AMERICA FIRST MORTGAGE INVESTMENTS INC
Form 424B2
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Prospectus Supplement
(To Prospectus Dated October 5, 2001)

6,500,000 Shares
AMERICA FIRST MORTGAGE INVESTMENTS, INC.
COMMON STOCK

We are offering 6,500,000 shares of our common stock at a price of $8.25 per share. We will receive all of the net proceeds from the sale of this stock. Our common stock is listed on the New York Stock Exchange under the symbol "MFA." The last reported sale price of our common stock on January 14, 2002 was $8.35 per share.

Investing in our securities involves a high degree of risk. You should carefully consider the information under the heading "Risk Factors" beginning on page 3 of the accompanying prospectus and "Additional Risk Factors" beginning on page S-8 of this prospectus supplement before buying shares of our common stock.

	Per Share	Total
Public offering price	$ 8.2500	$ 53,625,000
Underwriting discounts	$ 0.4331	$ 2,815,313
Proceeds, before expenses, to us	$ 7.8169	$ 50,809,687

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters an option to purchase an additional 975,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, solely to cover over-allotments, if any.

We expect that the common stock will be ready for delivery on or about January 18, 2002.

FRIEDMAN BILLINGS RAMSEY

RBC CAPITAL MARKETS

Jolson Merchant Partners

Stifel, Nicolaus & Company
Incorporated

January 14, 2002

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to *sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is current as of the date such information is presented. Our business, financial condition, results of operations and prospects may have changed since those dates.*

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Forward-Looking Statements

This prospectus supplement and the accompanying prospectus contain or incorporate by reference certain forward-looking statements. When used, statements which are not historical in nature, including those containing words such as "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to various risks and uncertainties, including those relating to:

- increases in the prepayment rates on the mortgage loans securing our mortgage-backed securities;
- changes in short-term interest rates;
- our ability to use borrowings to finance our assets;
- risks associated with investing in real estate, including changes in business conditions and the general economy;
- changes in government regulations affecting our business; and
- our ability to maintain our qualification as a real estate investment trust for federal income tax purposes.

Other risks, uncertainties and factors, including those discussed under "Additional Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus or described in reports that we file from time to time with the Securities and Exchange Commission, including our Forms 10-K and 10-Q, could cause our actual results to differ materially from those projected in any forward-looking statements we make. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following information is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information which is incorporated by reference into the accompanying prospectus, in their entireties. You should carefully consider the factors set forth under "Risk Factors" in the accompanying prospectus and "Additional Risk Factors" in this prospectus supplement before making an investment decision to purchase shares of our common stock. All references to "we," "us" or "our company" in this prospectus supplement and the accompanying prospectus mean America First Mortgage Investments, Inc. Unless otherwise specified, the information in this prospectus supplement assumes that the underwriters do not exercise the over-allotment option described herein under "Underwriting."

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

Our Business

We invest in adjustable-rate mortgage-backed securities that we acquire in the secondary market. Our assets consist primarily of mortgage-backed securities guaranteed by an agency of the United States government, such as the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), other securities rated AAA by Standard & Poor's Corporation or cash. We may also invest in mortgages and mortgage-backed securities that are not guaranteed by a federal agency and/or that have fixed interest rates. We also own interests in multifamily apartment properties and publicly-traded equity and debt securities. As of September 30, 2001, these non-mortgage assets represented approximately 2% of our total assets.

Investment Strategy

The mortgage-backed securities we acquire are secured by pools of mortgage loans on single-family residences. Our investment policy requires that at least 50% of our assets consist of adjustable-rate mortgage-backed securities that have principal and interest that are guaranteed by an agency of the United States government, such as GNMA, FNMA or FHLMC. We are not in the business of originating mortgage loans or providing other types of financing to the owners of real estate.

Interest rates on adjustable-rate mortgages are based on an index rate and adjusted periodically. Typical index rates include:

CMT Index. The one-year constant maturity treasury rate.

LIBOR. The London Interbank Offered Rate that banks in London offer for deposits of U.S. dollars.

COFI. A monthly or semiannual weighted average of the actual interest expenses recognized during a given month by all savings institutions headquartered in Arizona, California and Nevada, as published by the Federal Home Loan Bank of San Francisco.

The interest rates on adjustable-rate mortgages are usually adjusted annually, but some may be adjusted more frequently. The maximum adjustment in any year is usually limited to 1% to 2%. Generally, adjustable-rate mortgages have a lifetime limit on interest rate increases of 6% over the initial interest rate. Many adjustable-rate mortgages are hybrids with a fixed interest rate for an initial period of time (typically three years or greater) and then convert to a one-year adjustable-rate for the remaining loan term. We may also invest in mortgages and mortgage-backed securities that are not guaranteed by a federal agency and/or that have fixed interest rates.

We also hold interests in corporate and partnership entities that own six apartment properties containing a total of 1,473 rental units. Four of these apartments are located in Georgia, one is located in North Carolina and one is located in Nebraska. In addition, we own publicly-traded equity and debt securities.

As of September 30, 2001, we had total assets on our balance sheet of $1.44 billion, of which approximately 96% consisted of mortgage-backed securities guaranteed by GNMA, FNMA or FHLMC, other securities rated AAA by Standard & Poor's Corporation or cash. Our policy is to maintain an assets-to-equity ratio of less than 11 to 1. As of September 30, 2001, our assets-to-equity ratio was approximately 9.6 to 1.

