)	0.87
	$ (1.08)	$ 0.75	$ (1.27)	$ 1.61

(1) For the three-month periods ended June 30, 2022 and 2021, excludes net income (loss) of $0.4 million and $1.4 million, respectively, attributable to joint venture partners, which have non-participating interests as described in Note 15. For the six-month periods ended June 30, 2022 and 2021, excludes net income (loss) of $0.1 million and $2.3 million, respectively, attributable to joint venture partners, which have non-participating interests as described in Note 15.

18. Restricted Cash

The Company is required to maintain a specific cash balance in a segregated account pursuant to a flow consumer loan purchase and sale agreement. As of December 31, 2021, the Company's restricted cash balance related to the flow consumer loan purchase and sale agreement was $0.2 million. The Company did not have a restricted cash balance as of June 30, 2022.

19. Offsetting of Assets and Liabilities

The Company generally records financial instruments at fair value as described in Note 2. Financial instruments are generally recorded on a gross basis on the Consolidated Balance Sheet. In connection with the vast majority of its derivative, reverse repurchase and repurchase agreements, and the related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions, and reverse repurchase and repurchase agreements.

The following tables present information about certain assets and liabilities representing financial instruments as of June 30, 2022 and December 31, 2021. The Company has not entered into master netting agreements with any of its counterparties. Certain of the Company's reverse repurchase and repurchase agreements and financial derivative transactions are governed by underlying agreements that generally provide a right of net settlement, as well as a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

June 30, 2022:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet[1]	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral[2][3]	Cash Collateral (Received) Pledged[2][3]	Net Amount
(In thousands)					
Assets					
Financial derivatives–assets	$ 81,183	$ (19,770)	$ —	$ (26,517)	$ 34,896
Reverse repurchase agreements	179,394	(95,332)	(84,062)	—	—
Liabilities					
Financial derivatives–liabilities	(20,442)	19,770	—	68	(604)
Repurchase agreements	(2,865,222)	95,332	2,686,540	83,350	—

(1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase agreements, reverse repurchase agreements, and financial derivatives are presented on a gross basis.
(2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative liabilities. Total financial instruments transferred or pledged as collateral on the Company's repurchase agreements as of June 30, 2022 was $3.3 billion. As of June 30, 2022, total cash collateral on financial derivative assets and liabilities excludes excess net cash collateral pledged (received) of $(4.1) million and $0.1 million, respectively.
(3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above tables, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

December 31, 2021:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet[1]	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral[2][3]	Cash Collateral (Received) Pledged[2][3]	Net Amount
(In thousands)					
Assets					
Financial derivatives–assets	$ 18,894	$ (9,909)	$ —	$ (1,720)	$ 7,265
Reverse repurchase agreements	123,250	(123,250)	—	—	—
Liabilities					
Financial derivatives–liabilities	(12,298)	9,909	—	2,169	(220)
Repurchase agreements	(2,469,763)	2,469,763	(70,314)	70,314	—

(1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase agreements, reverse repurchase agreements, and financial derivatives are presented on a gross basis.
(2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative liabilities. Total financial instruments transferred or pledged as collateral on the Company's repurchase agreements as of December 31, 2021 was $2.8 billion. As of December 31, 2021, total cash collateral on financial derivative assets and liabilities excludes excess net cash collateral pledged of $10.7 million and $2.0 million, respectively.

(3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above tables, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

20. Counterparty Risk

The Company is exposed to concentrations of counterparty risk. It seeks to mitigate such risk by diversifying its exposure among various counterparties, when appropriate. The following table summarizes the Company's exposure to counterparty risk as of June 30, 2022 and December 31, 2021.

June 30, 2022:

	Amount of Exposure	Number of Counterparties with Exposure	Maximum Percentage of Exposure to a Single Counterparty[1]
	(In thousands)		
Cash and cash equivalents	$ 224,451	8	73.2 %
Collateral on repurchase agreements held by dealers[2]	3,430,694	24	23.5 %
Due from brokers	93,939	21	43.0 %
Receivable for securities sold[3]	36,696	5	34.8 %

(1) Each counterparty is a large creditworthy financial institution.
(2) Includes securities, loans, and REO as well as cash posted as collateral for repurchase agreements.
(3) Included in Investment related receivables on the Consolidated Balance Sheet.

December 31, 2021:

	Amount of Exposure	Number of Counterparties with Exposure	Maximum Percentage of Exposure to a Single Counterparty[1]
	(In thousands)		
Cash and cash equivalents	$ 92,661	9	46.9 %
Collateral on repurchase agreements held by dealers[2]	2,822,847	23	33.5 %
Due from brokers	93,549	19	29.1 %
Receivable for securities sold[3]	11,014	3	50.7 %

(1) Each counterparty is a large creditworthy financial institution.
(2) Includes securities, loans, and REO as well as cash posted as collateral for repurchase agreements.
(3) Included in Investment related receivables on the Consolidated Balance Sheet.

21. Commitments and Contingencies

The Company provides current directors and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Company.

In the normal course of business the Company may also enter into contracts that contain a variety of representations, warranties, and general indemnifications. The Company's maximum exposure under these arrangements, including future claims that may be made against the Company that have not yet occurred, is unknown. The Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. As of both June 30, 2022 and December 31, 2021, the Company has no liabilities recorded for these agreements.

The Company's maximum risk of loss from credit events on its securities (excluding Agency securities, which are guaranteed by the issuing government agency or government-sponsored enterprise), loans, and investments in unconsolidated entities is limited to the amount paid for such investment.

Commitments and Contingencies Related to Investments in Residential Mortgage Loans

In connection with certain of the Company's investments in residential mortgage loans, the Company has unfunded commitments in the amount of $119.2 million and $43.7 million as of June 30, 2022 and December 31, 2021, respectively.

Commitments and Contingencies Related to Investments in Mortgage Loan Originators

In connection with certain of its investments in mortgage loan originators, the Company has outstanding commitments

and contingencies as described below.

As described in Note 13, the Company is party to a flow mortgage loan purchase and sale agreement with a mortgage loan originator. The Company has entered into agreements whereby it guarantees the performance of this mortgage loan originator under master repurchase agreements. The Company's maximum guarantees were capped at $15.0 million as of both June 30, 2022 and December 31, 2021. As of June 30, 2022 and December 31, 2021, the mortgage loan originator had $9.6 million and $8.4 million, respectively, of outstanding borrowings under the agreements guaranteed by the Company. The Company's obligations under these arrangements are deemed to be guarantees under ASC 460-10. The Company has elected the FVO for its guarantees, which are included in Accrued expenses and other liabilities on the Consolidated Balance Sheet. As of both June 30, 2022 and December 31, 2021, the estimated fair value of such guarantees was insignificant.

The Company is party to a flow mortgage loan purchase and sale agreement with a mortgage loan originator in which it holds an equity investment and as well as an investment in the Convertible Note, as discussed in Note 13. In addition, in May 2021, the Company committed to purchase $650.0 million of eligible residential mortgage loans. As of June 30, 2022 and December 31, 2021, the Company had unfunded commitments related to such investments in the amount of $433.4 million and $603.6 million, respectively.

As described in Note 13, the Company entered into various secured promissory notes with certain loan originators in which it also holds an equity interest. As of June 30, 2022 and December 31, 2021, the Company had unfunded commitments related to such secured promissory notes of $3.2 million and $3.0 million, respectively.

Commitments and Contingencies Related to Investments in Unconsolidated Entities

The Company has entered into agreements whereby it guarantees the performance of a securitization-related risk retention vehicle, in which it has an equity investment, under a promissory note. The Company's maximum guarantees were capped at $15.5 million. As of June 30, 2022 and December 31, 2021, the amount of the promissory note outstanding, for which the Company provided a guarantee, was $8.6 million and $15.5 million, respectively.

Commitments and Contingencies Related to Corporate Loans

The Company has investments in certain corporate loans whereby the borrowers can request additional funds under the respective agreements. As of June 30, 2022 and December 31, 2021, the Company had an unfunded commitment related to such investments in the amount of $4.2 million and $5.4 million, respectively.

The Company has extended a line of credit whereby the borrower can draw funds up to $1.0 million. As of both June 30, 2022 and December 31, 2021, the Company had unfunded commitments related to such line of credit in the amount of $0.9 million.

22. Subsequent Events

On July 8, 2022, the Board of Directors approved a dividend in the amount of $0.15 per share of common stock payable on August 25, 2022 to stockholders of record as of July 29, 2022.

On August 4, 2022, the Board of Directors approved a dividend in the amount of $0.15 per share of common stock payable on September 26, 2022 to stockholders of record as of August 31, 2022.

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

Except where the context suggests otherwise, references in this Quarterly Report on Form 10-Q to "EFC," "we," "us," and "our" refer to Ellington Financial Inc. and its consolidated subsidiaries, including Ellington Financial Operating Partnership LLC, our operating partnership subsidiary, which we refer to as our "Operating Partnership." We conduct all of our operations and business activities through our Operating Partnership. Our "Manager" refers to Ellington Financial Management LLC, our external manager, "Ellington" refers to Ellington Management Group, L.L.C. and its affiliated investment advisory firms, including our Manager, and "Manager Group" refers collectively to officers and directors of EFC, and partners and affiliates of Ellington (including families and family trusts of the foregoing). In certain instances, references to our Manager and services to be provided to us by our Manager may also include services provided by Ellington and its other affiliates from time to time.

Special Note Regarding Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, or the "SEC," or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and, as such, may involve known and unknown risks, uncertainties, and assumptions.

Forward-looking statements are based on our beliefs, assumptions, and expectations of our future operations, business strategies, performance, financial condition, liquidity and prospects, taking into account information currently available to us. These beliefs, assumptions, and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and strategies may vary materially from those expressed or implied in our forward-looking statements. The following factors are examples of those that could cause actual results to vary from our forward-looking statements: changes in interest rates and the market value of our investments; market volatility; changes in the prepayment rates on the mortgage loans underlying the securities owned by us for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity; increased rates of default and/or decreased recovery rates on our assets; our ability to borrow to finance our assets; changes in government regulations affecting our business; our ability to maintain our exclusion from registration under the Investment Company Act of 1940, as amended, or the "Investment Company Act"; our ability to maintain our qualification as a real estate investment trust, or "REIT"; and risks associated with investing in real estate assets, including changes in business conditions and the general economy, such as those resulting from the economic effects related to the COVID-19 pandemic, and associated responses to the pandemic. These and other risks, uncertainties and factors, including the risk factors described under Item 1A of our Annual Report on Form 10-K, could cause our actual results to differ materially from those projected or implied in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Executive Summary

We invest in a diverse array of real-estate-related and other financial assets, including residential and commercial mortgage loans, residential mortgage-backed securities, or "RMBS," commercial mortgage-backed securities, or "CMBS," consumer loans and asset-backed securities, or "ABS," including ABS backed by consumer loans, collateralized loan obligations, or "CLOs," non-mortgage- and mortgage-related derivatives, debt and equity investments in loan origination companies, and other strategic investments. We are externally managed and advised by our Manager, an affiliate of Ellington. Ellington is a registered investment adviser with a 27-year history of investing in the Agency and credit markets.

We conduct all of our operations and business activities through the Operating Partnership. As of June 30, 2022, we have an ownership interest of approximately 99.0% in the Operating Partnership. The remaining ownership interest of approximately 1.0% in the Operating Partnership represents the interests in the Operating Partnership that are owned by an affiliate of our Manager, our current and certain former directors, and certain current and former Ellington employees and their related parties, and is reflected in our financial statements as a non-controlling interest.

Our primary objective is to generate attractive, risk-adjusted total returns for our stockholders. We seek to attain this objective by utilizing an opportunistic strategy to make investments, without restriction as to ratings, structure, or position in the capital structure, that we believe compensate us appropriately for the risks associated with them rather than targeting a specific yield. Our evaluation of the potential risk-adjusted return of any potential investment typically involves weighing the potential returns of such investment under a variety of economic scenarios against the perceived likelihood of the various

scenarios. Potential investments subject to greater risk (such as those with lower credit ratings and/or those with a lower position in the capital structure) will generally require a higher potential return to be attractive in comparison to investment alternatives with lower potential return and a lower degree of risk. However, at any particular point in time, depending on how we perceive the market's pricing of risk both generally and across sectors, we may favor higher-risk assets or we may favor lower-risk assets, or a combination of the two, in the interests of portfolio diversification or other considerations.

Through June 30, 2022, our credit portfolio, which includes all of our investments other than RMBS for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," has been the primary driver of our risk and return, and we expect that this will continue in the near- to medium-term. For more information on our targeted assets, see "—Our Targeted Asset Classes" below. We believe that Ellington's capabilities allow our Manager to identify attractive assets in these classes, value these assets, monitor and forecast the performance of these assets, and opportunistically hedge our risk with respect to these assets.

We continue to maintain a highly leveraged portfolio of Agency RMBS to take advantage of opportunities in that market sector, to help maintain our exclusion from registration as an investment company under the Investment Company Act, and to help maintain our qualification as a REIT. Unless we acquire very substantial amounts of whole mortgage loans or there are changes to the rules and regulations applicable to us under the Investment Company Act and/or to our qualification as a REIT, we expect that we will continue to maintain some amount of Agency RMBS.

The strategies that we employ are intended to capitalize on opportunities in the current market environment. Subject to maintaining our qualification as a REIT, we intend to adjust our strategies to changing market conditions by shifting our asset allocations across various asset classes as credit and liquidity trends evolve over time. We believe that this flexibility, combined with Ellington's experience, will help us generate more consistent returns on our capital throughout changing market cycles.

Subject to maintaining our qualification as a REIT, we opportunistically hedge our credit risk, interest rate risk, and foreign currency risk; however, at any point in time we may choose not to hedge all or a portion of these risks, and we will generally not hedge those risks that we believe are appropriate for us to take at such time, or that we believe would be impractical or prohibitively expensive to hedge.

We also use leverage in our credit strategy, albeit significantly less leverage than that used in our Agency RMBS strategy. Through June 30, 2022, we financed the vast majority of our Agency RMBS assets, and a portion of our credit assets, through repurchase agreements, which we sometimes refer to as "repos," and which we account for as collateralized borrowings. We expect to continue to finance the vast majority of our Agency RMBS through the use of repos. In addition to financing assets through repos, we also enter into other secured borrowing transactions, which are accounted for as collateralized borrowings, to finance certain of our loan assets. We have also obtained, through the securitization markets, term financing for certain of our non-qualified mortgage, or "non-QM," loans, certain of our consumer loans, and certain of our leveraged corporate loans. Additionally, we have issued unsecured long-term debt.

As of June 30, 2022, outstanding borrowings under repos and Total other secured borrowings (which include Other secured borrowings and Other secured borrowings, at fair value, as presented on our Consolidated Balance Sheet) were $4.4 billion, of which approximately 31%, or $1.3 billion, relates to our Agency RMBS holdings. The remaining outstanding borrowings relate to our credit portfolio.

As of June 30, 2022, we also had outstanding unsecured long-term debt of $86.0 million, maturing in September of 2022 and bearing an interest rate of 5.50%, and of $210.0 million, maturing in April 2027 and bearing an interest rate of 5.875%, collectively the "Senior Notes." The indentures governing the Senior Notes contain a number of covenants, including several financial covenants. The Senior Notes are currently rated "A" by Egan-Jones Rating Company[1]. See Note 11 of the notes to our condensed consolidated financial statements for further detail on the Senior Notes.

As of June 30, 2022, our book value per share of common stock, calculated using Total Stockholders' Equity less the aggregate liquidation preference of outstanding preferred stock, was $16.22. Our debt-to-equity ratio was 3.8:1 as of June 30, 2022. Our debt-to-equity ratio does not account for liabilities other than debt financings and does not include debt associated with securitization transactions accounted for as sales. Our recourse debt-to-equity ratio was 2.6:1 as of June 30, 2022. Adjusted for unsettled purchases and sales, our debt-to-equity ratio and recourse debt-to-equity ratio were 3.7:1 and 2.6:1, respectively, as of June 30, 2022.

[1] A rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

On August 6, 2021, we commenced an "at-the-market" offering for shares of our common stock, or the "Common ATM Program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to 10.0 million shares of common stock from time to time. During the six-month period ended June 30, 2022, we issued 2,568,700 shares of common stock under the Common ATM Program which provided $45.2 million of net proceeds after $0.7 million of commissions and offering costs.

On January 20, 2022, we commenced an "at-the-market" offering for our preferred stock, or the "Preferred ATM Program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to $100.0 million of 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.001 par value per share ("Series A Preferred Stock") and/or 6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock, $0.001 par value per share ("Series B Preferred Stock") from time to time. During the six-month period ended June 30, 2022, we have issued 20,421 shares of Series B Preferred Stock, which provided $0.5 million of net proceeds after $23 thousand of commissions and offering costs. From commencement of the Preferred ATM Program through August 5, 2022, we have issued 20,421 shares of Series B Preferred Stock. Our preferred stock is rated "A-" by Egan-Jones Rating Company[1].

