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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended September 30, 2002

|_| Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-9819

DYNEX CAPITAL, INC.
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C>

Virginia (State or other jurisdiction of incorporation or organization)	52-1549373 (I.R.S. Employer Identification No.)
4551 Cox Road, Suite 300, Glen Allen, Virginia (Address of principal executive offices)	23060 (Zip Code)

</TABLE>

(804) 217-5800
(Registrant's telephone number, including area code)

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 ninety days.
|_|Yes |X|No

As of October 31, 2002, the registrant had 10,873,903 shares of common stock outstanding with a par value of $.01 per share, which is the registrant's only class of common stock.

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DYNEX CAPITAL, INC.
FORM 10-Q

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

DYNEX CAPITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(amounts in thousands except share data)

<TABLE>
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<S>	September 30, 2002	December 31, 2001
ASSETS		
Investments:		
Collateral for collateralized bonds	$ 2,247,276	$ 2,473,203
Other investments	56,516	63,553
Securities	7,307	5,508
Loans	12,454	7,315
	2,323,553	2,549,579
Cash	6,416	11,463
Other assets	7,651	8,817
	$ 2,337,620	$ 2,569,859
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Non-recourse debt - collateralized bonds	$ 2,098,202	$ 2,264,213
Recourse debt	94	58,134
	2,098,296	2,322,347
Accrued expenses and other liabilities	5,182	5,402
	2,103,478	2,327,749
Commitments and contingencies (Note 10)	-	-
SHAREHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, 50,000,000 shares authorized:		
9.75% Cumulative Convertible Series A,		

992,038 shares issued and outstanding ($30,773 and $29,322 aggregate liquidation preference, respectively)	22,658	22,658
9.55% Cumulative Convertible Series B, 1,378,707 shares issued and outstanding ($43,456 and $41,443 aggregate liquidation preference, respectively)	32,273	32,275
9.73% Cumulative Convertible Series C, 1,383,532 shares issued and outstanding ($53,625 and $51,101 aggregate liquidation preference, respectively)	39,655	39,655
Common stock, par value $.01 per share, 100,000,000 shares authorized 10,873,903 and 10,873,853 shares issued and outstanding, respectively	109	109
Additional paid-in capital	364,743	364,740
Accumulated other comprehensive loss	(19,612)	(14,825)
Accumulated deficit	(205,684)	(202,502)
	234,142	242,110
	$ 2,337,620	$ 2,569,859

</TABLE>
See notes to unaudited condensed consolidated financial statements.

DYNEX CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(amounts in thousands except share and per share data)

<TABLE>
<CAPTION>

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001 (As Restated, See Note 13)	2002	2001 (As Restated, See Note 13)
<S>	<C>	<C>	<C>	<C>
Interest income:				
Collateral for collateralized bonds	$ 41,878	$ 50,766	$ 129,066	$ 168,358
Other investments	45	1,375	100	4,767
Securities	289	157	746	831
Loans	109	98	318	431
	42,321	52,396	130,230	174,387
Interest and related expense:				
Non-recourse debt	31,278	39,192	95,040	132,863
Recourse debt	162	1,316	2,134	5,739
Other	41	62	462	531
	31,481	40,570	97,636	139,133
Net interest margin before provision for losses	10,840	11,826	32,594	35,254

Provision for losses	(5,408)	(12,464)	(16,292)	(22,075)
Net interest margin	5,432	(638)	16,302	13,179
Net (loss) gain on sales, impairment charges and litigation	(2,718)	(2,434)	(9,151)	1,544
Trading losses	(4,035)	(1,161)	(3,307)	(2,881)
Other income	293	59	688	39
	(1,028)	(4,174)	4,532	11,881
General and administrative expenses	(2,226)	(2,300)	(6,744)	(6,777)
(Loss) income before extraordinary items	(3,254)	(6,474)	(2,212)	5,104
Extraordinary items - gain (loss) on extinguishment of debt	392	(1,009)	230	1,835
Net (loss) income	(2,862)	(7,483)	(1,982)	6,939
Preferred stock (charges) benefit	(2,397)	(2,825)	(7,189)	4,440
Net (loss) income applicable to common shareholders	$ (5,259)	$ (10,308)	$ (9,171)	$ 11,379
(Loss) income per common share before extraordinary item: Basic and Diluted	$ (0.52)	$ (0.81)	$ (0.86)	$ 0.83
Net (loss) income per common share: Basic and Diluted	$ (0.48)	$ (0.90)	$ (0.84)	$ 0.99
Weighted average number of common shares outstanding; basic and diluted	10,873,903	11,446,149	10,873,866	11,446,187

</TABLE>

See notes to unaudited condensed consolidated financial statements.