Financing Strategy

We finance the acquisition of our mortgage-backed securities at short-term borrowing rates through the use of repurchase agreements. Under these repurchase agreements, we sell securities to a lender and agree to repurchase those securities in the future for a price that is higher than the original sales price. The difference in the sale price we receive and the repurchase price we pay represents interest paid to the lender. Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which we effectively pledge our securities as collateral to secure a short-term loan which is equal in value to a specified percentage of the market value of the pledged collateral. We retain beneficial ownership of the pledged collateral, including the right to distributions. At the maturity of a repurchase agreement, we are required to repay the loan and concurrently receive back our pledged collateral from the lender or, with the consent of the lender, we renew such agreement at the then prevailing financing rate. The repurchase agreements may require us to pledge additional assets to the lender in the event the market value of the existing pledged collateral declines. To date, we have not had margin calls on our repurchase agreements that we were not able to satisfy with either cash or additional pledged collateral.

Our repurchase agreements generally range from one month to one year in duration. Should the providers of the repurchase agreements decide not to renew them at maturity, we must either refinance these obligations or be in a position to retire the obligations. If, during the term of a repurchase agreement, a lender should file for bankruptcy, we might experience difficulty recovering our pledged assets and may have an unsecured claim against the lender's assets. To reduce our exposure, we enter into repurchase agreements only with financially sound institutions whose holding or parent company's long-term debt rating is "A" or better as determined by both Standard and Poor's Corporation and Moody's Investors Services, where applicable. If this minimum criterion is not met, then we will not enter into repurchase agreements with that lender without the specific approval of our board of directors. In the event an existing lender is downgraded below "A," we will seek board approval before entering into additional repurchase agreements with that lender. We generally seek to diversify our exposure by entering into repurchase agreements with at least four lenders with a maximum exposure to any lender of no more than three times our stockholders' equity. As of September 30, 2001, we had repurchase agreements with nine lenders with a maximum exposure to any one lender of not more than 2.2 times our stockholders' equity.

We may use derivative transactions and other hedging strategies to help us mitigate our prepayment and interest rate risks if we determine that the cost of these transactions is justified by their potential benefit. To date, our use of these hedging transactions has been limited. See "Additional Risk Factors Our Use of Derivatives to Mitigate Our Prepayment and Interest Rate Risks Has Been Limited."

Each of our multifamily apartment properties is financed with a long-term fixed-rate mortgage loan. The borrowers on these mortgage loans are separate corporations, limited partnerships or limited liability companies in which we hold equity interests. Each of these mortgage loans is made to the

ownership entity on a nonrecourse basis, which means that the lender's only source of payment in the event of a default is the foreclosure of the property securing the mortgage loan. As of September 30, 2001, aggregate mortgage indebtedness secured by our six multifamily apartment properties was approximately $48,300,000.

We also use repurchase agreements to finance our corporate debt securities. We have financed our investments in equity securities through loans from a variety of broker-dealers. We pledge these investments to secure our margin loans and can borrow up to 50% of the market value of these assets.

Merger with Our External Advisor

Prior to January 1, 2002, we engaged America First Mortgage Advisory Corporation ("AFMAC") to manage our investments and perform administrative services for us as our external advisor. AFMAC provided us with all personnel, utilities, equipment and supplies, insurance, accounting, administrative and other support services, office facilities and other items necessary for our business operations. We merged AFMAC with and into us as of January 1, 2002. As a result of the merger, we became a self-advised company. The employees of AFMAC became our employees, and we assumed the employment contracts of these employees. We also acquired all of the tangible and intangible business assets of AFMAC used in connection with our business operations. As a self-advised company, we incur all the costs of running our company, some of which were formerly paid by AFMAC. However, we no longer pay the fees to AFMAC for serving as our external advisor that are described under the caption "America First Mortgage Investments, Inc.   General Information" in the accompanying prospectus.

We expect to continue to use an affiliate of America First Companies L.L.C. ("America First") (the former primary owner of AFMAC) to manage our six multifamily apartment properties. Our net investment in these properties represented approximately 1% of our assets as of September 30, 2001. The management contracts for these properties provide for terms that are competitive with unaffiliated property managers and may be terminated by us by giving 30 days' written notice.

Under the merger agreement with AFMAC, we issued 1,287,501 shares of our common stock to the stockholders of AFMAC. America First owned 80% of the stock of AFMAC. Michael Yanney, the Chairman of our Board of Directors, is a majority owner of America First. George H. Krauss, one of our directors, owns approximately 17% of America First. Stewart Zimmerman, our President and Chief Executive Officer, and William S. Gorin, our Chief Financial Officer, Executive Vice President and Treasurer, collectively own approximately 3% of America First. In addition, Messrs. Zimmerman, Gorin and Ronald A. Freydberg, our Executive Vice President and Secretary, owned, in the aggregate, the remaining 20% of AFMAC. The shares of our common stock issued in the merger with AFMAC were not registered under federal securities laws and 100% of the shares issued to Messrs. Zimmerman, Gorin and Freydberg and 80% of the shares issued to America First are subject to restrictions on resale until January 1, 2003. America First has the right to sell up to 20% of the shares it received in the merger within the first year after completion of the merger. We have agreed to register the shares issued to America First and to Messrs. Zimmerman, Gorin and Freydberg under the Securities Act of 1933, as amended, after these restriction periods expire.