On February 18, 2022, we entered into an agreement with Home Point Capital Inc. ("Home Point") to purchase Home Point's 49.6% ownership interest in Longbridge Financial, LLC ("Longbridge"), a reverse mortgage originator in which we also held a 49.6% ownership interest as of December 31, 2021. The consummation of this transaction is subject to regulatory approvals and various closing conditions. Upon closing of the transaction, we would own substantially all of the equity interests in Longbridge, which would result in the consolidation of Longbridge's financial results in our financial statements following the closing.

The consolidation of Longbridge into our financial statements would impact our financial position, financial reporting, and operations. As of June 30, 2022, Longbridge had total assets of $7.5 billion and total liabilities of $7.5 billion. As of December 31, 2021, Longbridge had total assets of $6.7 billion and total liabilities of $6.6 billion. For Longbridge's financial statements as of December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020, and 2019, see Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2021. In addition to the effect on our financial position and operations as a result of such consolidation, management would anticipate a number of changes to our financial reporting including reporting more than one segment, new asset classes and products such as reverse mortgage loans and MSRs, inclusion of goodwill and other intangible assets on our balance sheet as a result of the acquisition, and various disclosures related to Longbridge's operating businesses.

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or "the Code," commencing with our taxable year ended December 31, 2019. Provided that we maintain our qualification as a REIT, we generally will not be subject to U.S. federal, state, and local income tax on our REIT taxable income that is currently distributed to our stockholders. Any taxes paid by a domestic taxable REIT subsidiary, or "TRS," will reduce the cash available for distribution to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income excluding net capital gains.

Our Targeted Asset Classes

Our targeted asset classes currently include investments in the U.S. and Europe (as applicable) in the categories listed below. Subject to maintaining our qualification as a REIT, we expect to continue to invest in these targeted asset classes. Also, we expect to continue to hold certain of our targeted assets through one or more TRSs. As a result, a portion of the income from such assets will be subject to U.S. federal and certain state corporate income taxes, as applicable.

Asset Class	Principal Assets
Agency RMBS	• Whole pool pass-through certificates; • Partial pool pass-through certificates; • Agency collateralized mortgage obligations, or "CMOs," including interest only securities, or "IOs," principal only securities, or "POs," inverse interest only securities, or "IIOs"; and
CLOs	• Retained tranches from CLO securitizations, including participating in the accumulation of the underlying assets for such securitization by providing capital to the vehicle accumulating assets; and • Other CLO debt and equity tranches.
CMBS and Commercial Mortgage Loans	• CMBS; and • Commercial mortgage loans and other commercial real estate debt.
Consumer Loans and ABS	• Consumer loans; • ABS, including ABS backed by consumer loans; and • Retained tranches from securitizations to which we have contributed assets.
Mortgage-Related Derivatives	• To-Be-Announced mortgage pass-through certificates, or "TBAs"; • Credit default swaps, or "CDS," on individual RMBS, on the ABX, CMBX and PrimeX indices and on other mortgage-related indices; and • Other mortgage-related derivatives.
Non-Agency RMBS	• RMBS backed by prime jumbo, Alt-A, non-QM, manufactured housing, and subprime mortgages; • RMBS backed by fixed rate mortgages, Adjustable rate mortgages, or "ARMs," Option-ARMs, and Hybrid ARMs; • RMBS backed by mortgages on single-family-rental properties; • RMBS backed by first lien and second lien mortgages; • Investment grade and non-investment grade securities; • Senior and subordinated securities; • IOs, POs, IIOs, and inverse floaters; • Collateralized debt obligations, or "CDOs"; • RMBS backed by European residential mortgages, or "European RMBS"; • Retained tranches from securitizations in which we have participated; and • Credit risk transfer securities, or "CRTs."
Residential Mortgage Loans	• Non-QM loans; • Residential "transition loans," such as residential bridge loans and residential "fix-and-flip" loans; • Residential non-performing mortgage loans, or "NPLs"; Re-performing loans, or "RPLs," which generally are loans that were modified and/or formerly NPLs where the borrower has resumed making payments in some form or amount; and • Retained tranches from securitizations to which we have contributed assets.
Strategic Investments in Loan Originators	• Strategic equity and/or debt investments in loan originators and mortgage-related entities;

Asset Class	Principal Assets
(continued)	
Other	• Real estate, including commercial and residential real property; • Strategic equity and/or debt investments in entities related to our business; • Corporate debt and equity securities and corporate loans; • Mortgage servicing rights, or "MSRs"; • Other non-mortgage-related derivatives.

Agency RMBS

Our Agency RMBS assets consist primarily of whole pool (and to a lesser extent, partial pool) pass-through certificates, the principal and interest of which are guaranteed by a federally chartered corporation, such as the Federal National Mortgage Association, or "Fannie Mae," the Federal Home Loan Mortgage Corporation, or "Freddie Mac," or the Government National Mortgage Association, within the U.S. Department of Housing and Urban Development, or "Ginnie Mae," and which are backed by ARMs, Hybrid ARMs, or fixed-rate mortgages. In addition to investing in pass-through certificates which are backed by traditional mortgages, we have also invested in Agency RMBS backed by reverse mortgages. Reverse mortgages are mortgage loans for which neither principal nor interest is due until the borrower dies, the home is sold, or other trigger events occur. Mortgage pass-through certificates are securities representing undivided interests in pools of mortgage loans secured by real property where payments of both interest and principal, plus prepaid principal, on the securities 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 securities, net of fees paid to the issuer/guarantor and servicers of the securities. Whole pool pass-through certificates are mortgage pass-through certificates that represent the entire ownership of (as opposed to merely a partial undivided interest in) a pool of mortgage loans.

Our Agency RMBS assets are typically concentrated in specified pools. Specified pools are fixed-rate Agency pools consisting of mortgages with special characteristics, such as mortgages with low loan balances, mortgages backed by investor properties, mortgages originated through the government-sponsored "Making Homes Affordable" refinancing programs, and mortgages with various other characteristics. Our Agency strategy also includes RMBS that are backed by ARMs or Hybrid ARMs and reverse mortgages, and CMOs, including IOs, POs, and IIOs.

CLOs

CLOs are a form of asset-backed security collateralized by syndicated corporate loans. We have retained, and may retain in the future, tranches from CLO securitizations for which we have participated in the accumulation of the underlying assets, typically by providing capital to a vehicle accumulating assets for such CLO securitization. Such vehicles may enter into warehouse financing facilities in order to facilitate such accumulation. Securitizations can effectively provide us with long-term, locked-in financing on the related collateral pool, with an effective cost of funds well below the expected yield on the collateral pool. Our CLO holdings may include both debt and equity interests.

CMBS

We acquire CMBS, which are securities collateralized by mortgage loans on commercial properties. The majority of CMBS issued are fixed rate securities backed by fixed rate loans made to multiple borrowers on a variety of property types, though single-borrower CMBS and floating rate CMBS have also been issued.

The majority of CMBS utilize senior/subordinate structures, similar to those found in non-Agency RMBS. Subordination levels vary so as to provide for one or more AAA credit ratings on the most senior classes, with less senior securities rated investment grade and non-investment grade, including a first loss component which is typically unrated. This first loss component is commonly referred to as the "B-piece," which is the most subordinated (and therefore highest yielding and riskiest) tranche of a CMBS securitization. Much of our focus within the CMBS sector has been on B-pieces, but we also acquire other CMBS with more senior credit priority.

Commercial Mortgage Loans and Other Commercial Real Estate Debt

We directly originate and participate in the origination of commercial mortgage "bridge" loans, which are loans secured by liens on commercial properties, and which have shorter terms and higher interest rates than more traditional commercial mortgage loans. Bridge loans are often secured by properties in transition, where the borrower is in the process of either re-developing or stabilizing operations at the property.

We also acquire seasoned commercial mortgage bridge loans, as well as longer-term commercial mortgage loans. Some of the seasoned commercial mortgage loans that we acquire may be non-performing, underperforming, or otherwise distressed; these loans are typically acquired at a discount both to their unpaid principal balances and to the value of the underlying real estate.

Our commercial mortgage loans may be fixed or floating rate and will generally have maturities ranging from one to ten years. We typically originate and acquire first lien loans but may also originate and acquire subordinated loans. As of June 30, 2022, all of our commercial mortgage loans were first-lien loans. Commercial real estate debt typically limits the borrower's right to freely prepay for a period of time through provisions such as prepayment fees, lockout, yield maintenance, or defeasance provisions.

Within both our loan origination and acquisition strategies, we generally focus on smaller balance loans and/or loan packages that are less-competitively-bid. These loans typically have balances that are less than $30 million, and are secured by real estate and, in some cases, a personal guarantee from the borrower.

Consumer Loans and ABS

We acquire U.S. consumer whole loans and ABS, including ABS backed by U.S. consumer loans. Our U.S. consumer loan portfolio consists of unsecured loans and secured auto loans. We are currently purchasing newly originated consumer loans under flow agreements with certain originators, as well as seasoned consumer loans in the secondary market, and we continue to evaluate new opportunities.

TBAs and Other Mortgage-Related Derivatives

In addition to investing in specified pools of Agency RMBS, we utilize TBA transactions, whereby we agree 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. TBAs are liquid, have quoted market prices, and represent the most actively traded class of mortgage-backed securities, or "MBS." TBA trading is based on the assumption that mortgage pools that are eligible to be delivered at TBA settlement are fungible and thus the specific mortgage pools to be delivered do not need to be explicitly identified at the time a trade is initiated.

We generally engage in TBA transactions for purposes of managing certain risks associated with our investment strategies. Other than with respect to TBA transactions entered into by our TRSs, most of our TBA transactions are treated for tax purposes as hedging transactions used to hedge indebtedness incurred to acquire or carry real estate assets, or "qualifying liability hedges." The principal risks that we use TBAs to mitigate are interest rate and yield spread risks. For example, we may hedge the interest rate and/or yield spread risk inherent in our long Agency RMBS by taking short positions in TBAs that are similar in character. Alternatively, we may opportunistically engage in TBA transactions because we find them attractive in their own right, from a relative value perspective or otherwise. For accounting purposes, in accordance with generally accepted accounting principles in the United States of America, or "U.S. GAAP," we classify TBA transactions as derivatives.

We also take long and short positions in various other mortgage-related derivative instruments, including mortgage-related credit default swaps. A credit default swap is a credit derivative contract in which one party (the protection buyer) pays an ongoing periodic premium (and often an upfront payment as well) to another party (the protection seller) in return for compensation for default (or similar credit event) by a reference entity. In this case, the reference entity can be an individual MBS or an index of several MBS, such as an ABX, PrimeX, or CMBX index. Payments from the protection seller to the protection buyer typically occur if a credit event takes place. A credit event can be triggered by, among other things, the reference entity's failure to pay its principal obligations or a severe ratings downgrade of the reference entity.

Non-Agency RMBS

We acquire non-Agency RMBS backed by prime jumbo, Alt-A, non-QM, manufactured housing, subprime residential, and single-family-rental mortgage loans. Our non-Agency RMBS holdings can include investment-grade and non-investment grade classes, including non-rated classes.

Non-Agency RMBS are generally debt obligations issued by private originators of, or investors in, residential mortgage loans. Non-Agency RMBS generally are issued as CMOs and are backed by pools of whole mortgage loans or by mortgage pass-through certificates. Non-Agency RMBS generally are securitized in senior/subordinated structures, or in excess spread/over-collateralization structures. In senior/subordinated structures, the subordinated tranches generally absorb all losses on the underlying mortgage loans before any losses are borne by the senior tranches. In excess spread/over-collateralization structures, losses are first absorbed by any existing over-collateralization, then borne by subordinated tranches and excess spread, which represents the difference between the interest payments received on the mortgage loans backing the RMBS and the interest due on the RMBS debt tranches, and finally by senior tranches and any remaining excess spread. We also have acquired, and may acquire in the future, both Agency-issued and non-Agency-issued CRTs, which have credit risks similar to those of

subordinated RMBS tranches.

We also have acquired, and may acquire in the future, European RMBS, including retained tranches from European RMBS securitizations in which we have participated.

Residential Mortgage Loans

Our residential mortgage loans include newly originated non-QM loans, residential transition loans, as well as legacy residential NPLs and RPLs. A non-QM loan is not necessarily high-risk, or subprime, but is instead a loan that does not conform to the complex Qualified Mortgage, or "QM," rules of the Consumer Financial Protection Bureau. For example, many non-QM loans are made to creditworthy borrowers who cannot provide traditional documentation for income, such as borrowers who are self-employed. There is also demand from certain creditworthy borrowers for loans above the QM 43% debt-to-income ratio limit that still meet all ability-to-repay standards. We hold an equity investment in a non-QM originator, and to date we have purchased the vast majority of our non-QM loans from this originator, although we could potentially purchase a greater share of non-QM loans from other sources in the future.

The residential transition loans that we originate or purchase include: (i) "fix and flip" loans, which are made to real estate investors for the purpose of acquiring residential homes, making value-add improvements to such homes, and reselling the newly rehabilitated homes for a potential profit, and (ii) loans made to real estate investors for a "business purpose," such as purchasing a rental investment property, financing or refinancing a fully rehabilitated home awaiting sale, or securing short-term financing pending qualification for longer-term lower-rate financing. Our residential transition loans are secured by non-owner occupied properties, and are typically structured as fixed-rate, interest-only loans with terms to maturity between 6 and 24 months. Our underwriting guidelines focus on both the "as is" and "as repaired" property values, borrower experience as a real estate investor, and asset verification.

We are also active in the market for residential NPLs and RPLs. The market for large residential NPL and RPL pools has remained highly concentrated, with the great majority having traded to only a handful of large players who typically securitize the residential NPLs and RPLs that they purchase. As a result, we have continued to focus our acquisitions on less-competitively-bid, and more attractively-priced mixed legacy pools sourced from motivated sellers.

Strategic Equity Investments in Loan Originators

We have made, and in the future may make additional, equity investments in loan originators and other related entities; historically, our investments have generally represented non-controlling interests, although we are not restricted from holding controlling interests in such entities. We have also acquired debt investments and/or warrants in certain of these loan originators. We have also entered into various other arrangements, such as entering into flow agreements or providing guarantees or financing lines, with certain of the loan originators in which we have invested.

On February 18, 2022, we entered into an agreement with Home Point to purchase Home Point's 49.6% ownership interest in Longbridge. The consummation of this transaction is subject to regulatory approvals and various closing conditions. Upon closing of the transaction, we would own substantially all of the equity interests in Longbridge, which would result in the consolidation of Longbridge's financial results in our financial statements following the closing. For Longbridge's financial statements as of December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020, and 2019, see Exhibit 99.1 to our Annual Report on Form 10-K for the year ended December 31, 2021.

Other Investment Assets

Our other investment assets include real estate, including residential and commercial real property, strategic equity and/or debt investments in entities related to our business, corporate debt and equity securities, corporate loans, which can include litigation finance loans, and other non-mortgage-related derivatives. We do not typically purchase real property directly; rather, our real estate ownership usually results from foreclosure activity with respect to our acquired residential and commercial loans. We have not yet acquired mortgage servicing rights directly, but we may do so in the future.

Hedging Instruments

Interest Rate Hedging

We opportunistically hedge our interest rate risk by using various hedging strategies, subject to maintaining our qualification as a REIT. The interest rate hedging instruments that we use and may use in the future include, without limitation:

- TBAs;
- interest rate swaps (including floating-to-fixed, fixed-to-floating, floating-to-floating, or more complex swaps such as floating-to-inverse floating, callable or non-callable);

- CMOs;
- U.S. Treasury securities;
- swaptions, caps, floors, and other derivatives on interest rates;
- futures and forward contracts; and
- options on any of the foregoing.

Because fluctuations in short-term interest rates may expose us to fluctuations in the spread between the interest we earn on certain of our investments and the interest we pay on certain of our borrowings, we may seek to manage such exposure by entering into short positions in interest rate swaps. An interest rate swap is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified payment dates during the life of the agreement. Typically, one party pays a fixed interest rate and receives a floating interest rate and the other party pays a floating interest rate and receives a fixed interest rate. Each party's payment obligation is computed using a different interest rate. In an interest rate swap, the notional principal is generally not exchanged. We generally enter into these transactions to offset the potential adverse effects of rising interest rates on short-term repurchase agreements. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such as LIBOR or the Secured Overnight Financing Rate, or "SOFR." As each then-existing fixed-rate repo borrowing matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates established at that future date.