DYNEX CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS
<TABLE>
<CAPTION>
OF CASH FLOWS (UNAUDITED)
(amounts in thousands)

<S>	Nine Months Ended September 30, 2002 <C>	2001 (As Restated, See Note 13) <C>
Operating activities:		
Net (loss) income	$ (1,982)	$ 6,939
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Provision for losses	16,292	

		22,075
Net loss (gain) on sales, impairment charges and litigation	9,151	(1,544)
Payment (made) received from litigation settlement, net of legal fees	(863)	7,111
Extraordinary items - gain on extinguishment of debt	(230)	(1,835)
Amortization and depreciation	6,794	9,272
(Increase) decrease in accrued interest receivable	(32)	2,786
Increase in accrued interest payable	(2,652)	(958)
Net change in restricted cash	-	14,361
Net change in other assets and other liabilities	(198)	(7,288)
Net cash provided by operating activities	26,280	50,919
Investing activities:		
Collateral for collateralized bonds:		
Investments purchased	(155,470)	-
Proceeds from principal payments on collateral	338,084	473,917
Net increase in funds held by trustee	(118)	(206)
Net (increase) decrease in loans	(5,358)	16,601
Purchase of other investments	-	(2,838)
Payments received on other investments	8,948	4,210
Proceeds from sales of other investments	-	233
Purchase of securities	(4,195)	-
Payments received on securities	2,896	1,873
Proceeds from sales of securities	-	3,893
Proceeds from sale of loan production operations	-	9,500
Capital expenditures	(120)	(212)
Net cash provided by investing activities	184,667	506,971
Financing activities:		
Collateralized bonds:		
Proceeds from issuance of bonds	605,272	507,641
Principal payments on bonds	(762,177)	(979,959)
Repayment of senior notes	(57,890)	(67,334)
Capital stock transactions	-	(10,963)
Dividends paid	(1,199)	(1,614)
Net cash used for financing activities	(215,994)	(552,229)
Net (decrease) increase in cash	(713)	5,661
Cash at beginning of period	11,463	3,485
Cash at end of period	$ 6,416	$

9,146

Supplement disclosures of cash flow information:		
Cash paid for interest	$ 100,080	$ 140,180
Cash reclassified from restricted to unrestricted	$ 4,334	$ -

</TABLE>

See notes to unaudited condensed consolidated financial statements.

DYNEX CAPITAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002
(amounts in thousands except share and per share data)

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by accounting principles generally accepted in the United States of America, hereinafter referred to as "generally accepted accounting principles," for complete financial statements. The condensed consolidated financial statements include the accounts of Dynex Capital, Inc. and its qualified REIT subsidiaries and taxable REIT subsidiary ("Dynex" or the "Company"). All significant inter-company balances and transactions have been eliminated in consolidation of Dynex.

In the opinion of management, all significant adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated financial statements have been included. The financial statements presented are unaudited. Operating results for the three and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The primary estimates inherent in the accompanying consolidated financial statements are discussed below.

The Company uses estimates in establishing fair value for its financial instruments as discussed in Note 2.

The Company also has credit risk on certain investments in its portfolio. An allowance for losses has been estimated and established for current expected losses based on management's judgment. The allowance for losses is evaluated and adjusted periodically by management based on the actual and projected timing and amount of probable credit losses, as well as industry loss experience. Provisions made to increase the allowance related to credit risk are presented as provision for losses in the accompanying consolidated statements of operations. The Company's actual credit losses may differ from those estimates used to establish the allowance.