We believe the merger will be treated as a tax-free reorganization for federal income tax purposes. For accounting purposes, the merger was not considered to be an acquisition of a business for purposes of applying Accounting Principal Board Opinion No. 16. As a result, we recorded a charge against our operating income in the fourth quarter of 2001 equal to the difference between the then current market value of the shares of common stock we issued in the merger and the value of the tangible assets we acquired from AFMAC. See "Pro Forma Financial Information."

Other Recent Developments

On November 7, 2001, we issued 8,000,000 shares of our common stock in a public offering raising total net proceeds of approximately $59.7 million. Pursuant to our investment policy, we have applied the net proceeds on a leveraged basis toward the purchase of additional mortgage-backed securities. During the fourth quarter of 2001, we acquired 14 FNMA mortgage-backed certificates with an aggregate remaining principal balance of $402 million ("FNMA Certificates"). The FNMA Certificates bear interest at rates ranging from 4.95% to 7.57% per annum. The total purchase price we paid for the FNMA Certificates, including accrued interest, was approximately $414.2 million. We also acquired six FHLMC mortgage-backed certificates with an aggregate remaining principal balance of $212.3 million ("FHLMC Certificates"). The FHLMC Certificates bear interest at rates ranging from 5.50% to 7.26% per annum. The total purchase price we paid for the FHLMC Certificates, including accrued interest, was approximately $221.7 million. In addition, we acquired one non-agency AAA asset with an aggregate remaining principal balance of $76.6 million. The non-agency AAA asset bears interest at a rate of 6.96% per annum. The total purchase price we paid for this non-agency AAA asset, including accrued interest, was approximately $78.9 million. We financed these investments with proceeds of approximately $643.3 million from various LIBOR-based repurchase agreements and a portion of the net proceeds of the November 2001 offering.

Due to product availability at attractive pricing, we have increased our investment in hybrid adjustable-rate mortgage securities. As of December 1, 2001, 42% of our mortgage assets had interest rates adjusting within the next 12 months, 27% had interest rates adjusting within the next 24 months, 30% had interest rates resetting within the next 36 months and 1% of mortgage assets were fixed rate.

On December 12, 2001, we declared our fourth quarter 2001 common stock dividend of $0.28 per share. This dividend is payable on January 30, 2002 to stockholders of record on December 28, 2001. We have increased the rate at which we pay dividends with respect to each of the last four calendar quarters, from $0.155 per share for the fourth quarter of 2000 to $0.28 per share for the fourth quarter of 2001. See "Market Price and Dividends on Our Common Stock."

Real Estate Investment Trust

We have elected to be treated as a real estate investment trust (a "REIT") for federal income tax purposes. In order to maintain our status as a REIT, we must comply with a number of requirements under federal income tax law that are discussed under "Certain Federal Income Tax Considerations" in the accompanying prospectus.

General Information

We were incorporated on July 24, 1997 under Maryland law. Our principal executive offices are located at 399 Park Avenue, 36th Floor, New York, New York 10022. Our telephone number is (212) 935-8760.

THE OFFERING

Common stock offered by us	6,500,000 shares(1)
Common stock to be outstanding after the offering	34,848,601 shares(2)
New York Stock Exchange symbol	MFA

(1) 7,475,000 shares of common stock if the underwriters exercise their over-allotment option in full.

(2) 35,823,601 shares of common stock if the underwriters exercise their over-allotment option in full. Does not include 788,750 shares of common stock that may be issued upon the exercise of outstanding options granted under our 1997 Employee Stock Option Plan at exercise prices ranging from $4.875 to $9.375 per share. A total of 713,750 of these options are currently vested and the remainder are unvested. We may issue options for a maximum of 1,400,000 shares under our 1997 Employee Stock Option Plan.

USE OF PROCEEDS

We intend to use the net proceeds from this offering to acquire additional mortgage-backed securities consistent with our investment policy. Pending investment, we will hold these net proceeds in interest-bearing bank accounts or in readily marketable, interest-bearing securities.

The net proceeds from the sale of the 6,500,000 shares of common stock we are offering will be approximately $50.6 million ($58.2 million if the underwriters exercise their over-allotment option in full), after deducting the underwriting discount and the estimated expenses of this offering.

ADDITIONAL RISK FACTORS

We may not be Able to Use the Money We Raise to Acquire Investments at Favorable Prices.

There can be no assurance that we will be able to invest all of the additional funds raised in this offering in mortgage-backed securities at favorable prices. As a result, we may not be able to acquire enough mortgage-backed securities in order to become fully invested after the offering, or we may have to pay more for mortgage-backed securities than we have historically. In either case, the return that we earn on stockholders' equity may be reduced.

Our Net Income per Share may Decrease now that We have Become Self-Advised.

We cannot assure you that the cost savings we anticipate from no longer paying the base and incentive advisory fees to AFMAC will offset the additional expenses that we will incur as a self-advised REIT. These additional expenses will include all of the salaries and benefits of our executive officers and the other employees we will need to operate as a self-advised company. See "Management Executive Compensation." Even if our earnings are not adversely affected, our earnings per share may decrease because we issued 1,287,501 additional shares of our common stock as merger consideration. These additional shares represent approximately 4.5% of the total number of shares outstanding after the merger not taking into account shares issued in this offering.

The Merger with AFMAC Reduced Our Book Value per Share

The issuance of 1,287,501 additional shares in the merger with AFMAC increased the number of shares of our common stock outstanding without increasing our net worth. As a result, the pro forma book value as of September 30, 2001 (as adjusted for the effects of our common stock offering completed in November 2001, but not for the shares of our common stock to be issued in this offering) declined by $0.39 per share, and our stockholders experienced a 5.0% dilution of their ownership interest.