In the case of interest rate swaps, most of our agreements are structured such that we receive payments based on a variable interest rate and make payments based on a fixed interest rate. The variable interest rate on which payments are received is generally calculated based on various reset mechanisms for a benchmark rate such as LIBOR or SOFR. To the extent that the benchmark rates used to calculate the payments we receive on our interest rate swaps continue to be highly correlated with our repo borrowing costs, our interest rate swap contracts should help to reduce the variability of our overall repo borrowing costs, thus reducing risk to the extent we hold fixed-rate assets that are financed with repo borrowings. While for the time being the majority of our interest rate swaps are LIBOR-based interest rate swap contracts, we have entered into interest rate swap contracts based on other benchmark rates, such as SOFR.

Credit Risk Hedging

We enter into credit-hedging positions in order to protect against adverse credit events with respect to our credit investments, subject to maintaining our qualification as a REIT. Our credit hedging portfolio can vary significantly from period to period, and can encompass a wide variety of financial instruments, including corporate debt or equity-related instruments, RMBS- or CMBS-related instruments, or instruments involving other markets. Our hedging instruments can include both "single-name" instruments (i.e., instruments referencing one underlying entity or security) and hedging instruments referencing indices.

Currently, our credit hedges consist primarily of financial instruments tied to corporate credit, such as CDS on corporate bond indices, short positions in and CDS on corporate bonds; and positions involving exchange traded funds, or "ETFs," of corporate bonds. Our credit hedges also currently include CDS tied to individual MBS or an index of several MBS, such as CDS on CMBS indices, or "CMBX."

Foreign Currency Hedging

To the extent that we hold instruments denominated in currencies other than U.S. dollars, we may enter into transactions to offset the potential adverse effects of changes in currency exchange rates, subject to maintaining our qualification as a REIT. In particular, we may use currency forward contracts and other currency-related derivatives to mitigate this risk.

Trends and Recent Market Developments

Market Overview

- After increasing its target range for the federal funds rate by 0.25%, to 0.25%–0.50%, in March, the U.S. Federal Reserve, or the "Federal Reserve," accelerated the pace of monetary policy tightening in the second quarter of 2022.

At its May meeting, the Federal Reserve raised the target range for the federal funds rate by 0.50%, to 0.75%–1.00%, citing elevated inflation that had been exacerbated by Russia's invasion of Ukraine and by ongoing supply-chain disruptions. Additionally, the Federal Reserve announced plans for reducing the size of its balance sheet, whereby it would only reinvest principal payments that exceed monthly caps of $30.0 billion for Treasury securities and $17.5 billion for agency MBS, beginning in June. Those monthly caps would then increase in September to $60.0 billion and $35.0 billion, respectively.

At its June meeting, the Federal Reserve raised the target range for the federal funds rate by an additional 0.75%, to 1.50%–1.75%, which was its most aggressive interest rate hike since 1994, as inflation remained at historically high levels. The Federal Reserve stated that it "anticipates that ongoing increases in the target range will be appropriate," and also reiterated the balance sheet reduction plan announced in May.

Similarly, other central banks globally also tightened their monetary policies during the second quarter.

- Interest rates continued to increase rapidly in the second quarter, reaching their highs for the quarter in mid-June before declining moderately going into quarter end. Overall, the 10-year U.S. Treasury yield rose by 67 basis points to 3.01%, quarter over quarter, while the 2-year U.S. Treasury yield increased by 62 basis points to 2.95%. Through the first half of 2022, the 10-year U.S. Treasury yield increased a cumulative 150 basis points, and the 2-year U.S. Treasury increased a cumulative 222 basis points. Meanwhile, interest rate volatility continued to surge, with the MOVE Index in mid-June reaching its highest point since the COVID-related market volatility of March 2020.
- Mortgage rates also continued to soar in the second quarter of 2022, in sympathy with the significant increase in interest rates. The Freddie Mac survey 30-year mortgage rate reached 5.81% on June 23rd, its highest level since November 2008, and ended the quarter at 5.70%, a quarter-over-quarter increase of 103 basis points. Through the first half of 2022, the Freddie Mac survey 30-year mortgage rate increased by 259 basis points, which was the largest 6-month increase since 1981. As a result, the Mortgage Bankers Association's Refinance Index continued to plummet, declining 42.5% between April 1st and July 1st, reaching its lowest level since December 2000. Fannie Mae 30-year MBS prepayments continued their sharp drop as well, declining from a CPR of 14.2 in March to 11.4 in April, 9.9 in May, and 9.3 in June, the lowest level since March 2019.

In addition to the sharp rise in mortgage rates, home prices continued to appreciate significantly in the first half of 2022. After increasing by 18.9% in 2021, the S&P CoreLogic Case-Shiller US National Home Price NSA Index rose an additional 9.8% during the first five months of 2022. As a result of higher mortgage rates and higher home prices, home affordability has declined significantly; the National Association of Realtors Housing Affordability Index declined 27.6% between January 1 and May 1 of 2022.

- LIBOR and SOFR rates also spiked in the second quarter. One-month LIBOR increased by 133 basis points to end the quarter at 1.79%, and three-month LIBOR increased by 132 basis points to 2.29%. In anticipation of additional interest rate increases by the Federal Reserve in the near term, the spread between one- and three-month LIBOR remained wide, finishing the quarter at 50 basis points, virtually unchanged from the previous quarter but up 39 basis points since year-end. The Secured Overnight Financing Rate, or SOFR, which is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, increased from 0.29% as of March 31st to 1.50% at June 30th. LIBOR and SOFR drive many of our financing costs.
- The U.S. likely entered a technical recession, as real GDP contracted at an estimated annualized rate of 0.9% in the second quarter, after shrinking at an estimated annualized rate of 1.6% in the prior quarter. Meanwhile, the unemployment rate remained low, at 3.6%, throughout the second quarter.
- Inflation continued to be elevated in the second quarter. According to the Bureau of Labor Statistics, the Consumer Price Index registered an annualized rate of 8.3% in April, 8.6% in May, and 9.1% in June, which was the highest reading since November 1981.
- For the second quarter, the Bloomberg Barclays U.S. MBS Index generated a negative return of (3.81%), as interest rates continued to rise and yield spreads widened further, and a negative excess return (on a duration-adjusted basis) of (0.91%) relative to the Bloomberg Barclays U.S. Treasury Index. The Bloomberg Barclays U.S. Corporate Bond Index generated a negative return of (6.70%) and a negative excess return of (2.00%), while the Bloomberg Barclays U.S. Corporate High Yield Bond Index generated a negative return of (9.35%) and a negative excess return of (7.52%).

- U.S. equity markets experienced significant losses in the second quarter with the S&P 500 down 16.4% and the Dow Jones Industrial Average down 11.3%, each index's worst quarter since the COVID-related volatility of 2020. The tech-heavy NASDAQ fell 22.4% quarter over quarter, which was its worst quarter since the 2008-2009 financial crisis. The VIX volatility index spiked in late April and mid-May, and again in mid-June, before declining into quarter end. Meanwhile, London's FTSE 100 index decreased 4.6%, and the MSCI World global equity index fell 16.6% quarter over quarter.

Portfolio Overview and Outlook

The following tables summarize our investment portfolio as of June 30, 2022 and March 31, 2022.

Credit Portfolio[1]

($ in thousands)	June 30, 2022 Fair Value	June 30, 2022 % of Total Long Credit Portfolio	March 31, 2022 Fair Value	March 31, 2022 % of Total Long Credit Portfolio
Dollar Denominated:				
CLOs[2]	$ 34,478	0.8 %	$ 45,549	1.3 %
CMBS	28,625	0.7 %	31,111	0.9 %
Commercial Mortgage Loans and REO[4][5]	562,154	13.7 %	516,810	14.8 %
Consumer Loans and ABS backed by Consumer Loans[2]	99,922	2.4 %	110,167	3.1 %
Corporate Debt and Equity and Corporate Loans	18,336	0.5 %	16,651	0.5 %
Debt and Equity Investments in Loan Origination Entities[3]	115,415	2.8 %	135,420	3.9 %
Non-Agency RMBS	221,725	5.4 %	186,452	5.3 %
Residential Mortgage Loans and REO[4]	2,996,700	73.1 %	2,434,367	69.4 %
Non-Dollar Denominated:				
CLOs[2]	1,627	— %	1,939	0.1 %
Consumer Loans and ABS backed by Consumer loans	—	— %	5	— %
Corporate Debt and Equity	430	— %	487	— %
RMBS[6]	22,387	0.6 %	24,543	0.7 %
Total Long Credit Portfolio	$ 4,101,799	100.0 %	$ 3,503,501	100.0 %
Less: Non-retained Tranches of Consolidated Securitization Trusts	1,441,165		1,202,644	
Total Long Credit Portfolio excluding Non-retained Tranches of Consolidated Securitization Trusts	$ 2,660,634		$ 2,300,857	

(1) This information does not include U.S. Treasury securities, interest rate swaps, TBA positions, or other hedge positions.
(2) Includes equity investments in securitization-related vehicles.
(3) Includes corporate loans to certain loan origination entities in which we hold an equity investment.
(4) REO is not considered a financial instrument and, as a result, is included at the lower of cost or fair value, as discussed in Note 2 of the notes to consolidated financial statements.
(5) Includes investments in unconsolidated entities holding small balance commercial mortgage loans and REO.
(6) Includes an investment in an unconsolidated entity holding European RMBS.

Agency RMBS Portfolio

($ in thousands)	June 30, 2022 Fair Value	June 30, 2022 % of Long Agency Portfolio	March 31, 2022 Fair Value	March 31, 2022 % of Long Agency Portfolio
Long Agency RMBS:				
Fixed Rate	$ 1,267,183	94.8 %	$ 1,417,717	94.3 %
Floating Rate	7,489	0.6 %	8,938	0.6 %
Reverse Mortgages	35,933	2.7 %	49,216	3.3 %
IOs	24,773	1.9 %	26,620	1.8 %
Total Long Agency RMBS	$ 1,335,378	100.0 %	$ 1,502,491	100.0 %

Our total long credit portfolio, excluding non-retained tranches of consolidated non-QM securitization trusts, grew by approximately 16% in the second quarter, to $2.661 billion as of June 30, 2022. The majority of the growth occurred in the non-QM, residential transition, and small balance commercial mortgage loan strategies, while our non-Agency RMBS portfolio also expanded. These increases were partially offset by mark-to-market losses on investments in loan origination entities, and smaller consumer loan, CMBS, and CLO portfolios. Additionally, our total long Agency RMBS portfolio decreased by 11% to $1.335 billion, due to net sales, paydowns, and net losses.

As of June 30, 2022, we had cash and cash equivalents of $224.5 million.

Credit Portfolio Performance Summary

During the quarter, rapidly rising interest rates and widening yield spreads generated significant net unrealized losses on our unsecuritized non-QM loans, while also compressing gain-on-sale margins for our loan originator affiliates. Despite being profitable again during the second quarter, LendSure revised downward its earnings projections further for 2022. Meanwhile, Longbridge generated a net loss due to a reduction in the value of its MSR portfolio and losses on its pipeline of committed loans. The challenging market conditions also adversely affected performance of some of our other loan originator affiliates, most notably an Agency mortgage originator. As a result, we experienced a significant net loss for the quarter on our strategic investments in loan originators. In addition, yield spread widening also drove net losses on our credit securities.

A portion of these losses were offset by strong performance on our short-duration loan portfolios, specifically residential transition loans and small balance commercial mortgage loans, driven by net interest income as well as by net gains on our non-performing loan portfolios. In addition, our portfolio of retained non-QM tranches appreciated during the quarter, driven by appreciation of our non-QM interest-only securities, as rising mortgage rates again led to lower actual and projected prepayment speeds. We also had significant net gains on our interest rate hedges and credit hedges during the quarter.

During the quarter, our cost of funds on credit investments increased significantly, primarily driven by higher interest rates. In addition, a larger proportion of our credit borrowings in the second quarter were on the small balance commercial mortgage loan portfolio, which has a higher cost of funds relative to most of our other credit strategies. At the same time, the blended asset yield of the credit portfolio declined slightly quarter over quarter, as average asset yields on our existing investments do not yet reflect the higher reinvestment yields available in the market, most notably on non-QM and residential transition loans. Overall for the credit portfolio, net interest margin (defined as weighted average asset yield less weighted average secured financing cost of funds) declined to 2.75% from 3.62% sequentially, and net interest income declined, despite the larger portfolio size.

Supplemental Credit Portfolio Information

The table below details certain information regarding our investments in commercial mortgage loans as of June 30, 2022:

				Gross Unrealized			Weighted Average		
($ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield[1]	Life (Years)[2]
Commercial mortgage loans, held-for-investment[3][4]	$ 745,939	$ 10	$ 745,949	$ 94	$ (2,433)	$ 743,610	7.19 %	7.05 %	1.31

(1) Excludes commercial mortgage loans in non-accrual status, with a fair value of $31.5 million.
(2) Expected average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.
(3) Includes our allocable portion of small-balance commercial loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Consolidated Balance Sheet.
(4) As of June 30, 2022 all of our commercial mortgage loans were first lien mortgages, all of which have floating rates with a rate floor.

The table below summarizes our interests in commercial mortgage loans by property type of the underlying real estate collateral, as a percentage of total outstanding unpaid principal balance, as of June 30, 2022:

Property Type[(1)]	June 30, 2022
Multifamily	68.5 %
Office	9.3 %
Hotel	6.4 %
Industrial	5.6 %
Retail	4.8 %
Mixed Use	2.8 %
Mobile Home Communities	2.6 %
	100.0 %

(1) Includes our allocable portion of small-balance commercial loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Consolidated Balance Sheet.

The table below summarizes our interests in commercial mortgage loans by geographic location of the underlying real estate collateral, as a percentage of total outstanding unpaid principal balance, as of June 30, 2022:

Property Location by U.S. State[(1)]	June 30, 2022
Florida	20.1 %
Texas	18.5 %
Georgia	12.6 %
New York	6.2 %
Arizona	5.8 %
All other states <5%	36.8 %
	100.0 %

(1) Includes our allocable portion of small-balance commercial loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Consolidated Balance Sheet.

The table below summarizes our interests in residential mortgage loans by loan type and REO resulting from the foreclosure of residential mortgage loans as of June 30, 2022:

	June 30, 2022	
Loan Type	Unpaid Principal Balance	Fair Value
	In thousands	
Non-QM loans	$ 2,458,749	$ 2,324,711
Residential transition loans	656,518	656,851
Other residential loans	15,615	14,022
Total residential mortgage loans	$ 3,130,882	$ 2,995,584
Residential REO[(1)]		1,116
Total residential mortgage loans and residential REO[(1)]		$ 2,996,700

(1) REO is not considered a financial instrument and, as a result, is included at the lower of cost or fair value, as discussed in Note 2 of the notes to consolidated financial statements.

The following table provides additional details about our investments in unconsolidated entities as of June 30, 2022:

Investment in Unconsolidated Entity	Description		Fair Value
Loan Originators:	**Entity Type**		*(In thousands)*
Longbridge Financial, LLC	Reverse Mortgage Loan Originator	$	59,060
LendSure Mortgage Corp.	Residential Mortgage Loan Originator		33,442
Other	Residential Mortgage Loan, Commercial Mortgage Loan, and Consumer Loan Originators		18,892
			111,394
Other Unconsolidated Entities:	**Underlying Product Type**		
Co-investments with Ellington affiliate(s)	Commercial Mortgage Loans		65,026
Equity investments in securitization-related risk retention vehicles	Consumer Loans and European RMBS		10,719
Other	Various		5,130
			80,875
			192,269

Agency RMBS Portfolio Performance Summary

Agency RMBS continued to face headwinds in the second quarter, as the Federal Reserve's aggressive response to persistently high inflation continued to roil markets. During the quarter, the Federal Reserve twice increased its target range for the federal funds rate, including a 75 basis-point hike in June that was its largest since 1994, and initiated the runoff of its balance sheet. Geopolitical uncertainty and concerns over economic growth further contributed to elevated market volatility. In mid-June, the MOVE index, which measures interest rate volatility, reached its highest level since the 2020 COVID liquidity crisis, and interest rates rose significantly.

Agency RMBS durations extended in response to the higher interest rates, while the elevated volatility contributed to yield spread widening during the quarter. Agency RMBS prices declined sharply, with the largest declines on lower coupon RMBS, and Agency RMBS significantly underperformed U.S. Treasury securities and interest rate swaps. We experienced net losses on our Agency RMBS, concentrated in lower coupons, and these losses exceeded net interest income and net gains on our interest rate hedges. Our performance was also negatively impacted by costs associated with rebalancing certain of our interest rate hedges in response to the volatility. As a result, we had a significant net loss for the quarter in our Agency strategy.