Certain reclassifications have been made to the financial statements for 2001 to conform to the presentation for 2002.

NOTE 2 - FAIR VALUE

The Company estimates fair value for its financial instruments. Estimates of fair value for financial instruments may be based on market prices provided by certain dealers. Estimates of fair value for certain other financial instruments are determined by calculating the present value of the projected cash flows of the instruments using estimated market discount rates, prepayment rates and credit loss assumptions. Collateral for collateralized bonds make up a significant portion of the Company's investments. A portion of the collateral for collateralized bonds are debt securities which are classified as available-for-sale. The estimate of fair value for collateral for collateralized bonds is determined by calculating the present value of the projected cash flows of the instruments, using discount rates, prepayment rate assumptions and credit loss assumptions established by management. The discount rate used in the determination of fair value of the collateral for collateralized bonds was 16% at September 30, 2002 and December 31, 2001. Prepayment rate assumptions at September 30, 2002, and December 31, 2001, were generally at a "constant prepayment rate," or CPR ranging from 30%-70% for 2002 and 35%-60% for 2001, for collateral for collateralized bonds consisting of single-family mortgage securities, and a CPR equivalent ranging from 10%-12% for 2002 and 2001 for collateral for collateralized bonds consisting of manufactured housing securities. CPR assumptions are based in part on the actual prepayment rates experienced for the prior six-month period and in part on management's estimate of future prepayment activity based on the current level of interest rates and prepayment rates being experienced on similar loans in the marketplace. Credit loss assumptions are based in part on the actual credit losses experienced for the prior six-month period and in part on management's estimate of future credit losses based on the losses experienced on similar loans in the marketplace.

Estimates of fair value for other financial instruments are based primarily on management's judgment. Since the fair value of Dynex's financial instruments is based on estimates, actual gains and losses recognized may differ from those estimates recorded in the consolidated financial statements.

NOTE 3 - NET (LOSS) INCOME PER COMMON SHARE

Net (loss) income per common share is presented on both a basic and diluted basis. Diluted net (loss) income per common share assumes the conversion of the convertible preferred stock into common stock, using the if-converted method and stock appreciation rights to the extent that there are rights outstanding, using the treasury stock method, but only if these items are dilutive. As a result of the two-for-one split in May 1997 and the one-for-four reverse split in July 2000 of Dynex's common stock, the preferred stock is convertible into one share of common stock for two shares of preferred stock.

The following table reconciles the numerator and denominator for both basic and diluted net (loss) income per common share for the three and nine months ended September 30, 2002 and 2001.

<TABLE>
<CAPTION>

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002		2001		2002		2001	
	(Loss) Income	Weighted-Average Number Of Shares	(Loss) Income	Weighted-Average Number Of Shares	(Loss) Income	Weighted-Average Number Of Shares	(Loss) Income	Weighted-Average Number Of Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(Loss) income before extraordinary items	$(3,254)		$ (6,474)		$(2,212)		$ 5,104	
Extraordinary items - gain (loss) on extinguishment of debt	392		(1,009)		230		1,835	
Net (Loss) income	(2,862)		(7,483)		(1,982)		6,939	
Preferred stock (charges) benefit	(2,397)		(2,825)		(7,189)		4,440	
Net (loss) income applicable to common shareholders	$(5,259)	10,873,903	$(10,308)	11,446,149	$(9,171)	10,873,866	$11,379	11,446,167
(Loss) income per share before extraordinary items:								
Basic and diluted		$ (0.52)		$ (0.81)		$ (0.86)		$ 0.83
Net (loss) income per share:								
Basic and diluted		$ (0.48)		$ (0.90)		$ (0.84)		$ 0.99
Dividends and potentially dilutive common shares assuming conversion of preferred stock:								
Series A	$ (580)	496,019	$ (648)	553,486	$(1,741)	496,019	$(2,132)	553,486
Series B	(807)	689,354	(906)	774,363	(2,419)	689,354	(3,949)	

		774,363					
Series C	(1,010)	691,766	(1,157)	792,599	(3,029)	691,766	(3,389) 792,599
	$(2,397)	1,877,139	$ (2,711)	2,120,448	$(7,189)	1,877,139	$(9,470) 2,120,448