The Merger with AFMAC may Cause Us to Lose Our REIT Status for Tax Purposes

In order to maintain our status as a REIT for federal income tax purposes, we are not permitted to have current or accumulated earnings and profits carried over from AFMAC. If the IRS successfully asserts that we acquired current or accumulated earnings and profits from AFMAC and failed to distribute, during the taxable year in which the merger occurs, all of such earnings and profits, we would lose our REIT qualification for the year of the merger, as well as any other taxable years during which we held such acquired earnings and profits, unless, in the year of such determination, we make an additional distribution of the amount of earnings and profits determined to be acquired from AFMAC. In order to make such an additional distribution, we could be required to borrow funds or sell assets even if prevailing market conditions were not generally favorable. For any taxable year that we fail to qualify as a REIT, we would not be entitled to a deduction for dividends paid to our stockholders in calculating our taxable income. Consequently, our net assets and distributions to our stockholders would be substantially reduced because of our increased tax liability. Furthermore, to the extent that distributions had been made in anticipation of our qualification as a REIT, we might also be required to borrow additional funds or to liquidate certain of our investments in order to pay the applicable tax on our income.

We are Now Dependent on Our Own Executives and Employees

As a self-advised company, we rely on our own employees to operate our business, and are not able to rely on employees of AFMAC or its affiliates. As a result, we now depend on a smaller group of executive officers and employees to operate our business than we had as an externally-advised

company. Accordingly, the loss of the services of any key employee, particularly one of our executive officers, may have a negative effect on our business operations.

We are Subject to Potential Liability as an Employer

When we merged with AFMAC, we assumed the employment of persons who had been employees of AFMAC. In addition to their salaries and other cash compensation, we were required to establish certain health, retirement and other employee benefit plans, and we will now bear the costs of the establishment and maintenance of these plans. As an employer, we will be subject to potential liabilities that are commonly faced by employers, such as workers' disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances.

Our Use of Derivatives to Mitigate Our Prepayment and Interest Rate Risks Has Been Limited.

We have historically limited our use of interest rate swaps, caps and floors or other derivative transactions to help us mitigate our prepayment and interest rate risks because we have determined that the cost of these transactions often outweighs their potential benefits and could, in some cases, jeopardize our status as a REIT. However, we do not have any policy which would prohibit us from using derivative transactions or other hedging strategies. Even when we use derivative transactions, they do not fully insulate us from the prepayment and interest rate risks to which we are exposed. We cannot assure you that a liquid secondary market will exist for any instruments purchased or sold in derivative transactions, and we may be required to maintain a position until exercise or expiration, which could result in losses.

Some of Our Directors and Officers Have Ownership Interests in Other Companies That Create Potential Conflicts of Interest.

Some of our directors and executive officers own equity interests in America First. A subsidiary of America First provides on-site management for our multifamily apartment properties and earns fees based on the gross revenues of these properties. Because of the ownership of America First by our executive officers and directors, our agreements with America First and its subsidiaries may not be considered to have been negotiated at arm's-length. These relationships may also cause a conflict of interest in other situations where we are negotiating with America First.

The Recent Terrorist Attacks in the United States may have a Negative Effect on Our Earnings

The terrorist attacks which occurred in New York City and Washington, D.C. on September 11, 2001, and the subsequent military actions taken by the United States and its allies in response, have caused significant uncertainty in the global financial markets. While the short-term and long-term affects of these events and their potential consequences are uncertain, they could have a material adverse effect on general economic conditions, consumer confidence and market liquidity. Among other things, it is possible that short-term interest rates may be affected by these events. If short-term interest rates increase rapidly, it would cause our borrowing costs to increase faster than increases in the interest rates we earn on our adjustable rate mortgage-backed securities. If that were to happen, our earnings would be negatively affected. In addition, the rate of prepayment on the mortgages underlying our mortgage-backed securities could increase as a result of adverse economic conditions, changes in interest rates and other factors, all of which could be affected by the events of September 11, 2001 and their aftermath.

SELECTED FINANCIAL DATA

The operating data for the years ended December 31, 1998, 1999 and 2000 and the balance sheet data as of December 31, 1999 and 2000 are derived from our financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus and which have been audited by PricewaterhouseCoopers LLP, our independent auditors. On April 9, 1998, we merged with America First Participating/Preferred Equity Mortgage Fund Limited Partnership ("Prep Fund 1") and America First PREP Fund 2 Limited Partnership ("Prep Fund 2") and acquired 99% of the limited partner interests in America First PREP Fund 2 Pension Series Limited Partnership (the "Pension Fund," and collectively with Prep Fund 1 and Prep Fund 2, the "PREP Funds"). Operating data for the year ended December 31, 1998 reflect the combined operating data of our company and PREP Fund 1 through the date of such merger and of our company after the date of such merger. No operating data for PREP Fund 2 and Pension Fund is included in our operating data for the period prior to April 9, 1998 because PREP Fund 1 is treated as our sole predecessor for accounting purposes. Operating data for the years ended December 31, 1997 and 1996 and the balance sheet data as of December 31, 1996, 1997 and 1998 are derived from financial statements of our company and PREP Fund 1 that are not incorporated by reference herein. Operating data for the years ended December 31, 1997 and 1996 are the operating data of PREP Fund 1. Balance sheet data as of December 31, 1998 is that of our company. Balance sheet data as of December 31, 1997 is that of our company and PREP Fund 1. Balance sheet data as of December 31, 1996 is that of PREP Fund 1. The operating data for the nine months ended September 30, 2000 and 2001, and the balance sheet data as of September 30, 2001 are derived from our unaudited financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus. The following selected financial data should be read in conjunction with our financial statements and the notes thereto and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2000 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated by reference into the accompanying prospectus.