Pay-ups on our specified pools increased modestly to 0.70% as of June 30, 2022, as compared to 0.59% as of March 31, 2022.

During the quarter, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in TBAs, U.S. Treasury securities, and futures. Additionally, we continued to maintain a long TBA portfolio.

During the quarter, our cost of funds on Agency RMBS increased significantly, driven by higher interest rates. Our asset yields on Agency RMBS also increased over the same period, though by a lesser amount. As a result, our net interest margin on our Agency RMBS, excluding the Catch-up Premium Amortization Adjustment, declined quarter over quarter to 1.76% from 1.98%.

As of both June 30, 2022 and March 31, 2022, the weighted average net pass-through rate on our fixed-rate specified pools was 2.9%. Portfolio turnover for our Agency strategy, as measured by sales and excluding paydowns, was approximately 12% for the three-month period ended June 30, 2022.

We expect to continue to target specified pools that, taking into account their particular composition and based on our prepayment projections, should: (1) generate attractive yields relative to other Agency RMBS and U.S. Treasury securities, (2) have less prepayment sensitivity to government policy shocks, and/or (3) create opportunities for trading gains once the market recognizes their value, which for newer pools may come only after several months, when actual prepayment experience can be observed. We believe that our research team, proprietary prepayment models, and extensive databases remain essential tools in our implementation of this strategy.

The following table summarizes the prepayment rates for our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) for the three-month periods ended June 30, 2022, March 31, 2022, December 31, 2021, September 30, 2021, and June 30, 2021.

	Three-Month Period Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Three-Month Constant Prepayment Rates[1]	11.6%	12.7%	18.5%	21.6%	21.7%

(1) Excludes Agency fixed-rate RMBS without any prepayment history.

The following table provides details about the composition of our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) as of June 30, 2022 and March 31, 2022:

		June 30, 2022			March 31, 2022		
	Coupon (%)	Current Principal	Fair Value	Weighted Average Loan Age (Months)	Current Principal	Fair Value	Weighted Average Loan Age (Months)
		(In thousands)			*(In thousands)*		
Fixed-rate Agency RMBS:							
15-year fixed-rate mortgages:							
	1.50–1.99	$ 20,406	$ 18,682	20	$ 3,997	$ 3,798	18
	2.00–2.49	53,755	50,531	17	55,042	53,656	14
	2.50–2.99	75,088	72,277	31	77,787	77,077	29
	3.00–3.49	31,413	30,814	23	32,790	33,094	20
	3.50–3.99	17,073	17,104	73	18,365	18,817	70
	4.00–4.49	3,421	3,462	70	3,705	3,836	67
	4.50–4.99	1,784	1,804	142	2,164	2,223	139
Total 15-year fixed-rate mortgages		202,940	194,674	30	193,850	192,501	29
20-year fixed-rate mortgages:							
	2.00–2.49	2,663	2,381	19	2,744	2,601	16
	2.50–2.99	4,539	4,187	20	4,667	4,505	17
	4.50–4.99	386	396	103	393	416	100
Total 20-year fixed-rate mortgages		7,588	6,964	24	7,804	7,522	21
30-year fixed-rate mortgages:							
	2.00–2.49	147,302	128,586	11	177,757	165,544	8
	2.50–2.99	407,547	369,130	14	457,959	439,350	10
	3.00–3.49	235,927	222,056	20	220,928	218,147	18
	3.50–3.99	117,936	115,294	46	144,977	147,081	37
	4.00–4.49	123,141	123,432	52	131,322	135,750	50
	4.50–4.99	70,939	72,553	57	69,482	73,090	61
	5.00–5.49	29,882	31,107	69	32,784	34,893	64
	5.50–5.99	2,122	2,274	83	2,450	2,694	77
	6.00–6.49	1,017	1,113	121	1,023	1,145	118
Total 30-year fixed-rate mortgages		1,135,813	1,065,545	26	1,238,682	1,217,694	23
Total fixed-rate Agency RMBS		$ 1,346,341	$ 1,267,183	27	$ 1,440,336	$ 1,417,717	24

Financing

The following table details our borrowings outstanding and debt-to-equity ratios as of June 30, 2022 and March 31, 2022:

($ in thousands)	As of June 30, 2022	As of March 31, 2022
Recourse[1] Borrowings:		
Repurchase Agreements	$ 2,865,222	$ 2,717,638
Other Secured Borrowings	45,455	47,941
Senior Notes, at par	296,000	296,000
Total Recourse Borrowings	$ 3,206,677	$ 3,061,579
Debt-to-Equity Ratio Based on Total Recourse Borrowings[1]	2.6:1	2.3:1
Non-Recourse[2] Borrowings:		
Repurchase Agreements	$ —	$ —
Other Secured Borrowings	—	—
Other Secured Borrowings, at fair value[3]	1,448,182	1,216,542
Total Recourse and Non-Recourse Borrowings	$ 4,654,859	$ 4,278,121
Debt-to-Equity Ratio Based on Total Recourse and Non-Recourse Borrowings	3.8:1	3.2:1

(1) As of June 30, 2022 and March 31, 2022, excludes borrowings at certain unconsolidated entities that are recourse to us. Including such borrowings, our debt-to-equity ratio based on total recourse borrowings was 2.8:1 and 2.5:1 as of June 30, 2022 and March 31, 2022, respectively.
(2) All of our non-recourse borrowings are secured by collateral. In the event of default under a non-recourse borrowing, the lender has a claim against the collateral but not any of the Operating Partnership's other assets. In the event of default under a recourse borrowing, the lender's claim is not limited to the collateral (if any).
(3) Relates to our non-QM loan securitizations, where we have elected the fair value option on the related debt.

Our debt-to-equity ratio including repos, Total other secured borrowings, and Senior Notes, increased to 3.8:1 as of June 30, 2022 as compared to 3.2:1 as of March 31, 2022, driven primarily by increased borrowings on our larger credit portfolio and sequentially lower total equity. Similarly, our recourse debt-to-equity ratio increased to 2.6:1 from 2.3:1 over the same period. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets activities, and the timing of security purchase and sale transactions.

Our secured financing costs include interest expense related to our repo borrowings and Total other secured borrowings. For the three-month period ended June 30, 2022, the average cost of funds on our secured financings increased significantly to 2.03%, as compared to 1.31% for the three-month period ended March 31, 2022. The period-over-period increase was primarily driven by higher interest rates. In addition, a larger proportion of our credit borrowings in the second quarter were on the small balance commercial mortgage loan portfolio, which has a higher cost of funds relative to most of our other credit strategies. Our unsecured financing costs consist of interest expense related to our Senior Notes. For the three-month period ended June 30, 2022, the average borrowing rate on our unsecured financings was 5.85%, as compared to 5.81% for the three-month period ended March 31, 2022. Our average cost of funds, including both secured and unsecured financings, increased to 2.61% from 1.41% over the same period.

Critical Accounting Estimates

Our condensed consolidated financial statements include the accounts of Ellington Financial Inc., its Operating Partnership, its subsidiaries, and variable interest entities, or "VIEs," for which we are deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated.

The preparation of our condensed consolidated financial statements in accordance with U.S. GAAP require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain. Actual results could differ from those estimates and such differences could have a material impact on our financial condition and/or results of operations. We believe that all of the decisions and assessments upon which our consolidated financial statements are based were reasonable at the time made based upon information available to us at that time. We rely on the experience of our Manager and Ellington and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. See Note 2 of the notes to our consolidated financial statements for a complete discussion of our significant accounting policies. We have identified our most critical accounting estimates to be the following:

Valuation: We have elected the fair value option for the vast majority of our assets and liabilities for which such election is permitted, as provided for under ASC 825, *Financial Instruments* ("ASC 825"). For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of our financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology.

Summary descriptions, for various categories of financial instruments, of the valuation methodologies management uses in determining fair value of our financial instruments are detailed in Note 2 of the notes to our consolidated financial statements. Management utilizes such methodologies to assign a good faith fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument. See the notes to our consolidated financial statements for more information on valuation techniques used by management in the valuation of our assets and liabilities.

Because of the inherent uncertainty of valuation, the estimated fair value of our financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to our consolidated financial statements.

The determination of estimated fair value of those of our financial instruments that are not traded in an active market requires the use of both macroeconomic and microeconomic assumptions and/or inputs, which are generally based on current market and economic conditions. Changes in market and/or economic conditions could have a significant adverse effect on the estimated fair value of our financial instruments. Changes to assumptions, including assumed market yields, may significantly impact the estimated fair value of our investments. Our valuations are sensitive to changes in interest rate; see the interest rate sensitivity analysis included in Item 3. Quantitative and Qualitative Disclosures about Market Risk in this Quarterly Report on Form 10-Q for further information.

VIEs: We evaluate each of our investments and other contractual arrangements to determine whether our interest constitutes a variable interest in a VIE, and if so whether we are the primary beneficiary of such VIE. In making these determinations we use both qualitative and quantitative analyses involving a significant amount of judgment, taking into consideration factors such as which interests in the VIE create or absorb variability, the contractual terms related to such interests, other transactions or agreements with the entity, key decision makers and their impact on the VIE's economic performance, and related party relationships.

Purchases and Sales of Investments and Investment Income: Purchase and sales transactions are generally recorded on trade date. Realized and unrealized gains and losses are calculated based on identified cost.

We generally amortize premiums and accrete discounts on our fixed-income investments using the effective interest method. For certain of our securities, for purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macroeconomic assumptions, such as future housing prices, GDP growth rates, and unemployment rates). In estimating future cash flows on certain of our loans, there are a number of assumptions that are subject to significant uncertainties and contingencies, including assumptions relating to prepayment rates, default rates, loan loss severities, and loan repurchases. These estimates require the use of a significant amount of judgment. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any.

The effective yield on our debt securities that are deemed to be of high credit quality (including Agency RMBS, exclusive of interest only securities) can be significantly impacted by our estimate of future prepayments. Future prepayment rates are difficult to predict. We estimate prepayment rates over the remaining life of our securities using models that generally incorporate the forward yield curve, current mortgage rates, mortgage rates on the outstanding loans, age and size of the outstanding loans, and other factors. We compare estimated prepayments to actual prepayments on a quarterly basis, and effective yields are recalculated retroactive to the time of purchase. When differences arise between our previously calculated effective yields and our current calculated effective yields, a catch-up adjustment, or "Catch-up Premium Amortization Adjustment," is made to interest income to reflect the cumulative impact of the changes in effective yields. For the three-month periods ended June 30, 2022 and 2021 we recognized a Catch-Up Premium Amortization Adjustment of $2.1 million and $3.0 million, respectively. For the six-month periods ended June 30, 2022 and 2021 we recognized a Catch-Up Premium Amortization Adjustment of $1.5 million and $3.0 million, respectively. The Catch-up Premium Amortization Adjustment is reflected as an increase (decrease) to Interest income on the Consolidated Statement of Operations.

See the notes to our consolidated financial statements for more information on the assumptions and methods that we use to amortize purchase premiums and accrete purchase discounts.

Income Taxes: We made an election to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2019, and are generally are not subject to corporate-level federal and state income tax on net income we distribute to our stockholders within the prescribed timeframes. We have elected to treat certain domestic and foreign subsidiaries as TRSs. Our financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. Establishing a provision for income tax expense requires judgement and interpretation of the application of various federal, state, local, and foreign jurisdiction's tax laws. We may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any such positions, we might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. See Note 2 and Note 12 to our consolidated financial statements for additional details on income taxes.

Recent Accounting Pronouncements

Refer to Note 2 to our consolidated financial statements for a description of relevant recent accounting pronouncements.

Financial Condition

The following table summarizes the fair value our investment portfolio[1] as of June 30, 2022 and December 31, 2021.

(In thousands)	June 30, 2022	December 31, 2021
Long:		
Credit:		
Dollar Denominated:		
CLO[2]	$ 34,478	$ 60,903
CMBS	28,625	25,643
Commercial Mortgage Loans and REO[3][5]	562,154	387,165
Consumer Loans and ABS backed by Consumer Loans[2]	99,922	153,124
Corporate Debt and Equity and Corporate Loans	18,336	20,128
Debt and Equity Investments in Loan Origination Entities[4]	115,415	141,315
Non-Agency RMBS	221,725	191,728
Residential Mortgage Loans and REO[3]	2,996,700	2,017,219
Non-Dollar Denominated:		
CLO[2]	1,627	3,092
Consumer Loans and ABS backed by Consumer Loans	—	213
Corporate Debt and Equity	430	13
RMBS[6]	22,387	25,846
Agency:		
Fixed-Rate Specified Pools	1,267,183	1,600,862
Floating-Rate Specified Pools	7,489	9,456
IOs	24,773	33,288
Reverse Mortgage Pools	35,933	53,010
Government Debt:		
Dollar Denominated	24,291	—
Total Long	$ 5,461,468	$ 4,723,005
Short:		
Credit:		
Government Debt:		
Dollar Denominated	(151,206)	(92,190)
Non-Dollar Denominated	(24,949)	(28,335)
Total Short	$ (176,155)	$ (120,525)

(1) For more detailed information about the investments in our portfolio, please see the notes to the consolidated financial statements.
(2) Includes equity investments in securitization-related vehicles.
(3) REO is not eligible to elect the fair value option as described in Note 2 of the notes to the consolidated financial statements and, as a result, is included at the lower of cost or fair value.
(4) Includes corporate loans to certain loan origination entities in which we hold an equity investment.
(5) Includes investments in unconsolidated entities holding small balance commercial mortgage loans and REO.
(6) Includes an investment in an unconsolidated entity holding European RMBS.

The following table summarizes our financial derivatives portfolio[1][2] as of June 30, 2022.

	June 30, 2022			
	Notional			Net
(In thousands)	Long	Short	Net	Fair Value
Mortgage-Related Derivatives:				
CDS on MBS and MBS Indices	$ 519	$ (17,202)	$ (16,683)	$ 2,257
Total Net Mortgage-Related Derivatives				2,257
Corporate-Related Derivatives:				
CDS on Corporate Bonds and Corporate Bond Indices	1,996	(72,961)	(70,965)	1,268
Options	—	—	—	—
Warrants[3]	1,897	—	1,897	803
Total Net Corporate-Related Derivatives				2,071
Interest Rate-Related Derivatives:				
TBAs	51,277	(612,337)	(561,060)	391
Interest Rate Swaps	1,066,155	(2,444,192)	(1,378,037)	55,558
U.S. Treasury Futures[4]	1,900	(50,100)	(48,200)	220
Total Interest Rate-Related Derivatives				56,169
Other Derivatives:				
Foreign Currency Forwards[5]	—	(12,396)	(12,396)	244
Total Net Other Derivatives				244
Net Total				$ 60,741

(1) For more detailed information about the financial derivatives in our portfolio, please refer to Note 8 of the notes to the consolidated financial statements.
(2) In the table above, fair value of certain derivative transactions are shown on a net basis. The accompanying financial statements separate derivative transactions as either assets or liabilities. As of June 30, 2022, derivative assets and derivative liabilities were $81.2 million and $(20.4) million, respectively, for a net fair value of $60.7 million, as reflected in "Net Total" above.
(3) Notional represents the maximum number of shares available to be purchased upon exercise.
(4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of June 30, 2022, a total of 19 long and 252 short U.S. Treasury futures contracts were held.
(5) Short notional value represents U.S. Dollars to be received by us at the maturity of the forward contract.

The following table summarizes our financial derivatives portfolio[1][2] as of December 31, 2021.

	December 31, 2021			
	Notional			Net Fair Value
(In thousands)	Long	Short	Net	
Mortgage-Related Derivatives:				
CDS on MBS and MBS Indices	$ 573	$ (15,348)	$ (14,775)	$ 2,015
Total Net Mortgage-Related Derivatives				2,015
Corporate-Related Derivatives:				
CDS on Corporate Bonds and Corporate Bond Indices	2,168	(24,583)	(22,415)	(1,813)
Options	30,000	—	30,000	278
Warrants[3]	1,897	—	1,897	706
Total Net Corporate-Related Derivatives				(829)
Interest Rate-Related Derivatives:				
TBAs	273,223	(913,382)	(640,159)	320
Interest Rate Swaps	474,741	(1,519,488)	(1,044,747)	4,895
U.S. Treasury Futures[4]	1,900	(221,400)	(219,500)	403
Total Interest Rate-Related Derivatives				5,618
Other Derivatives:				
Foreign Currency Forwards[5]	—	(16,494)	(16,494)	(208)
Total Net Other Derivatives				(208)
Net Total				$ 6,596

(1) For more detailed information about the financial derivatives in our portfolio, please refer to Note 8 of the notes to the consolidated financial statements.
(2) In the table above, fair value of certain derivative transactions are shown on a net basis. The accompanying financial statements separate derivative transactions as either assets or liabilities. As of December 31, 2021, derivative assets and derivative liabilities were $18.9 million and $(12.3) million, respectively, for a net fair value of $6.6 million, as reflected in "Net Total" above.
(3) Notional represents the maximum number of shares available to be purchased upon exercise.
(4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of December 31, 2021, a total of 19 long and 1,965 short U.S. Treasury futures contracts were held.
(5) Short notional value represents U.S. Dollars to be received by us at the maturity of the forward contract.