</TABLE>

NOTE 4 - COLLATERAL FOR COLLATERALIZED BONDS

Collateral for collateralized bonds represents collateral pledged to support the repayment of non-recourse collateralized bonds issued by the Company. Collateral for collateralized bonds consists of loans and debt securities backed by adjustable-rate and fixed-rate single-family mortgage loans, fixed-rate mortgage loans on multifamily and commercial properties and manufactured housing installment loans secured by a UCC filing. Loans are reported at amortized cost with established provisions for estimated losses. Debt securities are available for sale and are, therefore, marked to market according to Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities." All principal and interest (less servicing-related fees) on the collateral is remitted to a trustee and is available for payment on the associated collateralized bonds.

The following table summarizes the components of collateral for collateralized bonds as of September 30, 2002 and December 31, 2001. Debt securities pledged as collateral for collateralized bonds are considered available for sale, and are therefore recorded at fair value.
<TABLE>
<CAPTION>

	September 30, 2002	December 31, 2001
<S>	<C>	<C>
Loans, at amortized cost	$ 1,911,724	$ 2,027,619
Debt securities, at fair value	356,569	467,038
	2,268,293	2,494,657
Reserve for loan losses	(21,017)	(21,454)
	$ 2,247,276	$ 2,473,203

</TABLE>

The following table summarizes the amortized cost basis, gross unrealized gains and losses and estimated fair value of debt securities pledged as collateral for collateralized bonds as of September 30, 2002:

<TABLE>
<CAPTION>

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>
Debt securities	$ 358,638	$ 38	$ (2,107)	$ 356,569

</TABLE>

NOTE 5 - OTHER INVESTMENTS

Other investments at September 30, 2002 and December 31, 2001 consist substantially of delinquent property tax receivables and related real estate owned. Delinquent property tax receivables have been classified as non-accrual, and all cash collections on such receivables reduce the principal balance of the Company's investment in the receivables. During the three and nine months ended September 30, 2002, the Company collected $3,797 and $13,085, respectively and reduced the carrying value of the investment accordingly. The Company also amortized $1,347 and $4,188, respectively, of discount on the carrying value of the delinquent property tax receivables as a reduction of accumulated other comprehensive loss. At September 30, 2002 the redemptive value of the delinquent property tax receivable portfolio was $128,288.

The following table summarizes the Company's investment in delinquent property tax receivables and real estate owned at September 30, 2002 and December 31, 2001:

<TABLE>
<CAPTION>

<S>	September 30, 2002 <C>	December 31, 2001 <C>
Amortized cost basis of receivables, before discount	$ 64,450	$ 75,785
Discount recorded as adjustment to other comprehensive loss	(13,936)	(18,451)
Amortized cost basis of receivables, net	50,514	57,334
Real estate owned	5,847	5,948
Other	155	271
	$ 56,516	$ 63,553

</TABLE>

NOTE 6 - LOANS

The following table summarizes the Company's carrying basis in unsecuritized loans at September 30, 2002 and December 31, 2001, respectively:

<TABLE>
<CAPTION>

<S>	September 30, 2002 <C>	December 31, 2001 <C>
Multifamily and commercial loans	$ 2,765	$ 2,791
Consumer installment contracts	1,916	3,601
Single-family mortgage loans	7,724	906
	12,405	7,298
Net premium and allowance for losses	49	17
Total loans	$ 12,454	$ 7,315

</TABLE>

Of the above amounts, loans with a carrying amount of $10,641 and $3,712, respectively, are classified as held for sale at September 30, 2002 and December 31, 2001.