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
Operating Data:							
Mortgage securities income	$ 32,112,855	$ 24,923,364	$ 33,390,494	$ 24,302,401	$ 8,240,535	$ 2,654,975	$ 3,011,347
Corporate debt securities income	1,261,464	897,031	1,335,974	674,747	164,738		
Dividend income	568,974	722,316	928,310	331,233			
Interest income on cash and cash equivalents	597,699	473,965	645,013	365,897	588,688	569,624	442,931
Income from other investments	3,173,940(1)	3,414,020(3)	3,670,199(3)	3,012,688(5)	726,883	606,582	504,611
Net gain (loss) on investments	(374,588)	172,311	456,398	54,994	414,951		

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
General and administrative expenses	(3,335,995)[2]	(1,968,683)[4]	(2,457,196)[4]	(2,672,333)[6]	(2,095,407)	(1,405,514)	(895,961)
Interest expense on borrowed funds	(22,625,910)	(22,421,158)	(30,103,076)	(18,465,529)	(4,619,500)		
Minority interest				(4,218)	(3,353)		
Net income	$ 11,378,439	$ 6,213,166	$ 7,866,116	$ 7,599,880	$ 3,417,535[7]	$ 2,425,667	$ 3,062,928
Net income, basic, per share	$0.92	$0.70	$0.89	$0.84	$0.32[7]	N/A	N/A
Net income, fully diluted, per share	$0.92	$0.70	$0.89	$0.84	$0.32[7]	N/A	N/A
Net income, basic, per exchangeable unit	N/A	N/A	N/A	N/A	$0.08[7]	$0.42	$0.52

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Net income, fully diluted, per exchangeable unit	N/A	N/A	N/A	N/A	$0.08[7]	$0.42	$0.52
Net income per passthrough certificate	N/A	N/A	N/A	N/A	N/A	N/A	$1,201.57
Dividends declared per common share or cash distributions paid or accrued per exchangeable unit	$0.565	$0.435	$0.59	$0.67	$1.06	$1.06	$1.06
Cash distributions paid or accrued per passthrough certificate	N/A	N/A	N/A	N/A	N/A		$ 2,428.25

	As of September 30,	As of December 31,				
	2001	2000	1999	1998	1997	1996
Balance Sheet Data:						
Investment in mortgage securities	$ 1,369,019,391	$ 470,575,671	$ 475,719,711	$ 241,895,462	$ 33,506,388	$ 37,322,028
Investment in corporate debt securities	9,187,159	15,665,727	8,020,026	4,673,127		
Investment in corporate equity securities	5,444,507	9,010,538	3,130,823	1,153,800		
Total assets Company	1,443,315,432	522,490,312	524,384,473	264,668,902	1,000	
Total assets Predecessor	N/A	N/A	N/A	N/A	54,439,993	60,144,705
Repurchase agreements	1,280,934,852	448,583,432	452,101,803	190,250,084		
Total stockholders' equity	150,503,692	69,911,496	67,614,613	70,932,757	1,000	
Total partners' capital	N/A	N/A	N/A	N/A	46,252,826	49,702,829

(1) Includes income of approximately $2,600,000 resulting from the sale of an undivided interest in the net assets of an assisted living center.

(2) Includes an incentive advisory fee of approximately $511,000 earned by AFMAC in connection with the sale described in (1) above.

(3) Includes income of approximately $2,600,000 resulting from the sale of the underlying real estate of an unconsolidated real estate limited partnership.

(4)

Includes an incentive advisory fee of approximately $519,000 earned by AFMAC in connection with the sale described in (3) above.

(5) Includes income of approximately $2,163,000 resulting from the sale of undivided interests in the net assets of four assisted living centers.

(6) Includes an incentive advisory fee of approximately $433,000 earned by AFMAC in connection with the sale described in (5) above.

(7) Included in 1998 income is net income of $486,466 relating to the operations for the period from January 1, 1998 through our merger with the Prep Funds on April 9, 1998. The income for the applicable periods is reflected in the per share and exchangeable unit information, as applicable.

CAPITALIZATION

Our actual capitalization as of September 30, 2001, our pro forma capitalization reflecting the merger with AFMAC and our pro forma capitalization as adjusted to give effect to the issuance of 8,000,000 shares of our common stock in November 2001 at a net price of approximately $7.47 per share and of 6,500,000 shares of our common stock in this offering at a net price of approximately $7.79 per share is set forth below.

	September 30, 2001		Pro Forma as Adjusted for Equity Offerings	
	Actual	AFMAC Merger Pro Forma(1)	November, 2001 Offering(2)	This Offering(3)
	(In thousands)			
Common Stock Issued and Outstanding (375,000,000 Authorized)	19,034,850	20,322,351	28,322,351	34,822,351
Common Stock; Par Value $0.01 per share	$ 190	$ 203	$ 283	$ 348
Additional Paid-in capital	141,426	152,679	212,328	262,873
Retained Earnings (accumulated deficit)	1,607	(10,765)(4)	(10,765)	(10,765)
Accumulated other comprehensive income (loss)(5)	7,280	7,280	7,280	7,280
	$ 150,503	$ 149,397	$ 209,126	$ 259,736

(1) Reflects the pro forma effects of the merger with AFMAC. See "America First Mortgage Investments, Inc. Merger with Our External Advisor" and "Pro Forma Financial Information."