As of June 30, 2022, our Consolidated Balance Sheet reflected total assets of $6.2 billion and total liabilities of $4.9 billion. As of December 31, 2021, our Consolidated Balance Sheet reflected total assets of $5.2 billion and total liabilities of $3.9 billion. Our investments in securities, loans, and unconsolidated entities, financial derivatives, and real estate owned included in total assets were $5.5 billion and $4.7 billion as of June 30, 2022 and December 31, 2021, respectively. Our investments in securities sold short and financial derivatives included in total liabilities were $196.6 million and $132.8 million as of June 30, 2022 and December 31, 2021, respectively. As of both June 30, 2022 and December 31, 2021, investments in securities sold short consisted principally of short positions in U.S. Treasury securities and sovereign bonds. We primarily use short positions in U.S. Treasury securities and sovereign bonds to hedge the risk of rising interest rates and foreign currency risk.

Typically, we hold a net short position in TBAs. The amounts of net short TBAs, as well as of other hedging instruments, may fluctuate according to the size of our investment portfolio as well as according to how we view market dynamics as favoring the use of one hedging instrument or another. As of June 30, 2022 and December 31, 2021, we had a net short notional TBA position of $561.1 million and $640.2 million, respectively.

For a more detailed discussion of our investment portfolio, see "*—Trends and Recent Market Developments—Portfolio Overview and Outlook*" above.

We use mortgage-related credit derivatives primarily to hedge credit risk in certain credit strategies, although we also take net long positions in certain CDS on RMBS and CMBS indices. Our CDS on individual RMBS represent "single-name" positions whereby we have synthetically purchased credit protection on specific non-Agency RMBS bonds. As there is no longer an active market for CDS on individual RMBS, our portfolio in this sector continues to run off. We also use CDS on corporate bond indices, options thereon, and various other instruments as a means to hedge credit risk. As market conditions change, especially as the pricing of various credit hedging instruments changes in relation to our outlook on future credit performance, we continuously re-evaluate both the extent to which we hedge credit risk and the particular mix of instruments that we use to hedge credit risk.

We may hold long and/or short positions in corporate bonds or equities. Our long and short positions in corporate bonds or equities may serve as outright investments or portfolio hedges.

We use a variety of instruments to hedge interest rate risk in our portfolio, including non-derivative instruments such as U.S. Treasury securities and sovereign debt instruments, and derivative instruments such as interest rate swaps, TBAs, Eurodollar and U.S. Treasury futures, and options on the foregoing. The mix of instruments that we use to hedge interest rate risk may change materially from one period to the next.

We have also entered into foreign currency forward and futures contracts in order to hedge risks associated with foreign currency fluctuations.

We have entered into repos to finance many of our assets. We account for our repos as collateralized borrowings. As of June 30, 2022 indebtedness outstanding on our repos was approximately $2.9 billion. As of June 30, 2022, our assets financed with repos consisted of Agency RMBS of $1.3 billion, credit assets of $2.0 billion, and U.S. Treasury securities of $24.3 million. As of June 30, 2022, outstanding indebtedness under repos was $1.3 billion for Agency RMBS, $1.5 billion for credit assets, and $24.3 million for U.S. Treasury securities. As of December 31, 2021 indebtedness outstanding on our repos was approximately $2.5 billion. As of December 31, 2021, our assets financed with repos consisted of Agency RMBS of $1.6 billion and credit assets of $1.1 billion. As of December 31, 2021, outstanding indebtedness under repos was $1.6 billion for Agency RMBS and $0.8 billion for credit assets.

In addition to our repos, as of June 30, 2022 we had Total other secured borrowings of $1.5 billion, used to finance $1.6 billion of non-QM loans and ABS backed by consumer loans. This compares to Total other secured borrowings of $1.1 billion as of December 31, 2021, used to finance $1.2 billion of non-QM loans, consumer loans and ABS backed by consumer loans, and small balance commercial mortgage loans. In addition to our secured borrowings, we had $296.0 million and $86.0 million of Senior Notes outstanding as of June 30, 2022 and December 31, 2021, respectively.

As of June 30, 2022 and December 31, 2021, our debt-to-equity ratio was 3.8:1 and 2.7:1, respectively. Our recourse debt-to-equity ratio was 2.6:1 as of June 30, 2022 as compared to 2.0:1 as of December 31, 2021. See the discussion in "—*Liquidity and Capital Resources*" below for further information on our borrowings.

Equity

As of June 30, 2022, our equity decreased by $89.1 million to $1.234 billion from $1.324 billion as of December 31, 2021. The decrease principally consisted of net loss of $(67.9) million, common and preferred dividends of $61.5 million, distributions to non-controlling interests of $15.0 million, and $1.2 million to repurchase shares of common stock. These decreases were partially offset by net proceeds from the issuance of shares of common stock of $45.2 million, after commissions and offering costs, net proceeds from the issuance of shares of preferred stock of $0.5 million, net of commissions and offering costs, and contributions from our non-controlling interests of $9.9 million. Stockholders' equity, which excludes the non-controlling interests related to the minority interest in the Operating Partnership as well as the minority interests of our joint venture partners, was $1.208 billion as of June 30, 2022.

Results of Operations for the Three- and Six-Month Periods Ended June 30, 2022 and 2021

The following table summarizes our results of operations for the three- and six-month periods ended June 30, 2022 and 2021:

	Three-Month Period Ended		Six Month-Period Ended	
(In thousands except per share amounts)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest Income (Expense)				
Interest income	$ 62,722	$ 45,890	$ 113,796	$ 85,970
Interest expense	(26,024)	(11,166)	(40,041)	(22,508)
Net interest income	36,698	34,724	73,755	63,462
Other Income (Loss)[(1)]				
Realized and unrealized gains (losses) on securities and loans, net	(194,180)	7,991	(344,528)	10,486
Realized and unrealized gains (losses) on financial derivatives, net	49,295	(5,258)	117,937	11,248
Realized and unrealized gains (losses) on real estate owned, net	836	(1,388)	239	(2,120)
Unrealized gains (losses) on other secured borrowings, at fair value, net	67,258	2,197	122,899	3,377
Unrealized gains (losses) on senior notes, at fair value	7,350	—	7,350	—
Other, net	(166)	2,166	1,054	2,946
Total other income (loss)	(69,607)	5,708	(95,049)	25,937
Expenses				
Base management fee to affiliate (Net of fee rebates of $604, $195, $1,261, and $389, respectively)[(2)]	3,990	3,355	8,256	6,633
Incentive fee to affiliate	—	7,157	—	7,157
Other investment related expenses	4,821	4,831	14,504	9,686
Other operating expenses	4,291	4,082	9,909	8,278
Total expenses	13,102	19,425	32,669	31,754
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities	(46,011)	21,007	(53,963)	57,645
Income tax expense (benefit)	(7,825)	3,140	(14,785)	5,157
Earnings (losses) from investments in unconsolidated entities	(23,265)	18,602	(28,771)	25,237
Net Income (Loss)	(61,451)	36,469	(67,949)	77,725
Net income (loss) attributable to non-controlling interests	(391)	1,874	(811)	3,333
Dividends on preferred stock	3,821	1,940	7,645	3,881
Net Income (Loss) Attributable to Common Stockholders	$ (64,881)	$ 32,655	$ (74,783)	$ 70,511
Net Income (Loss) Per Common Share	$ (1.08)	$ 0.75	$ (1.27)	$ 1.61

(1) Conformed to current period presentation.
(2) See Note 13 of the notes to the consolidated financial statements for further details on management fee rebates.

Adjusted Distributable Earnings

Beginning with the financial results for the quarter ended June 30, 2022, the supplemental non-GAAP financial measure that we previously referred to as "Core Earnings," we now refer to as "Adjusted Distributable Earnings." We calculate Adjusted Distributable Earnings as U.S. GAAP net income (loss) as adjusted for: (i) realized and unrealized gain (loss) on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps), other secured borrowings, at fair value, senior notes, at fair value, and foreign currency transactions; (ii) incentive fee to affiliate; (iii) Catch-up Premium Amortization Adjustment (as defined below); (iv) non-cash equity compensation expense; (v) provision for income taxes; (vi) certain non-capitalized transaction costs; and (vii) other income or loss items that are of a non-recurring nature. For certain investments in unconsolidated entities, we include the relevant components of net operating income in Adjusted Distributable Earnings. The Catch-up Premium Amortization Adjustment is a quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to

realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter.

Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) we believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current period earnings components that we believe are less useful in forecasting long-term performance and dividend-paying ability; (ii) we use it to evaluate the effective net yield provided by our portfolio, after the effects of financial leverage; and (iii) we believe that presenting Adjusted Distributable Earnings assists our investors in measuring and evaluating our operating performance, and comparing our operating performance to that of our residential mortgage REIT peers. Please note, however, that: (I) our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items, such as most realized and unrealized gains and losses, that may impact the amount of cash that is actually available for distribution.

In addition, because Adjusted Distributable Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP.

Furthermore, Adjusted Distributable Earnings is different from REIT taxable income. As a result, the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders, in order to maintain our qualification as a REIT, is not based on whether we distributed 90% of our Adjusted Distributable Earnings.

In setting our dividends, our Board of Directors considers our earnings, liquidity, financial condition, REIT distribution requirements, and financial covenants, along with other factors that the Board of Directors may deem relevant from time to time.

The following table reconciles, for the three- and six-month periods ended June 30, 2022 and 2021, Adjusted Distributable Earnings to the line on our Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure:

(In thousands, except per share amounts)	Three-Month Period Ended		Six Month-Period Ended	
	June 30, 2022	June 30, 2021[1]	June 30, 2022	June 30, 2021[1]
Net income (loss)	$ (61,451)	$ 36,469	$ (67,949)	$ 77,725
Income tax expense (benefit)	(7,825)	3,140	(14,785)	5,157
Net income (loss) before income tax expense (benefit)	(69,276)	39,609	(82,734)	82,882
Adjustments:				
Realized (gains) losses on securities and loans, net	18,830	2,009	18,025	(2,268)
Realized (gains) losses on financial derivatives, net	(46,779)	(425)	(70,114)	(6,220)
Realized (gains) losses on real estate owned, net	(518)	74	(491)	13
Unrealized (gains) losses on securities and loans, net	175,350	(10,000)	326,503	(8,218)
Unrealized (gains) losses on financial derivatives, net	(2,516)	5,683	(47,823)	(5,028)
Unrealized (gains) losses on real estate owned, net	(318)	1,314	252	2,107
Unrealized (gains) losses on other secured borrowings, at fair value, net	(67,258)	(2,197)	(122,899)	(3,377)
Unrealized (gains) losses on senior notes, at fair value	(7,350)	—	(7,350)	—
Other realized and unrealized (gains) losses, net[2]	1,131	31	1,214	609
Net realized gains (losses) on periodic settlements of interest rate swaps	(499)	77	(2,201)	(739)
Net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	836	(709)	1,397	(299)
Incentive fee to affiliate	—	7,157	—	7,157
Non-cash equity compensation expense	362	244	650	473
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	(2,131)	(3,041)	(1,497)	(2,954)
Non-capitalized transaction costs and other expense adjustments	2,887	2,287	9,224	3,952
(Earnings) losses from investments in unconsolidated entities[3]	23,265	(18,602)	28,771	(25,237)
Adjusted distributable earnings from investments in unconsolidated entities[3]	3,363	2,289	5,657	4,746
Total Adjusted Distributable Earnings	29,379	25,800	56,584	47,599
Dividends on preferred stock	3,821	1,940	7,645	3,881
Adjusted Distributable Earnings attributable to non-controlling interests	664	1,609	838	2,655
Adjusted Distributable Earnings Attributable to Common Stockholders	$ 24,894	$ 22,251	$ 48,101	41,063
Adjusted Distributable Earnings Attributable to Common Stockholders, per share	$ 0.41	$ 0.51	$ 0.82	$ 0.94

(1) Conformed to current period presentation.
(2) Includes realized and unrealized gains (losses) on foreign currency included in Other, net, on the Consolidated Statement of Operations.
(3) Includes net interest income and operating expenses for certain investments in unconsolidated entities.

Results of Operations for the Three-Month Periods Ended June 30, 2022 and 2021

Net Income (Loss) Attributable to Common Stockholders

For the three-month period ended June 30, 2022 we had net income (loss) attributable to common stockholders of $(64.9) million, compared to $32.7 million for the three-month period ended June 30, 2021. The reversal in our results of operations was primarily due to net realized and unrealized losses on our securities and loans and losses from investments in unconsolidated entities, as compared to net gains on securities and loans and earnings from investments in unconsolidated entities in the prior period. Such losses were partially offset by net realized and unrealized gains on financial derivatives and an increase in unrealized gains on other secured borrowings, at fair value.

Table of Contents

Interest Income

Interest income was $62.7 million for the three-month period ended June 30, 2022, as compared to $45.9 million for the three-month period ended June 30, 2021. Interest income for both periods included coupon payments received and accrued on our holdings, the net accretion and amortization of purchase discounts and premiums on those holdings, and interest on our cash balances, including those balances held by our counterparties as collateral.

For the three-month period ended June 30, 2022, interest income from our credit portfolio was $51.0 million, as compared to $34.1 million for the three-month period ended June 30, 2021. This period-over-period increase was primarily due to the larger size of the credit portfolio for the three-month period ended June 30, 2022, partially offset by lower average asset yields.

For the three-month period ended June 30, 2022, interest income from our Agency RMBS was $11.0 million, as compared to $11.3 million for the three-month period ended June 30, 2021. This period-over-period decrease was due to lower average asset yields, partially offset by the larger size of the Agency portfolio, for the three-month period ended June 30, 2022.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the three-month periods ended June 30, 2022 and 2021:

	Credit[1]			Agency[1]			Total[1]		
(In thousands)	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Three-month period ended June 30, 2022	$ 51,024	$ 3,681,291	5.54 %	$ 11,049	$ 1,534,627	2.88 %	$ 62,073	$ 5,215,918	4.76 %
Three-month period ended June 30, 2021	$ 34,140	$ 2,027,466	6.74 %	$ 11,328	$ 1,372,575	3.30 %	$ 45,468	$ 3,400,041	5.35 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long positions in U.S. Treasury securities. Also excludes long holdings of corporate securities that represent components of certain relative value trading strategies.

Some of the variability in our interest income and portfolio yields is due to the Catch-up Premium Amortization Adjustment. For the three-month periods ended June 30, 2022 and 2021 we had a positive Catch-up Premium Amortization Adjustment of $2.1 million and $3.0 million, respectively, which increased our interest income. Excluding the Catch-up Premium Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 2.32% and 4.60%, respectively, for the three-month period ended June 30, 2022. Excluding the Catch-up Premium Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 2.42% and 4.99%, respectively, for the three-month period ended June 30, 2021.

Interest Expense

Interest expense primarily includes interest on funds borrowed under repos and Total other secured borrowings, interest on our Senior Notes, coupon interest on securities sold short, the related net accretion and amortization of purchase discounts and premiums on those short holdings, and interest on our counterparties' cash collateral held by us. Our total interest expense increased to $26.0 million for the three-month period ended June 30, 2022, as compared to $11.2 million for the three-month period ended June 30, 2021. The increase in interest expense was primarily the result of an increase in borrowings and financing rates on both our Agency and credit assets, as well as an increase in unsecured borrowings resulting from our issuance of $210.0 million of 5.875% Senior Notes at the end of the first quarter of 2022.

The table below summarizes the components of interest expense for the three-month periods ended June 30, 2022 and 2021.

	Three-Month Period Ended	
(In thousands)	June 30, 2022	June 30, 2021
Repos and Total other secured borrowings	$ 20,946	$ 9,502
Senior Notes	4,332	1,249
Securities sold short [1]	674	231
Other [2]	72	184
Total	$ 26,024	$ 11,166

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.
(2) Primarily includes interest expense on our counterparties' cash collateral held by us and reverse repurchase agreements with negative interest rates.

The following table summarizes our aggregate secured borrowings, including repos and Total other secured borrowings, for the three-month periods ended June 30, 2022 and 2021.