NOTE 7 - ALLOWANCE FOR LOSSES

The Company reserves for credit risk where it has exposure to losses on various investments in its investment portfolio. The following table summarizes the aggregate activity for the allowance for losses of principal on investments for the nine months ended September 30, 2002 and 2001:

	Nine Months Ended September 30, 2002	2001
Allowance at beginning of year	$ 21,508	$ 26,903
Provision for losses	16,292	22,075
Credit losses, net of recoveries	(16,679)	(19,732)
Allowance at end of year	$ 21,121	$ 29,246

NOTE 8 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 is not expected to have a significant impact on the financial position, results of operations or cash flows of the Company.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets" which supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (APB 30) for the disposal of a segment of business. This statement is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 retains many of the provisions of SFAS No. 121, but addresses certain implementation issues associated with that Statement. The adoption of SFAS No. 144 as of January 1, 2002 did not have a significant impact on the financial position, results of operations or cash flows of the Company.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections". Effective January 1, 2003, SFAS No. 145 requires gains and losses from the extinguishment or repurchase of debt to be classified as extraordinary items only if they meet the criteria for such classification in APB 30. Until January 1, 2003, gains and losses from the extinguishment or repurchase of debt must be classified as extraordinary items, as Dynex has done. After January 1, 2003, any gain or loss resulting from the extinguishment or repurchase of debt classified as an extraordinary item in a prior period that does not meet the criteria for such classification under APB 30 must be reclassified. The Company is in the process of evaluating this SFAS but believes it will not have a significant impact on the financial position, results of operations or cash flows of the Company. The Company anticipates future gains or losses from early extinguishment of debt will be classified in operational income.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Effective January 1, 2003, SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This SFAS applies to activities that are initiated after December 31, 2002. The Company has not yet assessed the impact of this statement on its financial position or results of operations.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions," which amends SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and FASB Interpretation No. 9, "Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method." With the exception of transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." In addition, the carrying amount of an unidentifiable intangible asset shall continue to be amortized as required in SFAS No. 72, unless the transaction to which that asset arose was a business combination. In that case, the carrying amount of that asset is to be reclassified to goodwill as of the later of the date of acquisition or the date SFAS No. 142 is applied in its entirety. Thus, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used. Also, this Statement amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions. The effective date for this provision is on October 1, 2002, with earlier application permitted. Management does not expect the adoption of SFAS No. 147 to have an impact on the financial position, results of operations, or cash flows of the Company.

NOTE 9 - PREFERRED STOCK

As of September 30, 2002 and December 31, 2001, the total liquidation preference on the Preferred Stock was $127,854 and $121,867, respectively, and the total amount of dividends in arrears on Preferred Stock were $28,761 and $22,771, respectively. Individually, the amount of dividends in arrears on the Series A, the Series B and the Series C were $6,964 ($7.02 per Series A share), $9,678 ($7.02 per Series B share) and $12,119 ($8.76 per Series C share) at September 30, 2002 and $5,513 ($5.56 per Series A share), $7,663 ($5.56 per Series B share) and $9,595 ($6.94 per Series C share) at December 31, 2001.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

GLS Capital, Inc. ("GLS"), a subsidiary of the Company, together with the County of Allegheny, Pennsylvania ("Allegheny County"), were defendants in a lawsuit in the Commonwealth Court of Pennsylvania (the "Commonwealth Court") wherein the plaintiffs challenged the right of Allegheny County and GLS to collect certain interest, costs and expenses related to delinquent property tax receivables in Allegheny County. This lawsuit was related to the purchase by GLS of delinquent property tax receivables from Allegheny County in 1997, 1998, and 1999 for approximately $58,300. On July 5, 2001, the Commonwealth Court ruling addressed, among other things, (i) the right of the Company to charge to the delinquent taxpayer a rate of interest of 12% versus 10% on the collection of its delinquent property tax receivables, (ii) the charging of attorney's fees to the delinquent taxpayer for the collection of such tax receivables, and (iii) the charging to the delinquent taxpayer of certain other fees and costs. The Commonwealth Court remanded for further consideration to the Court of Common Pleas items (i) and (iii), and ruled that neither Allegheny County nor GLS had the right to charge attorney's fees to the delinquent taxpayer related to the collection of such tax receivables, reversing the Court of Common Pleas decision. The Pennsylvania Supreme Court has accepted the Application for Extraordinary Jurisdiction filed by Allegheny County and GLS. No damages have been claimed in the action; however, the decision may impact the ultimate amount recoverable on the delinquent property tax receivables, including attorney fees incurred in the collection process.