(2) Reflects the sale of 8,000,000 shares of our common stock in November 2001 at a net price of approximately $7.47 per share.

(3) Reflects the effects of this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and assuming no exercise of the underwriters' over-allotment option to purchase up to an additional 975,000 shares of our common stock.

(4)

As more fully discussed in "America First Mortgage Investments, Inc. Merger with Our External Advisor" and "Pro Forma Financial Information," for accounting purposes, the merger with AFMAC was not considered to be an acquisition of a business. As a result, we recorded a charge in the fourth quarter of 2001 equal to the difference between the aggregate of the current market value of the shares of common stock we issued, transaction costs we incurred, and liabilities we assumed in excess of tangible assets we acquired from AFMAC.

(5) Represents unrealized gains (losses) resulting from mark-to-market adjustments on our available-for-sale securities.

MARKET PRICE AND DIVIDENDS ON OUR COMMON STOCK

Market Information. Our common stock began trading on the New York Stock Exchange on April 10, 1998, under the symbol "MFA." The following table sets forth the high and low sale prices for our common stock for each calendar quarter of 2001 and 2000. In addition, the table shows the dividends per share we declared for each such quarter. The last reported sale price of our common stock on January 14, 2002 was $8.35.

	2001 Sale Prices			2000 Sale Prices		
	High	**Low**	**Div.**	**High**	**Low**	**Div.**
1st Quarter	$ 7.50	$ 5.00	0.165	$ 5.81	$ 4.50	0.140
2nd Quarter	$ 8.00	$ 6.75	0.175	$ 5.63	$ 4.50	0.140
3rd Quarter	$ 8.85	$ 7.25	0.225	$ 5.94	$ 4.94	0.155
4th Quarter	$ 9.40	$ 7.65	0.280	$ 5.75	$ 4.75	0.155

Dividends. We pay cash dividends on a quarterly basis. We declared total cash dividends to our common stockholders during the fiscal years ended December 31, 2001 and 2000 of $16,625,585 ($0.845 per share) and $5,428,229 ($0.59 per share), respectively. For tax purposes, a portion of the dividend declared on December 14, 2000, and paid on January 30, 2001, was treated as a 2001 dividend to stockholders. Similarly, for tax purposes, the dividend declared on December 16, 1999, and paid on February 18, 2000, was treated in its entirety as a 2000 dividend to stockholders. We intend to continue to pay dividends on our common stock in an amount equal to at least 90% of our taxable income before deductions of dividends paid and excluding net capital gains in order to maintain our status as a REIT for federal income tax purposes. Dividends will be declared and paid in the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors our Board of Directors may deem relevant from time to time. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described under the captions "Additional Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus.

MANAGEMENT

Executive Officers and Directors

The following persons serve as our executive officers and directors:

Name	Position
Michael B. Yanney	Chairman of the Board and Director
Stewart Zimmerman	President, Chief Executive Officer and Director
William S. Gorin	Executive Vice President, Chief Financial Officer and Treasurer
Ronald A. Freydberg	Executive Vice President and Secretary
Teresa D. Covello	Senior Vice President and Controller
Michael L. Dahir	Director

Alan L. Gosule	Director
George H. Krauss	Director
Gregor Medinger	Director
W. David Scott	Director

Michael B. Yanney, 68, is a Director and serves as our Chairman of the Board, positions he has held since 1997. Mr. Yanney has served as the Chairman of America First and its predecessors since 1984 and as Chief Executive Officer from 1984 until 2001. America First is a diversified financial services firm located in Omaha, Nebraska that manages public investment funds which have raised over $1.5 billion. From 1977 until the organization of America First, Mr. Yanney was principally engaged in the ownership and management of commercial banks. From 1961 to 1977, Mr. Yanney was employed by Omaha National Bank and Omaha National Corporation (now part of U.S. Bank, N.A.), where he held various positions, including the position of Executive Vice President and Treasurer of the holding company. Mr. Yanney also serves as a member of the boards of directors of Burlington Northern Santa Fe Corporation, RCN Corporation, Level 3 Communications, Inc., Forest Oil Corporation, Freedom Communications, Inc., Magnum Resources, Inc. and Rio Grande Medical Technologies, Inc.

Stewart Zimmerman, 57, has been our President and Chief Executive Officer and a Director since 1997. Prior to that time, he served as an Executive Vice President of America First since January 1989, during which time he has served in a number of positions, including President and Chief Operating Officer of America First REIT and President of several America First mortgage funds, including America First Participating/Preferred Mortgage Fund, America First PREP Fund 2, Capital Source, L.P., Capital Source II, L.P.-A, America First Tax Exempt Mortgage Fund and America First Tax Exempt Mortgage Fund II. From September 1986 to September 1988, he served as a Managing Director and Director of Security Pacific Merchant Bank, where he was responsible for Mortgage Trading and Finance. Prior to that time, he served as First Vice President of E.F. Hutton & Company, Inc., where he was responsible for mortgage-backed securities trading and sales distribution, and Vice President of Lehman Brothers, where he was responsible for the distribution of mortgage products. From 1968 to 1972, Mr. Zimmerman was Vice President of Zenith Mortgage Company and Zenith East Inc., a national mortgage banking and brokerage company specializing in the structuring and sales of mortgage assets to the institutional financial community.