	Three-Month Period Ended					
	June 30, 2022			June 30, 2021		
Collateral for Secured Borrowing	Average Borrowings	Interest Expense	Average Cost of Funds	Average Borrowings	Interest Expense	Average Cost of Funds
(In thousands)						
Credit	$ 2,713,209	$ 18,920	2.80 %	$ 1,426,056	$ 8,797	2.47 %
Agency RMBS	1,401,617	1,986	0.57 %	1,439,063	705	0.20 %
Subtotal[(1)]	4,114,826	20,906	2.04 %	2,865,119	9,502	1.33 %
U.S. Treasury Securities	18,595	40	0.87 %	330	—	0.01 %
Total	$ 4,133,421	$ 20,946	2.03 %	$ 2,865,449	$ 9,502	1.33 %

(1) Excludes U.S. Treasury securities.

Among other instruments, we use interest rate swaps to hedge against the risk of rising interest rates. If we were to include as a component of our cost of funds the amortization of upfront payments and the actual and accrued periodic payments on our interest rate swaps used to hedge our assets, our total average cost of funds would decrease to 1.94% and increase to 1.50% for the three-month periods ended June 30, 2022 and 2021, respectively. Excluding the Catch-up Premium Amortization Adjustment, our net interest margin, defined as the yield on our portfolio of yield-bearing targeted assets less the average cost of funds on our secured borrowings (including amortization of upfront payments and actual and accrued periodic payments on interest rate swaps as described above), was 2.66% and 3.49% for the three-month periods ended June 30, 2022 and 2021, respectively. These metrics do not include costs associated with other instruments that we use to hedge interest rate risk, such as TBAs and futures.

Base Management Fees

For the three-month period ended June 30, 2022, the gross base management fee, which is based on total equity at the end of each quarter, was $4.6 million, and our Manager credited us with rebates on our base management fee of $0.6 million, resulting in a net base management fee of $4.0 million. For the three-month period ended June 30, 2021, the gross base management fee was $3.6 million, and our Manager credited us with rebates on our base management fee of $0.2 million, resulting in a net base management fee of $3.4 million. For each period, the base management fee rebates related to those of our CLO investments for which Ellington or one of its affiliates earned CLO management fees. The increase in the net base management fee period over period was due to a larger capital base at June 30, 2022 as compared to June 30, 2021, partially offset by the increase in the base management fee rebates.

Incentive Fees

In addition to the base management fee, our Manager is also entitled to a quarterly incentive fee if our performance (as measured by adjusted net income, as defined in the management agreement) over the relevant rolling four quarter calculation period (including any opening loss carryforward) exceeds a defined return hurdle for the period. No incentive fee was incurred for the three-month period ended June 30, 2022, since our income did not exceed the prescribed hurdle amount on a rolling four quarter basis. For the three-month period ended June 30, 2021, we incurred an incentive fee of $7.2 million. Because our operating results can vary materially from one period to another, incentive fee expense can be highly variable.

Other Investment Related Expenses

Other investment related expenses consist of servicing fees on our mortgage and consumer loans, as well as various other expenses and fees directly related to our financial assets and certain financial liabilities carried at fair value. For each of the three-month periods ended June 30, 2022 and 2021 other investment related expenses were $4.8 million.

Other Operating Expenses

Other operating expenses consist of professional fees, compensation expense related to our dedicated or partially dedicated personnel, and various other operating expenses necessary to run our business. Other operating expenses exclude management and incentive fees, interest expense, and other investment related expenses. Other operating expenses were $4.3 million for the three-month period ended June 30, 2022 as compared to $4.1 million for the three-month period ended June 30, 2021. The slight increase in other operating expenses for the three-month period ended June 30, 2022 was primarily due to an

increase in various expenses including professional fees, share-based long term incentive plan unit awards, and third-party administration fees, partially offset by a decrease in compensation expense.

Other Income (Loss)

Other income (loss) consists of net realized and unrealized gains (losses) on securities and loans, financial derivatives, and real estate owned, and unrealized gains (losses) on other secured borrowings, at fair value and senior notes, at fair value. Other, net, another component of Other income (loss), includes rental income and income related to loan originations, as well as realized gains (losses) on foreign currency transactions and unrealized gains (losses) on foreign currency remeasurement.

For the three-month period ended June 30, 2022, other income (loss) was $(69.6) million, consisting primarily of net realized and unrealized losses on our securities and loans of $(194.2) million, partially offset by $49.3 million of net realized and unrealized gains on our financial derivatives, $67.3 million of net unrealized gains on our Other secured borrowings, at fair value, and $7.4 million net unrealized gains on our Senior notes, at fair value. Rapidly rising interest rates and widening yield spreads drove net realized and unrealized losses of $(194.2) million on our securities and loans, primarily on our Agency RMBS, non-QM loans, non-Agency RMBS, CMBS, CLOs, commercial mortgage loans, and consumer loans and ABS backed by consumer loans. Such losses were partially offset by net realized and unrealized gains on short positions in U.S. Treasury securities and sovereign bonds. Net realized and unrealized gains of $49.3 million on our financial derivatives were primarily related to net realized and unrealized gains on interest rate swaps, short TBAs, futures, and forwards, which were driven by rising interest rates during the quarter, as well as net realized and unrealized gains on credit default swaps on corporate bond indices and asset-backed indices. We recognized net unrealized gains of $67.3 million on our Other secured borrowings, at fair value for the three-month period ended June 30, 2022, related to borrowings on our securitized non-QM loans. These securitized non-QM loans had net unrealized losses of $(95.8) million, which are included in Unrealized gains (losses) on securities and loans, net.

For the three-month period ended June 30, 2021, other income (loss) was $5.7 million, consisting primarily of net realized and unrealized gains on our securities and loans of $8.0 million and $4.4 million of other, net, which primarily comprises other non-interest income related to our loan portfolios, partially offset by net realized and unrealized losses on our financial derivatives of $(5.3) million, and net realized and unrealized losses on real estate owned, net, of $(1.4) million. Net realized and unrealized gains of $8.0 million on our securities and loans primarily resulted from net realized and unrealized gains on CLOs, non-Agency RMBS, and CMBS, partially offset by net realized and unrealized losses on Agency RMBS and U.S. Treasury securities. The net realized and unrealized gains in the credit portfolio were driven by tighter credit yield spreads, while the net losses on Agency RMBS were related to wider Agency RMBS yield spreads, particularly on higher coupons. Net realized and unrealized losses on our financial derivatives of $(5.3) million were primarily related to net realized and unrealized losses on interest rate swaps and futures, partially offset by net realized and unrealized gains on TBAs.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $(7.8) million for the three-month period ended June 30, 2022, as compared to $3.1 million for the three-month period ended June 30, 2021. Income tax benefit for the three-month period ended June 30, 2022 was related to net realized and unrealized losses on investments held in a domestic TRS. Income tax expense for the three-month period ended June 30, 2021 was related to net realized and unrealized gains on investments held in a domestic TRS. As of June 30, 2022, we had a net deferred tax asset of approximately $9.6 million, against which we took a full allowance.

Earnings (Losses) from Investments in Unconsolidated Entities

We have elected the fair value option for our equity investments in unconsolidated entities. Earnings (losses) from investments in unconsolidated entities was $(23.3) million for the three-month period ended June 30, 2022, as compared to $18.6 million for the three-month period ended June 30, 2021. The reversal in earnings from investments in unconsolidated entities primarily relates to unrealized losses on investments in loan originators for the three-month period ended June 30, 2022, partially offset by net realized and unrealized gains on our investments in entities holding commercial mortgage loans and REO, in which we co-invest with other Ellington affiliates. Rapidly rising interest rates and widening yield spreads compressed gain-on-sale margins at our loan originators, which drove the mark-to-market losses on investments in such loan originators. For the three-month period ended June 30, 2021, earnings from investments in unconsolidated entities primarily related to unrealized gains on loan originators and unrealized gains on an equity investment in a securitization-related risk retention vehicle.

Results of Operations for the Six-Month Periods Ended June 30, 2022 and 2021

Net Income (Loss) Attributable to Common Stockholders

For the six-month period ended June 30, 2022 we had net income (loss) attributable to common stockholders of $(74.8) million, compared to $70.5 million for the six-month period ended June 30, 2021. The reversal in our results of operations was

primarily due to realized and unrealized losses on our securities and loans, and losses from investments in unconsolidated entities, as compared to realized and unrealized gains on our securities and loans, and earnings from investments in unconsolidated entities in the prior period. Such losses for the six-month period ended June 30, 2022 were partially offset by an increase in net interest income, net realized and unrealized gains on financial derivatives, an increase in unrealized gains on other secured borrowings, at fair value, and unrealized gains on our senior notes, at fair value.

Interest Income

Interest income was $113.8 million for the six-month period ended June 30, 2022, as compared to $86.0 million for the six-month period ended June 30, 2021. Interest income for both periods included coupon payments received and accrued on our holdings, the net accretion and amortization of purchase discounts and premiums on those holdings, and interest on our cash balances, including those balances held by our counterparties as collateral.

For the six-month period ended June 30, 2022, interest income from our credit portfolio was $93.9 million, as compared to $67.3 million for the six-month period ended June 30, 2021. This period-over-period increase was primarily due to the larger size of the credit portfolio for the six-month period ended June 30, 2022, partially offset by lower average asset yields.

For the six-month period ended June 30, 2022, interest income from our Agency RMBS was $19.2 million, as compared to $18.1 million for the six-month period ended June 30, 2021. This period-over-period increase was due to the larger size of the Agency portfolio, partially offset by lower average asset yields, for the six-month period ended June 30, 2022.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the six-month periods ended June 30, 2022 and 2021:

	Credit[1]			Agency[1]			Total[1]		
(In thousands)	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Six-month period ended June 30, 2022	$ 93,850	$ 3,347,031	5.61 %	$ 19,247	$ 1,562,276	2.46 %	$ 113,097	$ 4,909,307	4.61 %
Six-month period ended June 30, 2021	$ 67,349	$ 1,991,190	6.76 %	$ 18,080	$ 1,287,354	2.81 %	$ 85,429	$ 3,278,544	5.21 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long positions in U.S. Treasury securities. Also excludes long holdings of corporate securities that represent components of certain relative value trading strategies.

Some of the variability in our interest income and portfolio yields is due to the Catch-up Premium Amortization Adjustment. For the six-month periods ended June 30, 2022 and 2021 we had a positive Catch-up Premium Amortization Adjustment of $1.5 million and $3.0 million, respectively, which increased our interest income. Excluding the Catch-up Premium Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 2.27% and 4.55%, respectively, for the six-month period ended June 30, 2022. Excluding the Catch-up Premium Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 2.35% and 5.03%, respectively, for the six-month period ended June 30, 2021.

Interest Expense

Interest expense primarily includes interest on funds borrowed under repos and Total other secured borrowings, interest on our Senior Notes, coupon interest on securities sold short, the related net accretion and amortization of purchase discounts and premiums on those short holdings, and interest on our counterparties' cash collateral held by us. Our total interest expense increased to $40.0 million for the six-month period ended June 30, 2022, as compared to $22.5 million for the six-month period ended June 30, 2021. The increase in interest expense was primarily the result of an increase in borrowings and financing rates on both our Agency and credit assets, as well as an increase in unsecured borrowings resulting from our issuance of $210.0 million of 5.875% Senior Notes at the end of the first quarter of 2022.

The table below summarizes the components of interest expense for the six-month periods ended June 30, 2022 and 2021.

	Six-Month Period Ended	
(In thousands)	June 30, 2022	June 30, 2021
Repos and Total other secured borrowings	$ 33,087	$ 19,206
Senior Notes	5,615	2,497
Securities sold short [(1)]	1,212	319
Other [(2)]	127	486
Total	$ 40,041	$ 22,508

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.
(2) Primarily includes interest expense on our counterparties' cash collateral held by us and reverse repurchase agreements with negative interest rates.

The following table summarizes our aggregate secured borrowings, including repos and Total other secured borrowings, for the six-month periods ended June 30, 2022 and 2021.

	Six-Month Period Ended					
	June 30, 2022			June 30, 2021		
Collateral for Secured Borrowing	Average Borrowings	Interest Expense	Average Cost of Funds	Average Borrowings	Interest Expense	Average Cost of Funds
(In thousands)						
Credit	$ 2,444,585	$ 30,119	2.48 %	$ 1,418,604	$ 17,796	2.53 %
Agency RMBS	1,481,962	2,928	0.40 %	1,311,688	1,410	0.22 %
Subtotal[(1)]	3,926,547	33,047	1.70 %	2,730,292	19,206	1.42 %
U.S. Treasury Securities	9,349	40	0.87 %	166	—	0.01 %
Total	$ 3,935,896	$ 33,087	1.70 %	$ 2,730,458	$ 19,206	1.42 %

(1) Excludes U.S. Treasury securities.

Among other instruments, we use interest rate swaps to hedge against the risk of rising interest rates. If we were to include as a component of our cost of funds the amortization of upfront payments and the actual and accrued periodic payments on our interest rate swaps used to hedge our assets, our total average cost of funds would increase to 1.71% and 1.57% for the six-month periods ended June 30, 2022 and 2021, respectively. Excluding the Catch-up Premium Amortization Adjustment, our net interest margin, defined as the yield on our portfolio of yield-bearing targeted assets less the average cost of funds on our secured borrowings (including amortization of upfront payments and actual and accrued periodic payments on interest rate swaps as described above), was 2.84% and 3.46% for the six-month periods ended June 30, 2022 and 2021, respectively. These metrics do not include costs associated with other instruments that we use to hedge interest rate risk, such as TBAs and futures.

Base Management Fees

For the six-month period ended June 30, 2022, the gross base management fee, which is based on total equity at the end of each quarter, was $9.5 million, and our Manager credited us with rebates on our base management fee of $1.3 million, resulting in a net base management fee of $8.3 million. For the six-month period ended June 30, 2021, the gross base management fee, which is based on total equity at the end of each quarter, was $7.0 million, and our Manager credited us with rebates on our base management fee of $0.4 million, resulting in a net base management fee of $6.6 million. For each period, the base management fee rebates related to those of our CLO investments for which Ellington or one of its affiliates earned CLO management fees. The increase in the net base management fee period over period was due to a larger capital base at each quarter end in 2022, as compared to the respective quarter ends in 2022. Such increases were partially offset by the increase in the base management fee rebates.

Incentive Fees

In addition to the base management fee, our Manager is also entitled to a quarterly incentive fee if our performance (as measured by adjusted net income, as defined in the management agreement) over the relevant rolling four quarter calculation period (including any opening loss carryforward) exceeds a defined return hurdle for the period. No incentive fee was incurred for the six-month period ended June 30, 2022, since for each quarter during this period, our income did not exceed the prescribed hurdle amount on a rolling four quarter basis. For the six-month period ended June 30, 2021, we incurred an incentive fee of $7.2 million. Because our operating results can vary materially from one period to another, incentive fee expense can be highly variable.

Other Investment Related Expenses

Other investment related expenses consist of servicing fees on our mortgage and consumer loans, as well as various other expenses and fees directly related to our financial assets and certain financial liabilities carried at fair value. For the six-month periods ended June 30, 2022 and 2021 other investment related expenses were $14.5 million and $9.7 million, respectively. The increase in other investment related expenses was primarily due to debt issuance costs related to Senior notes, at fair value, that were issued during the six-month period ended June 30, 2022, as well an increase in debt issuance costs related to a larger non-QM loan securitization in the latter period, and an increase in servicing expenses related to our larger residential mortgage loan portfolio.

Other Operating Expenses

Other operating expenses consist of professional fees, compensation expense related to our dedicated or partially dedicated personnel, and various other operating expenses necessary to run our business. Other operating expenses exclude management and incentive fees, interest expense, and other investment related expenses. Other operating expenses were $9.9 million for the six-month period ended June 30, 2022 as compared to $8.3 million for the six-month period ended June 30, 2021. The increase in other operating expenses for the six-month period ended June 30, 2022 was primarily due to an increase in compensation expense.

Other Income (Loss)

Other income (loss) consists of net realized and unrealized gains (losses) on securities and loans, financial derivatives, and real estate owned, and unrealized gains (losses) on other secured borrowings, at fair value and senior notes, at fair value. Other, net, another component of Other income (loss), includes rental income and income related to loan originations, as well as realized gains (losses) on foreign currency transactions and unrealized gains (losses) on foreign currency remeasurement.