The Company is also subject to other lawsuits or claims which have arisen in the ordinary course of its business, some of which seek damages in amounts which could be material to the financial statements. Although no assurance can be given with respect to the ultimate outcome of any such litigation or claim, the Company believes the resolution of such lawsuits or claims will not have a material effect on the Company's consolidated balance sheet, but could materially affect consolidated results of operations in a given year.

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS

In June 2002, the Company entered into an interest rate swap which matures on June 28, 2005, to mitigate its interest rate risk exposure on $100,000 in notional value of its variable rate collateralized bonds, which finance a like amount of fixed rate assets. Under the agreement, the Company will pay interest at a fixed rate of 3.73% on the notional amount and will receive interest based on one month LIBOR on the same amount. This contract has been treated as a cash flow hedge with gains and losses associated with the change in the value of the hedge being reported as a component of comprehensive income. During the nine months ended September 30, 2002, the Company recognized $3,578 in comprehensive loss on this position.

In June 2002, the Company entered into a $100,000 notional short position on 5-Year Treasury Notes futures contracts expiring in September 2002. The Company entered into this position to, in effect, mitigate its exposure to rising interest rates on a like amount of floating-rate liabilities. These instruments fail to meet the hedge criteria of SFAS No. 133, and therefore are accounted for on a trading basis. In August 2002, the Company terminated these contracts at a loss of $3,307.

In October 2002, the Company sold short a string of 90-day Eurodollar futures contracts, synthetically creating a three-year amortizing swap with an initial notional balance of approximately $80,000 to mitigate its exposure to rising interest rates on a portion of its variable rate collateralized bonds, which finance a like amount of fixed rate assets. This contract will be treated as a cash flow hedge with gains and losses associated with the change in the value of the hedge being reported as a component of comprehensive income.

NOTE 12 - NET (LOSS) GAIN ON SALES, IMPAIRMENT CHARGES AND LITIGATION

The following table sets forth the composition of net (loss) gain on sales, impairment charges and litigation for the nine months ended September 30, 2002 and 2001.

	Nine months ended September 30,	
	2002	2001
Impairment charges	$ (9,520)	$ (5,349)
Litigation recoveries	-	7,111
Other	369	(218)
	$ (9,151)	$ 1,544

Impairment charges included $1,882 for the adjustment to the lower of cost or market for certain delinquent single-family mortgage loans not included in the securitization completed in April. Such loans were included in securities called by the Company, the balances of which were included in the securitization. Impairment charges also include other-than-temporary impairment of debt securities of $6,872 and $5,349 for 2002 and 2001, respectively, related to debt securities pledged as collateral for collateralized bonds. The impairment charges are principally related to debt securities secured by manufactured housing loans.

NOTE 13 - RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of its financial statements for the three and nine month periods ended September 30, 2001, the Company determined that the assets previously reported as debt securities subject to the requirements of SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities" were, in fact, collateralized borrowings, where the collateral being pledged as securities were loans that should have been accounted for under the requirements of SFAS No. 5, "Accounting for Contingencies" or SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." As a result, the accompanying condensed consolidated financial statements for the three and nine month periods ended September 30, 2001 have been restated from the amounts previously reported to correct the accounting for these investments.

A summary of the significant effects of the restatement is as follows:

	Three Months Ended September 30, 2001 (As Previously Reported)	Three Months Ended September 30, 2001 (As Restatted)	Nine Months Ended September 30, 2001 (As Previously Reported)	Nine Months Ended September 30, 2001 (As Restated)
Provision for losses	$ (14,247)	$ (12,464)	$ (27,424)	$ (22,075)
Net interest margin	(2,422)	(638)	7,830	13,179
Net (loss) gain on sales, write-downs, impairment charges, and litigation	$ (650)	$ (2,434)	$ 6,893	$ 1,544

The restatement had no effect on (loss) income before extraordinary items, net (loss) income, or related per share amounts.

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

As discussed in Note 13 to the condensed consolidated financial statements included in Item 1, the Company has restated its financial statements for the three and nine month periods ended September 30, 2001. The following management discussion and analysis takes into account the effects of the restatement.