William S. Gorin, 43, serves as an Executive Vice President and as our Chief Financial Officer and Treasurer. He has been our Executive Vice President since 1997 and was appointed Chief Financial Officer and Treasurer in 2001. From 1989 to 1997, Mr. Gorin held various positions with PaineWebber Incorporated/Kidder, Peabody & Co. Incorporated, New York, New York, most recently serving as a First Vice President in the Research Department. Prior to that position, Mr. Gorin was Senior Vice President in the Special Products Group. From 1982 to 1988, Mr. Gorin was employed by Shearson Lehman Hutton, Inc./E.F. Hutton & Company, Inc., New York, New York, in various positions in

corporate finance and direct investments. Mr. Gorin has a Master of Business Administration degree from Stanford University.

Ronald A. Freydberg, 41, serves as an Executive Vice President and as our Secretary. He has been our Senior Vice President from 1997, and was appointed as Executive Vice President and Secretary in 2001. From 1995 to 1997, Mr. Freydberg served as a Vice President of Pentalpha Capital, in Greenwich, Connecticut, where he was a fixed income quantitative analysis and structuring specialist. In that capacity he designed a variety of interactive pricing and forecasting models, including a customized subordinate residential and commercial mortgage-backed analytical program and an ARM REIT five-year forecasting model. In addition, he worked with various financial institutions on the acquisition and sale of residential, commercial and asset-backed securities. From 1988 to 1995, Mr. Freydberg held various positions with J.P. Morgan & Co. in New York, New York. From 1994 to 1995, he was with the Global Markets Group. In that position he was involved in all aspects of commercial mortgage-backed securitization and sale of distressed commercial real estate, including structuring, due diligence and marketing. From 1985 to 1988, Mr. Freydberg was employed by Citicorp in New York, New York.

Teresa D. Covello, 36, is our Senior Vice President and Controller. From May 2000 up to joining us in October 2001, Ms. Covello was a self-employed financial consultant, concentrating in investment banking within the financial services sector. From 1990 to 2000, she held progressive positions (1997 to 2000 Vice President; 1993 to 1996 Assistant Vice President; 1990 to 1992 Officer) and was the Director of Financial Reporting at JSB Financial, Inc. ("JSB"), the publicly traded holding company for Jamaica Savings Bank FSB, which was acquired by Northfork Bancorp in March 2000. Ms. Covello's key responsibilities at JSB included SEC reporting, implementing accounting standards, establishing policies and procedures, managing asset/liability and interest rate risk, and investor and regulatory communications. She was a member of the company's strategic planning team. Ms. Covello began her career in public accounting in 1987 with KPMG Peat Marwick (now KPMG LLP), participating in and supervising financial statement audits, compliance examinations, initial public offerings and debt offerings. She is a Certified Public Accountant and has a Bachelors of Science degree from Hofstra University in Public Accounting.

Michael L. Dahir, 53, has been one of our Directors since 1998. From 1988 to the present Mr. Dahir has served as President and Chief Executive Officer of Omaha State Bank in Omaha, Nebraska. From 1974 to 1988 he held various positions with Omaha National Bank, including Vice President, investment department head, Senior Vice President and Chief Financial Officer of FirsTier Holding Company, which acquired Omaha National in 1984. Mr. Dahir is a Director of the College of St. Mary in Omaha, Nebraska and the Jesuit Partnership, an organizational offshoot of the Jesuit Provincial Office in Milwaukee, Wisconsin.

Alan L. Gosule, 60, joined our Board of Directors in 2001. Mr. Gosule is a partner in the law firm of Clifford Chance Rogers & Wells LLP in New York, New York and has practiced law with that firm and its predecessor since 1991. He serves as the Chairman of the firm's Tax Department. Prior to that, he practiced law with the firm of Gaston & Snow. Mr. Gosule also serves as a director of Home Properties of New York, Inc., Simpson Housing Limited Partnerships, F.L. Putnam Investment Management Company, and Colonnade Partners, and of 32 mutual funds of the ING Pilgrim Capital Corporation.

George H. Krauss, 60, has served as one of our Directors since 1997. He has been a consultant to America First since 1997. Prior to that he practiced law with Kutak Rock LLP from 1972 and served as that firm's managing partner from 1983 to 1993. He has extensive experience in corporate, merger and acquisition, and regulatory matters. In addition to his legal education, Mr. Krauss has a Masters of Business Administration and is a registered Professional Engineer. Mr. Krauss currently is a member of the board of directors of Gateway, Inc., a computer manufacturing and distribution company that is listed on the NYSE.

Gregor Medinger, 58, has been a Director since 1998. He is President of HVB Capital Markets, New York, New York, and has been with that company for 14 years. From 1971 to 1980, he worked for Banque Worms, a French merchant bank, concentrating in cross-border mergers and acquisitions. From 1969 to 1971, Mr. Medinger worked in the International Department of Bankers Trust. Mr. Medinger has extensive experience in the investment banking field. He has worked on a variety of transactions ranging from initial public offerings of companies from emerging markets to cross-border leveraged buyouts to dual currency bonds. Mr. Medinger has a law degree from the University of Vienna.