For the six-month period ended June 30, 2022, other income (loss) was $(95.0) million, consisting primarily of net realized and unrealized losses on our securities and loans of $(344.5) million, partially offset by $117.9 million of net realized and unrealized gains on our financial derivatives and $122.9 million of net unrealized gains on our Other secured borrowings, at fair value and $7.4 million of unrealized gains on our senior notes, at fair value. Rapidly rising interest rates and widening yield spreads drove net realized and unrealized losses of $(344.5) million on our securities and loans, primarily Agency RMBS, non-QM loans, non-Agency RMBS, CLOs, CMBS, consumer loans and ABS backed by consumer loans. Such losses were partially offset by net realized and unrealized gains on short positions in U.S. Treasury securities and sovereign bonds. Net realized and unrealized gains of $117.9 million on our financial derivatives were primarily related to net realized and unrealized gains on interest rate swaps, short TBAs, futures, and forwards, which were driven by rising interest rates during the quarter, as well as net realized and unrealized gains on credit default swaps on corporate bond and asset-backed indices. We recognized net unrealized gains of $122.9 million on our Other secured borrowings, at fair value for the six-month period ended June 30, 2022, related to borrowings on our securitized non-QM loans. These non-QM loans had net unrealized losses of $(143.2) million, which are included in Unrealized gains (losses) on securities and loans, net.

For the six-month period ended June 30, 2021, other income (loss) was $25.9 million, consisting primarily of net realized and unrealized gains on our financial derivatives of $11.2 million, net realized and unrealized gains on our securities and loans of $10.5 million, and $6.3 million of Other, net, which primarily comprises other non-interest income related to our loan portfolios. Net realized and unrealized gains of $11.2 million on our financial derivatives were primarily related to net realized and unrealized gains on interest rate swaps, TBAs, futures, and forwards, as long-term interest rates increased during the period, partially offset by net realized and unrealized losses on CDS on corporate bond indices and total return swaps. Net realized and unrealized gains of $10.5 million on our securities and loans primarily resulted from net realized and unrealized gains on CMBS, CLOs, non-QM loans, and non-Agency RMBS, partially offset by net realized and unrealized losses on Agency RMBS. The net realized and unrealized gains in the credit portfolio were driven by tighter yield spreads, while the net realized and unrealized losses in the Agency portfolio were due to wider yield spreads.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $(14.8) million for the six-month period ended June 30, 2022, as compared to $5.2 million for the six-month period ended June 30, 2021. Income tax benefit for the six-month period ended June 30, 2022 was related to net realized and unrealized losses on investments held in a domestic TRS. Income tax expense for the six-month period ended June 30, 2021 was related to net realized and unrealized gains on investments held in a domestic TRS. As of June 30, 2022, we had a net deferred tax asset of approximately $9.6 million against which we took a full allowance.

Earnings (Losses) from Investments in Unconsolidated Entities

We have elected the fair value option for our equity investments in unconsolidated entities. Earnings (losses) from investments in unconsolidated entities was $(28.8) million for the six-month period ended June 30, 2022, as compared to $25.2 million for the six-month period ended June 30, 2021. The reversal in earnings from investments in unconsolidated entities primarily relates to unrealized losses on investments in loan originators for the six-month period ended June 30, 2022, partially offset by net realized and unrealized gains on our investments in entities holding commercial mortgage loans and REO, in which we co-invest with other Ellington affiliates. Rapidly rising interest rates and widening yield spreads compressed gain-on-sale margins at our loan originators, which drove the mark-to-market losses on our investments in such loan originators. For the six-month period ended June 30, 2021, earnings from investments in unconsolidated entities primarily related to unrealized gains on loan originators and unrealized gains on an equity investment in a securitization-related risk retention vehicle.

Liquidity and Capital Resources

Liquidity refers to our ability to generate and obtain adequate amounts of cash to meet our requirements, including repaying our borrowings, funding and maintaining positions in our targeted assets, making distributions in the form of dividends, and other general business needs. Our short-term (the 12 months following period end) and long-term (beyond 12 months from period end) liquidity requirements include acquisition costs for assets we acquire, payment of our base management fee and incentive fee, compliance with margin requirements under our repos, reverse repos, and financial derivative contracts, repayment of repo borrowings and other secured borrowings to the extent we are unable or unwilling to extend such borrowings, payment of our general operating expenses, payment of interest payments on our Senior Notes, and payment of our dividends. Our capital resources primarily include cash on hand, cash flow from our investments (including principal and interest payments received on our investments and proceeds from the sale of investments), borrowings under repos and other secured borrowings, and proceeds from equity and debt offerings. We expect that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs.

The following summarizes our borrowings under repos by remaining maturity:

(In thousands)	June 30, 2022		December 31, 2021	
Remaining Days to Maturity	**Outstanding Borrowings**	**% of Total**	**Outstanding Borrowings**	**% of Total**
30 Days or Less	$ 309,168	10.8 %	$ 557,499	22.5 %
31 - 60 Days	551,786	19.3 %	356,594	14.4 %
61 - 90 Days	267,859	9.3 %	251,343	10.2 %
91 - 120 Days	446,697	15.6 %	164,403	6.7 %
121 - 150 Days	107,402	3.7 %	279,268	11.3 %
151 - 180 Days	114,314	4.0 %	159,687	6.5 %
181 - 364 Days	794,133	27.7 %	570,694	23.1 %
> 364 Days	273,863	9.6 %	130,275	5.3 %
	$ 2,865,222	100.0 %	$ 2,469,763	100.0 %

Repos involving underlying investments that were sold prior to period end for settlement following period end, are shown using their contractual maturity dates even though such repos may be expected to be terminated early upon settlement of the sale of the underlying investment.

The amounts borrowed under our repo agreements are generally subject to the application of "haircuts." A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized. As of June 30, 2022, the weighted average contractual haircut applicable to the assets that serve as collateral for our outstanding repo borrowings was 25.4% with respect to credit assets, 5.4% with respect to Agency RMBS assets, and 17.3% overall. As of December 31, 2021 these respective weighted average contractual haircuts were 22.4%, 5.4%, and 12.1%. The increase in the weighted average contractual haircut on our overall portfolio is primarily due to higher haircuts on repo borrowings related to our Credit portfolio assets at June 30, 2022 as compared to December 31, 2021.

We expect to continue to borrow funds in the form of repos as well as other similar types of financings. The terms of our repo borrowings are predominantly governed by master repurchase agreements, which generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association as to repayment and margin requirements. In addition, each lender may require that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions include the addition of or changes to

provisions relating to margin calls, net asset value requirements, cross default provisions, certain key person events, changes in corporate structure, and requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction. These provisions may differ for each of our repo lenders.

As of June 30, 2022 and December 31, 2021, we had $2.9 billion and $2.5 billion, respectively, of borrowings outstanding under our repos. As of June 30, 2022, the remaining terms on our repos ranged from 1 day to 457 days, with a weighted average remaining term of 140 days. Our repo borrowings were with a total of 23 counterparties as of June 30, 2022. As of June 30, 2022, our repos had a weighted average borrowing rate of 2.26%. As of June 30, 2022, our repos had interest rates ranging from 0.16% to 5.45%. As of December 31, 2021, the remaining terms on our repos ranged from 3 days to 638 days, with a weighted average remaining term of 134 days. Our repo borrowings were with a total of 23 counterparties as of December 31, 2021. As of December 31, 2021, our repos had a weighted average borrowing rate of 0.82%. As of December 31, 2021, our repos had interest rates ranging from 0.10% to 3.75%. Investments transferred as collateral under repos had an aggregate fair value of $3.3 billion and $2.8 billion as of June 30, 2022 and December 31, 2021, respectively.

It is expected that amounts due upon maturity of our repos will be funded primarily through the roll/re-initiation of repos and, if we are unable or unwilling to roll/re-initiate our repos, through free cash and proceeds from the sale of securities.

The following table details total outstanding borrowings, average outstanding borrowings, and the maximum outstanding borrowings at any month end for each quarter under repos for the past twelve quarters:

Quarter Ended	Borrowings Outstanding at Quarter End	Average Borrowings Outstanding	Maximum Borrowings Outstanding at Any Month End
		(In thousands)	
June 30, 2022	$ 2,865,222	$ 2,590,120	$ 2,865,222
March 31, 2022	2,717,638	2,533,978	2,717,638
December 31, 2021	2,469,763	2,187,363	2,469,763
September 30, 2021	2,105,836	1,958,411	2,175,918
June 30, 2021	1,916,749	1,971,441	2,062,580
March 31, 2021	1,909,511	1,736,912	1,909,511
December 31, 2020	1,496,931	1,408,935	1,496,931
September 30, 2020	1,439,984	1,368,191	1,551,147
June 30, 2020(1)	1,294,549	1,520,985	1,542,577
March 31, 2020(2)	2,034,225	2,440,982	2,485,496
December 31, 2019(3)	2,445,300	2,119,394	2,445,300
September 30, 2019	2,056,422	1,796,310	2,056,422

(1) During this quarter, we continued to lower leverage and improve our liquidity given the uncertainty as a result of the COVID-19 pandemic.
(2) In March 2020, in response to significant volatility and heightened risks in the financial markets as a result of the spread of COVID-19, we significantly reduced our outstanding borrowings to lower leverage and increase our liquidity.
(3) At the end of 2019 we increased the size of both our credit and Agency portfolios which we subsequently financed through repos.

In addition to our borrowings under repos, we have entered into various other types of transactions to finance certain of our investments, including non-QM loans and REO, commercial mortgage loans, and consumer loans and ABS backed by consumer loans; such transactions are accounted for as collateralized borrowings. As of June 30, 2022 and December 31, 2021, we had outstanding borrowings related to such transactions in the amount of $1.5 billion and $1.1 billion, respectively, which is reflected under the captions "Other secured borrowings" and "Other secured borrowings, at fair value" on the Consolidated Balance Sheet. As of June 30, 2022, the fair value of non-QM loans and ABS backed by consumer loans collateralizing our Total other secured borrowings was $1.6 billion. As of December 31, 2021, the fair value of non-QM loans, consumer loans and ABS backed by consumer loans, and small balance commercial mortgage loans collateralizing our Total other secured borrowings was $1.2 billion. See Note 11 in the notes to our consolidated financial statements for further information on our other secured borrowings.

As of June 30, 2022 and December 31, 2021, we had $296.0 million and $86.0 million outstanding of Senior Notes. The $86 million of 5.50% Senior Notes mature in September 2022, and the $210 million of 5.875% Senior Notes mature in April 2027. See Note 11 in the notes to our consolidated financial statements for further detail on the Senior Notes.

As of June 30, 2022, we had an aggregate amount at risk under our repos with 23 counterparties of approximately $565.5 million, and as of December 31, 2021, we had an aggregate amount at risk under our repos with 22 counterparties of

approximately $353.2 million. Amounts at risk represent the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repos. If the amounts outstanding under repos with a particular counterparty are greater than the collateral held by the counterparty, there is no amount at risk for the particular counterparty. Amount at risk as of both June 30, 2022 and December 31, 2021 does not include approximately $3.1 million and $4.0 million, respectively, of net accrued interest receivable, which is defined as accrued interest on securities held as collateral less interest payable on cash borrowed.

Our derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Act. We may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. Changes in the relative value of derivative transactions may require us or the counterparty to post or receive additional collateral. Entering into derivative contracts involves market risk in excess of amounts recorded on our balance sheet. In the case of cleared derivatives, the clearinghouse becomes our counterparty and the future commission merchant acts as an intermediary between us and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral.

As of June 30, 2022, we had an aggregate amount at risk under our derivative contracts, excluding TBAs, with eight counterparties of approximately $34.1 million. We also had $39.6 million of initial margin for cleared over-the-counter, or "OTC," derivatives posted to central clearinghouses as of that date. As of December 31, 2021, we had an aggregate amount at risk under our derivatives contracts, excluding TBAs, with eight counterparties of approximately $18.5 million. We also had $16.2 million of initial margin for cleared OTC derivatives posted to central clearinghouses as of that date. Amounts at risk under our derivatives contracts represent the excess, if any, for each counterparty of the fair value of our derivative contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the financial derivatives plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We purchase and sell TBAs and Agency pass-through certificates on a when-issued or delayed delivery basis. The delayed delivery for these securities means that these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and therefore are more vulnerable, especially in the absence of margining arrangements with respect to these transactions, to increasing amounts at risk with the applicable counterparties. As of June 30, 2022, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with five counterparties of approximately $18.5 million. As of December 31, 2021, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with ten counterparties of approximately $1.0 million. Amounts at risk in connection with our forward settling TBA and Agency pass-through certificates represent the excess, if any, for each counterparty of the net fair value of the forward settling transactions plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the forward settling transactions plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We held cash and cash equivalents of approximately $224.5 million and $92.7 million as of June 30, 2022 and December 31, 2021, respectively. Cash and cash equivalents was higher than usual at quarter as we continue to deploy proceeds from the issuance of our 5.875% Senior Notes, as well as reserve cash for upcoming transactions such as the repayment of our 5.50% Senior Notes due in September.

On June 13, 2018, our Board of Directors approved the adoption of a share repurchase program under which we are authorized to repurchase up to 1.55 million shares of common stock, or the "Common Share Repurchase Program." The Common Share Repurchase Program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including under 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. In addition to making discretionary repurchases, we from time to time use 10b5-1 plans to increase the number of trading days available to implement these repurchases. During the three- and six-month periods ended June 30, 2022, we repurchased 88,184 common shares at an average price per share of $13.20 and a total cost of $1.2 million. From inception of the Common Share Repurchase Program through August 5, 2022, we repurchased 790,149 common shares at an average price per share of $13.34 and a total cost of $10.5 million, and have authorization to repurchase an additional 759,851 common shares.

On February 21, 2021, our Board of Directors approved the adoption of a share repurchase program under which we are authorized to repurchase up to $30.0 million of preferred stock, or the "Preferred Share Repurchase Program." The Preferred Share Repurchase Program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including under 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. We have not yet repurchased any shares of preferred stock under the Preferred Share Repurchase Program.

We may declare dividends based on, among other things, our earnings, our financial condition, the REIT qualification requirements of the Internal Revenue Code of 1986, as amended, our working capital needs and new opportunities. The declaration of dividends to our stockholders and the amount of such dividends are at the discretion of our Board of Directors.

The following table sets forth the dividend distributions authorized by the Board of Directors payable to common stockholders and holders of Convertible Non-controlling Interest Units (as defined in Note 2 of the consolidated financial statements) for the periods indicated below:

Six-Month Period Ended June 30, 2022

Declaration Date	Dividend Per Share	Dividend Amount *(In thousands)*	Record Date	Payment Date
June 7, 2022	$ 0.15	$ 9,108	June 30, 2022	July 25, 2022
May 2, 2022	0.15	9,121	May 31, 2022	June 27, 2022
April 7, 2022	0.15	9,121	April 29, 2022	May 25, 2022
March 7, 2022	0.15	9,064	March 31, 2022	April 25, 2022
February 7, 2022	0.15	8,730	February 28, 2022	March 25, 2022
January 7, 2022	0.15	8,727	January 31, 2022	February 25, 2022

Six-Month Period Ended June 30, 2021

Declaration Date	Dividend Per Share	Dividend Amount *(In thousands)*	Record Date	Payment Date
June 7, 2021	$ 0.15	$ 6,669	June 30, 2021	July 26, 2021
May 6, 2021	0.15	6,669	May 28, 2021	June 25, 2021
April 4, 2021	0.14	6,224	April 30, 2021	May 25, 2021
March 5, 2021	0.10	4,446	March 31, 2021	April 26, 2021
February 5, 2021	0.10	4,444	February 26, 2021	March 25, 2021
January 8, 2021	0.10	4,444	January 29, 2021	February 25, 2021

On July 8, 2022, the Board of Directors approved a dividend in the amount of $0.15 per share of common stock payable on August 25, 2022 to stockholders of record as of July 29, 2022. On August 4, 2022, the Board of Directors approved a dividend in the amount of $0.15 per share of common stock payable on September 26, 2022 to stockholders of record as of August 31, 2022.

The following table sets forth the dividend distributions authorized by the Board of Directors during the six-month periods ended June 30, 2022 and 2021 and payable to holders of our preferred stock:

Declaration Date	Dividend Per Share	Dividend Amount	Record Date	Payment Date
		(In thousands)		
Series A Preferred Stock:				
2022:				
June 7, 2022	$ 0.421875	$ 1,941	June 30, 2022	August 1, 2022
March 7, 2022	0.421875	1,941	March 31, 2022	May 2, 2022
2021:				
April 4, 2021	0.421875	1,941	April 19, 2021	April 30, 2021
January 8, 2021	0.421875	1,941	January 19, 2021	February 1, 2021
Series B Preferred Stock:				
2022:				
June 7, 2022	$ 0.390625	$ 3,680	June 30, 2022	August 1, 2022
March 7, 2022	0.390625	3,680	March 31, 2022	May 2, 2022
2021:				
December 16, 2021	0.203990	979	December 30, 2021	January 28, 2022

On August 6, 2021, we commenced the Common ATM Program by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to 10.0 million shares of common stock from time to time. During the six-month period ended June 30, 2022, we issued 2,568,700 shares of common stock under the Common ATM Program, which provided $45.2 million of net proceeds after $0.7 million of commissions and offering costs. From commencement of the Common ATM Program through August 5, 2022, we have issued 4,118,600 shares of common stock under this program.