The Company is a financial services company, which invests in a portfolio of securities and investments backed principally by single family mortgage loans, commercial mortgage loans, manufactured housing installment loans and delinquent property tax receivables. These loans were funded primarily by the Company's loan production operations or purchased in bulk in the market. Historically, the Company's loan production operations have included single-family mortgage lending, commercial mortgage lending and manufactured housing lending. Through its specialty finance business, the Company also has provided for the purchase and management of delinquent property tax receivables. The Company no longer originates loans. Loans funded through the Company's production operations have generally been pooled and pledged (i.e. securitized) as collateral for non-recourse bonds ("collateralized bonds"), which provided long-term financing for such loans while limiting credit, interest rate and liquidity risk. The Company has elected to be treated as a real estate investment trust ("REIT") for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and, as such, must distribute substantially all of its taxable income to shareholders. Provided that the Company meets all of the prescribed Internal Revenue Code requirements for a REIT, the Company will generally not be subject to federal income tax.

The Company owns the right to call adjustable-rate and fixed-rate mortgage pass-through securities previously issued and sold by the Company once the outstanding balance of such securities reaches a call trigger, generally either 10% or less of the original amount issued or a specified date. At September 30, 2002, the aggregate callable balance of such securities at the time of the projected call is approximately $131.8 million, relating to 10 securities. The Company may or may not elect to call one or more of these securities when eligible to call. During the first nine months of 2002, the Company initiated the call of seventeen securities with a balance of $164 million. The Company expects to call one additional security in 2002 with a call balance of approximately $2.4 million and may call additional securities in the future.

During the third quarter, the Company repaid the remaining amount outstanding on the July 2002 Senior Notes, effectively eliminating its recourse debt outstanding and is now free from operating and investing restrictions previously imposed by the Notes. The Company's investment portfolio continues to generate reasonable cash flow, and the Company has been evaluating various new business alternatives to re-deploy this cash flow in an effort to improve shareholder value, including the possible acquisition of a depository institution. While the Board has not yet concluded its evaluation as to a new business strategy for the Company, the Board has determined that it should evaluate alternatives with respect to the preferred stock as part of the process. In particular, the Board is assessing whether various alternatives related to the preferred stock would be beneficial to the Company's shareholders when considering the associated risks and potential returns in light of other strategic alternatives. With respect to the possible acquisition of a depository institution as previously disclosed, it is the Board's view that it would likely seek some resolution of the preferred stock dividends in arrears before the Company would move forward with an acquisition, although no assurance can be given that any resolution could be attained.

FINANCIAL CONDITION

<TABLE>
<CAPTION>

(amounts in thousands except per share information)	September 30, 2002	December 31, 2001
<S>	<C>	<C>
Investments:		
Collateral for collateralized bonds	$ 2,247,276	$ 2,473,203
Other investments	56,516	63,553
Securities	7,307	5,508
Loans	12,454	7,315
Non-recourse debt - collateralized bonds	2,098,202	2,264,213
Recourse debt	94	58,134
Shareholders' equity	234,142	242,110
Book value per common share	$ 9.77	$ 11.06

</TABLE>

Collateral for collateralized bonds. Collateral for collateralized bonds consists of loans and securities backed by adjustable-rate and fixed-rate mortgage loans secured by first liens on single family housing, fixed-rate loans secured by first liens on multifamily and commercial properties, and manufactured housing installment loans secured by either a UCC filing or a motor vehicle title. As of September 30, 2002, the Company had 22 series of collateralized bonds outstanding. The collateral for collateralized bonds decreased to $2.25 billion at September 30, 2002 compared to $2.47 billion at December 31, 2001. This decrease of $225.9 million is primarily the result of $338.1 million in paydowns on the collateral, $22.3 million of losses on collateral, additional reserves for losses of $0.4 million and market value adjustments of $5.4 million offset by the addition of $154.9 million of new collateral.