W. David Scott, 40, has been a member of our Board of Directors since 1998. He is President and Chief Executive Officer of Magnum Resources, Inc., a privately held corporation that focuses on commercial real estate, a position he has held since 1994. Mr. Scott was Vice President and Director of Cornerstone Bank Group from 1991 to 1994 and prior to that was an accountant with Peter Kiewit Sons', Inc. He serves on the boards of Brownell-Talbot School, Boy Scouts of America and Hastings College.

Executive Compensation

Following the merger with AFMAC on January 1, 2002, our executive officers became our employees and we are now responsible for all salaries, bonuses and benefits of our executive officers, as well as other employees we may hire. In that regard, we assumed the employment agreements between AFMAC and Messrs. Zimmerman, Gorin and Freydberg. The employment agreements of Messrs. Zimmerman, Gorin and Freydberg have been amended to provide, among other things, an increase in their annual base salaries to $300,000, $200,000 and $200,000, respectively, a minimum annual bonus pool of $265,000 that will be divided among them, an additional bonus pool equal to 0.65% of additional equity capital that we raise, payments to each of them if their employment is terminated after certain change of control events and a one-year non-compete agreement. In addition, we assumed the liability to pay approximately $150,000 of bonus obligations payable to Messrs. Zimmerman, Gorin and Freydberg with respect to 2001 and additional bonuses that they earned as a result of additional equity capital raised by us during 2001. We also expect to enter into an employment agreement with Ms. Covello that will provide for an annual salary of $125,000 and an opportunity to earn a bonus, subject to approval by the compensation committee of our Board of Directors. Each of our executive officers is eligible to participate in our 1997 Employee Stock Option Plan.

UNDERWRITING

Friedman, Billings, Ramsey & Co., Inc., RBC Dain Rauscher Inc., Jolson Merchant Partners, LLC and Stifel, Nicolaus & Company, Incorporated are acting as representatives of the underwriters. Subject to the terms and conditions contained in the underwriting agreement, we have agreed to sell to each underwriter, and each underwriter has agreed to purchase from us, the number of shares set forth opposite its name below. The underwriting agreement provides that the obligation of the underwriters to pay for and accept delivery of our common stock is subject to approval of certain legal matters by counsel and to certain other conditions. The underwriters are obligated to take and pay for all shares of our common stock offered hereby, other than those covered by the over-allotment option described below, if any such shares are taken.

Underwriter	Number of Shares
Friedman, Billings, Ramsey & Co., Inc.	2,600,000
RBC Dain Rauscher Inc.	1,430,000
Jolson Merchant Partners, LLC	1,235,000

Underwriter	Number of Shares
Stifel, Nicolaus & Company, Incorporated	1,235,000
Total	6,500,000

The following table shows the per share and total underwriting discount we will pay to the underwriters. The amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 975,000 additional shares of our common stock to cover over-allotments.

	No Exercise	Full Exercise
Per share	$ 0.4331	$ 0.4331
Total	$ 2,815,313	$ 3,237,609

In connection with the merger between us and AFMAC, Tucker Anthoney Sutro Capital Markets, a predecessor to RBC Dain Rauscher, was retained by the special committee of our board of directors and provided a written opinion that the merger consideration to be paid by us in the merger with AFMAC was fair, from a financial point of view, to us and our stockholders.

Certain of our officers and directors have agreed with the representatives, for a period of 90 days after the date of this prospectus supplement, subject to certain exceptions, not to sell any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock owned by them, without the prior written consent of the representatives. However, the representatives may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to these agreements. In that regard, America First, which is controlled by Michael Yanney, our Chairman of the Board, may sell up to 206,000 shares of the common stock it received as a result of the merger between us and AFMAC at any time.

The underwriters propose to offer our common stock directly to the public at $8.25 per share and to certain dealers at this price less a concession not in excess of $0.26 per share. The underwriters may allow, and the dealers may reallow, a concession not in excess of $0.10 per share to certain dealers.

We expect to incur expenses of approximately $200,000 in connection with this offering.

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus supplement to purchase up to 975,000 additional shares of common stock to cover over-allotments, if any, at the public offering price less the underwriting discounts set forth on the cover page of this prospectus supplement. If the underwriters exercise this option, the underwriters will have a firm commitment, subject to certain conditions, to purchase all of the shares covered by the option.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

In connection with the offering, the underwriters are permitted to engage in certain transactions that stabilize the price of our common stock. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of our common stock. If the underwriters create a short position in our common stock in connection with the offering by selling more than 6,500,000 shares of common stock, the underwriters may reduce that short position by purchasing our common stock in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases. Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the tran

EXHIBIT 1

JOINT FILING AGREEMENT AMONG TORRAY LLC AND

ROBERT E. TORRAY

WHEREAS, in accordance with Rule 13d-1(k) under the Securities and Exchange Act of 1934 (the "Act"), only one joint statement and any amendments thereto need to be filed whenever one or more persons are required to file such a statement or any amendments thereto pursuant to Section 13(d) of the Act with respect to the same securities, provided that said persons agree in writing that such statement or amendments thereto is filed on behalf of each of them;

NOW, THEREFORE, the parties hereto agree as follows:

TORRAY LLC AND ROBERT E. TORRAY hereby agree, in accordance with Rule 13d-1(k) under the Act, to file a statement on Schedule 13G relating to their ownership of Common Stock of the Issuer and do hereby further agree that said statement shall be filed on behalf of each of them.

		TORRAY LLC
Date: February 16, 2010	By:	/s/ William Lane
		William Lane
		Executive Vice President
		ROBERT E. TORRAY
Date: February 16, 2010	By:	/s/ Robert E. Torray
		Robert E. Torray