On January 20, 2022, we commenced the Preferred ATM Program by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to $100.0 million of Series A Preferred Stock and/or Series B Preferred Stock from time to time. During the six-month period ended June 30, 2022, we issued 20,421 shares of Series B Preferred Stock, which provided $0.5 million of net proceeds after $23 thousand of commissions and offering costs. From commencement of the Preferred ATM Program through August 5, 2022, we have issued 20,421 shares of preferred stock under this program.

On February 18, 2022, we entered into an agreement with Home Point to purchase, in an all cash transaction, Home Point's 49.6% ownership interest in Longbridge. The consummation of this transaction is subject to regulatory approvals and various closing conditions. Upon closing of the transaction, we would own substantially all of the equity interests in Longbridge, which would result in the consolidation of Longbridge's financial results in our financial statements following the closing.

For the six-month period ended June 30, 2022, our operating activities provided net cash in the amount of $81.3 million and our investing activities used net cash in the amount of $1.309 billion. Our repo activity used to finance many of our investments (including repayments of amounts borrowed under our repos) provided net cash of $492.9 million. We received $703.0 million in proceeds from the issuance of Total other secured borrowings. We used $22.5 million for principal payments on our Total other secured borrowings. Thus our operating and investing activities, when combined with our repo financings and Other secured borrowings (net of repayments), used net cash of $54.3 million for the six-month period ended June 30, 2022. We received proceeds from the issuance of Senior notes, at fair value of $206.4 million, net of debt issuance costs, proceeds from the issuance of common and preferred stock, net of underwriters' discounts and commissions, agent commissions, and offering costs paid, of $45.2 million, and contributions from non-controlling interests of $10.8 million. We used $60.2 million to pay dividends, $15.0 million for distributions to non-controlling interests (our joint venture partners), and $1.2 million to repurchase common stock. As a result there was an increase in our cash holdings of $131.6 million, from $92.8 million as of December 31, 2021 to $224.5 million as of June 30, 2022.

For the six-month period ended June 30, 2021, our operating activities provided net cash in the amount of $44.2 million and our investing activities used net cash in the amount of $879.1 million. Our repo activity used to finance many of our investments (including repayments of amounts borrowed under our repos) provided net cash of $443.9 million. We received $581.8 million in proceeds from the issuance of Total other secured borrowings and we used $124.4 million for principal

payments on our Total other secured borrowings. Thus our operating and investing activities, when combined with our repo financings and Other secured borrowings (net of repayments), provided net cash of $66.4 million for the six-month period ended June 30, 2021. We received contributions from non-controlling interests which provided cash of $6.5 million and we used $34.6 million to pay dividends and $15.3 million for distributions to non-controlling interests (our joint venture partners). As a result there was an increase in our cash holdings of $23.0 million, from $111.8 million as of December 31, 2020 to $134.9 million as of June 30, 2021.

Based on our current portfolio, amount of free cash on hand, debt-to-equity ratio, and current and anticipated availability of credit, we believe that our capital resources will be sufficient to enable us to meet anticipated short-term and long-term liquidity requirements. However, the unexpected inability to finance our Agency RMBS portfolio would create a serious short-term strain on our liquidity and would require us to liquidate much of that portfolio, which in turn would require us to restructure our portfolio to maintain our exclusion from registration as an investment company under the Investment Company Act and to maintain our qualification as a REIT. Steep declines in the values of our credit assets financed using repos, or in the values of our derivative contracts, would result in margin calls that would significantly reduce our free cash position. Furthermore, a substantial increase in prepayment rates on our assets financed by repos could cause a temporary liquidity shortfall, because we are generally required to post margin on such assets in proportion to the amount of the announced principal paydowns before the actual receipt of the cash from such principal paydowns. If our cash resources are at any time insufficient to satisfy our liquidity requirements, we may have to sell assets or issue additional debt or equity securities.

Although we may from time to time enter into financing arrangements that limit our leverage, our investment guidelines do not limit the amount of leverage that we may use, and we believe that the appropriate leverage for the particular assets we hold depends on the credit quality and risk of those assets, as well as the general availability and terms of stable and reliable financing for those assets.

Contractual Obligations and Commitments

We are a party to a management agreement with our Manager. Pursuant to that agreement, our Manager is entitled to receive a base management fee, an incentive fee, reimbursement of certain expenses and, in certain circumstances, a termination fee. Such fees and expenses do not have fixed and determinable payments. For a description of the management agreement provisions, see Note 13 to our consolidated financial statements.

We have numerous contractual obligations and commitments related to our outstanding borrowings (see Note 11 of the notes to our consolidated financial statements) and related to our financial derivatives (see Note 8 of the notes to our consolidated financial statements).

See Note 21 of the notes to our consolidated financial statements for further detail on our other contractual obligations and commitments.

Off-Balance Sheet Arrangements

As of June 30, 2022, we did not have any material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment to provide funding to any such entities that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or resources that would be material to an investor in our securities. As such, we are not materially exposed to any market, credit, liquidity, or financing risk that could arise if we had engaged in such relationships.

At June 30, 2022 we have not entered into any repurchase agreements for which delivery of the borrowed funds is not scheduled until after period end.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors generally influence our performance more than does inflation. Our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

However, elevated, long-term inflation could adversely impact the performance of our investment portfolio, or the prices of our investments, or both. For example, if higher inflation is not matched by an increase in wages, inflation could cause the real income of the borrowers on our residential and consumer loans to decline. In addition, in the case of borrowers on our commercial mortgage loans, net cash flow could decline if rents and/or expense reimbursements do not increase in kind with

higher inflation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary components of our market risk at June 30, 2022 are related to credit risk, prepayment risk, and interest rate risk. We seek to actively manage these and other risks and to acquire and hold assets that we believe justify bearing those risks, and to maintain capital levels consistent with those risks.

Credit Risk

We are subject to credit risk in connection with many of our assets, especially non-Agency RMBS, CMBS, residential and commercial mortgage loans, corporate debt investments including CLOs and investments in securitization warehouses, and consumer loans.

Credit losses on real estate loans can occur for many reasons, including, but not limited to, poor origination practices, fraud, faulty appraisals, documentation errors, poor underwriting, legal errors, poor servicing practices, weak economic conditions, decline in the value of homes, businesses or commercial properties, special hazards, earthquakes and other natural events, such as the COVID-19 pandemic, or an outbreak of another highly infectious or contagious disease, over-leveraging of the borrower on a property, reduction in market rents and occupancy rates and poor property management services, changes in legal protections for lenders, reduction in personal income, job loss, and personal events such as divorce or health problems. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional, and local economic conditions (which may be adversely affected by industry slowdowns and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, and retroactive changes to building or similar codes.

The ability of borrowers to repay consumer loans may be adversely affected by numerous borrower-specific factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, pandemics such as the COVID-19 pandemic or another highly infectious or contagious disease, may also affect the financial stability of borrowers and impair their ability or willingness to repay their loans. Whenever any of our consumer loans defaults, we are at risk of loss to the extent of any deficiency between the liquidation value of the collateral, if any, securing the loan, and the principal and accrued interest of the loan. Many of our consumer loans are unsecured, or are secured by collateral (such as an automobile) that depreciates rapidly; as a result, these loans may be at greater risk of loss than residential real estate loans.

Our corporate investments, especially our lower-rated or unrated CLO investments, corporate equity, and our investments in loan originators, have significant risk of loss, and our efforts to protect these investments may involve substantial costs and may not be successful. The risk of loss with respect to these investments has been, and will likely continue to be, exacerbated by the COVID-19 pandemic. We also will be subject to significant uncertainty as to when and in what manner and for what value the corporate debt in which we directly or indirectly invest will eventually be satisfied (e.g., through liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the debt securities or a payment of some amount in satisfaction of the obligation). In addition, these investments could involve loans to companies that are more likely to experience bankruptcy or similar financial distress, such as companies that are thinly capitalized, employ a high degree of financial leverage, are in highly competitive or risky businesses, are in a start-up phase, or are experiencing losses.

Similarly, we are exposed to the risk of potential credit losses on the other assets in our credit portfolio. For many of our investments, the two primary components of credit risk are default risk and severity risk.

Default Risk

Default risk is the risk that a borrower fails to make scheduled principal and interest payments on a mortgage loan or other debt obligation. We may attempt to mitigate our default risk by, among other things, opportunistically entering into credit default swaps and total return swaps. These instruments can reference various MBS indices, corporate bond indices, or corporate entities. We often rely on third-party servicers to mitigate our default risk, but such third-party servicers may have little or no economic incentive to mitigate loan default rates.

Severity Risk

Severity risk is the risk of loss upon a borrower default on a mortgage loan or other secured or unsecured debt obligation. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the mortgage loan or debt obligation, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. We often rely on third-party servicers to mitigate our severity risk, but such third-party servicers may have little or no economic incentive to mitigate loan loss severities. In the case of mortgage loans, such mitigation efforts may include loan modification

programs and prompt foreclosure and property liquidation following a default. Many of our consumer loans are unsecured, or are secured by collateral (such as an automobile) that depreciates rapidly; as a result, these loans may be at greater risk of loss than residential real estate loans. Pursuing any remaining deficiency following a default on a consumer loan is often difficult or impractical, especially when the borrower has a low credit score, making further substantial collection efforts unwarranted. In addition, repossessing personal property securing a consumer loan can present additional challenges, including locating and taking physical possession of the collateral. We rely on servicers who service these consumer loans, to, among other things, collect principal and interest payments on the loans and perform loss mitigation services, and these servicers may not perform in a manner that promotes our interests. In the case of corporate debt, if a company declares bankruptcy, the bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by a company whose debt we have purchased may adversely and permanently affect such company. If the proceeding results in liquidation, the liquidation value of the company may have deteriorated significantly from what we believed to be the case at the time of our initial investment. The duration of a bankruptcy proceeding is also difficult to predict, and our return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. A bankruptcy court may also re-characterize our debt investment as equity, and subordinate all or a portion of our claim to that of other creditors. This could occur even if our investment had initially been structured as senior debt.

Prepayment Risk

Prepayment risk is the risk of change, whether an increase or a decrease, in the rate at which principal is returned in respect of fixed-income assets in our portfolio, including both through voluntary prepayments and through liquidations due to defaults and foreclosures. Most significantly, our portfolio is exposed to the risk of changes in prepayment rates of mortgage loans, including the mortgage loans underlying our RMBS, and changes in prepayment rates of certain of our consumer loan holdings. This rate of prepayment is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Mortgage prepayment rates can be highly sensitive to changes in interest rates, but they are also affected by housing turnover, which can be driven by factors other than interest rates, including worker mobility and home price appreciation. Changes in prepayment rates will have varying effects on the different types of securities in our portfolio, and we attempt to take these effects into account in making asset management decisions. Increases in prepayment rates may cause us to experience both realized and unrealized losses on our interest only securities and inverse interest only securities, as these securities are extremely sensitive to prepayment rates. Conversely, decreases in prepayment rates on our loans and securities with below-market interest rates may cause the duration of such investments to extend, which may cause us to experience unrealized losses on such investments. Prepayment rates, besides being subject to interest rates and borrower behavior, are also substantially affected by government policy and regulation. For example, prepayment rates are generally lower in states with substantially higher mortgage recording taxes.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We are subject to interest rate risk in connection with most of our assets and liabilities. For some securities in our portfolio, the coupon interest rates on, and therefore also the values of, such securities are highly sensitive to interest rate movements, such as inverse floating rate RMBS, which benefit from falling interest rates. Whenever one of our repo borrowings matures, it will generally be replaced with a new repo borrowing based on market interest rates prevailing at such time. Subject to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act, we opportunistically hedge our interest rate risk by entering into interest rate swaps, TBAs, U.S. Treasury securities, Eurodollar futures, U.S. Treasury futures, and other instruments. In general, such hedging instruments are used to mitigate the interest rate risk arising from the mismatch between the duration of our financed assets and the duration of the liabilities used to finance such assets. The majority of this mismatch currently relates to our Agency RMBS.

The following sensitivity analysis table shows the estimated impact on the value of our portfolio segregated by certain identified categories as of June 30, 2022, assuming a static portfolio and immediate and parallel shifts in interest rates from current levels as indicated below.

(In thousands)	Estimated Change for a Decrease in Interest Rates by				Estimated Change for an Increase in Interest Rates by			
	50 Basis Points		100 Basis Points		50 Basis Points		100 Basis Points	
Category of Instruments	**Market Value**	**% of Total Equity**	**Market Value**	**% of Total Equity**	**Market Value**	**% of Total Equity**	**Market Value**	**% of Total Equity**
Agency RMBS	$ 35,902	2.91 %	$ 69,989	5.67 %	$ (37,716)	(3.06)%	$ (77,246)	(6.26)%
Long TBAs	1,582	0.13 %	2,949	0.24 %	(1,798)	(0.15)%	(3,812)	(0.31)%
Short TBAs	(15,616)	(1.27)%	(30,545)	(2.47)%	16,302	1.32 %	33,290	2.70 %
Non-Agency RMBS, CMBS, ABS and Loans	12,042	0.98 %	21,695	1.76 %	(14,430)	(1.17)%	(31,249)	(2.53)%
U.S. Treasury Securities, and Interest Rate Swaps, Options, and Futures	(28,518)	(2.31)%	(58,022)	(4.7)%	27,532	2.24 %	54,080	4.38 %
Corporate Securities and Other	2	— %	5	— %	(2)	— %	(3)	— %
Repurchase Agreements, Reverse Repurchase Agreements, and Senior Notes	(5,430)	(0.44)%	(10,555)	(0.86)%	5,703	0.46 %	11,439	0.93 %
Total	$ (36)	— %	$ (4,484)	(0.36)%	$ (4,409)	(0.36)%	$ (13,501)	(1.09)%

The preceding analysis does not show sensitivity to changes in interest rates for instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain of our holdings of corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates.

Our analysis of interest rate risk is derived from Ellington's proprietary models as well as third-party information and analytics. Many assumptions have been made in connection with the calculations set forth in the table above and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. For example, for each hypothetical immediate shift in interest rates, assumptions have been made as to the response of mortgage prepayment rates, the shape of the yield curve, and market volatilities of interest rates; each of the foregoing factors can significantly and adversely affect the fair value of our interest rate-sensitive instruments.

The above analysis utilizes assumptions and estimates based on management's judgment and experience, and relies on financial models, which are inherently imperfect; in fact, different models can produce different results for the same securities. While the table above reflects the estimated impacts of immediate parallel interest rate increases and decreases on specific categories of instruments in our portfolio, we actively trade many of the instruments in our portfolio, and therefore our current or future portfolios may have risks that differ significantly from those of our June 30, 2022 portfolio estimated above. Moreover, the impact of changing interest rates on fair value can change significantly when interest rates change by a greater amount than the hypothetical shifts assumed above. Furthermore, our portfolio is subject to many risks other than interest rate risks, and these additional risks may or may not be correlated with changes in interest rates. For all of the foregoing reasons and others, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual fair value of our portfolio that would differ from those presented above, and such differences might be significant and adverse. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Special Note Regarding Forward-Looking Statements."

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2022. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of

June 30, 2022.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor Ellington nor its affiliates (including our Manager) are currently subject to any legal proceedings that we or our Manager consider material. Nevertheless, we and Ellington and its affiliates operate in highly regulated markets that currently are under regulatory scrutiny, and over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state and foreign regulators.

We and Ellington cannot provide any assurance that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims or that, if any such events were to occur, they would not materially adversely affect us. For a discussion of these and other related risks, see "Part I, Item 1A. Risk Factors—We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2021, as amended.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition, and liquidity, see the risk factors discussed under "*Risk Factors*" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, as amended. There have been no material changes from these previously disclosed risk factors. See also "*Special Note Regarding Forward-Looking Statements*," included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ELLINGTON FINANCIAL INC.	
Date:	August 9, 2022	By:	/s/ LAURENCE PENN
			Laurence Penn Chief Executive Officer (Principal Executive Officer)
		ELLINGTON FINANCIAL INC.	
Date:	August 9, 2022	By:	/s/ JR HERLIHY
			JR Herlihy Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Laurence Penn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022

/s/ Laurence Penn

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, JR Herlihy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022

/s/ JR Herlihy
JR Herlihy
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ellington Financial Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence Penn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Laurence Penn

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ellington Financial Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, JR Herlihy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ JR Herlihy
JR Herlihy
Chief Financial Officer
(Principal Financial and Accounting Officer)