Non-recourse debt. Collateralized bonds issued by the Company are recourse only to the assets pledged as collateral, and are otherwise non-recourse to the Company. Collateralized bonds decreased from $2.3 billion at December 31, 2001 to $2.1 billion at September 30, 2002. This decrease was primarily a result of principal payments received on the associated collateral pledged which were used to pay down the collateralized bonds in accordance with the respective indentures.

Recourse debt. Recourse debt decreased to $0.1 million at September 30, 2002 from $58.1 million at December 31, 2001. The July 2002 Senior Notes were redeemed on July 15, 2002.

Shareholders' equity. Shareholders' equity decreased to $234.1 million at September 30, 2002 from $242.1 million at December 31, 2001. This decrease is attributable to the net loss for the nine month period of $1.9 million, a $1.2 million preferred dividend declaration and payment, and an increase of $4.8 million in the accumulated other comprehensive loss. The increase in accumulated other comprehensive loss resulted principally from the decline in the mark-to-market on debt securities of $5.1 million and the mark-to-market losses of $3.6 million on the three-year interest-rate swap entered into in June. These increases were offset by the amortization of $4.5 million of accumulated other comprehensive loss recorded in 2001 as an adjustment to the carrying value of delinquent property tax receivables in accordance with SFAS No. 115.

Book value per common share. Book value per common share decreased from $11.06 at December 31, 2001 to $9.77 at September 30, 2002 as a result of the decline in shareholders' equity as set forth above, and the increase in preferred dividends in arrears. At September 30, 2002 preferred dividends in arrears was $28.7 million versus $22.8 million at December 31, 2001. Assuming that the Company's collateral for collateralized bonds were carried at fair value using a

16% discount rate, on a pro forma basis the Company's book value per common share would be $5.47 at September 30, 2002, versus $4.71 at December 31, 2001.

RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

(amounts in thousands except per share information)	Three months ended September 30, 2002	Three months ended September 30, 2001	Nine months ended September 30, 2002	Nine months ended September 30, 2001
Net interest margin	$ 5,432	$ (638)	$ 16,302	$ 13,179
Net (loss) gain on sales, impairment charges and litigation	(2,718)	(2,434)	(9,151)	1,544
Trading losses	(4,035)	(1,161)	(3,307)	(2,881)
General and administrative expenses	2,226	2,300	6,744	6,777
Extraordinary items - gain (loss) on extinguishment of debt	392	(1,009)	230	1,835
Net (loss) income	(2,862)	(7,483)	(1,982)	6,939
Preferred stock (charges) benefits	(2,397)	(2,825)	(7,189)	4,440
Net (loss) income applicable to common shareholders	(5,259)	(10,308)	(9,171)	11,379
Basic and diluted (loss) income per common share before extraordinary gain	$ (0.52)	$ (0.81)	$ (0.86)	$ 0.83
Basic and diluted net (loss) income per common share	$ (0.48)	$ (0.90)	$ (0.84)	$ 0.99
Dividends declared per share:				
Common	$ -	$ -	$ -	$ -
Preferred:				
Series A	$ 0.2925	$ 0.2925	$ 0.2925	$ 0.2925
Series B	$ 0.2925	$ 0.2925	$ 0.2925	$ 0.2925
Series C	$ 0.3651	$ 0.3649	$ 0.3951	$ 0.3649

</TABLE>

Three and Nine Months Ended September 30, 2002 Compared to Three and Nine Months Ended September 30, 2001. Net (loss) income and net (loss) income per common share decreased during the nine months ended September 30, 2002 as compared to the same period in 2001. This decrease is primarily the result of several positive, non-recurring items in 2001, which include a favorable settlement of litigation and an extraordinary gain related to the early extinguishment of $38.9 million of the Company's July 2002 Senior Notes. Results for 2002 were negatively impacted by an increase in impairment charges for other-than-temporary impairment of certain debt securities. Net (loss) income applicable to common shareholders for the nine months ended September 30, 2001 reflect the discount to book value of the purchase price of the Company's Series A, Series B, and Series C Preferred Stock tendered pursuant to a tender offer completed on June 8, 2001, and the associated cumulative dividend in arrears on those tendered shares, which were cancelled. Net loss decreased during the three months ended September 2002 as compared to the same period in 2001. This decrease is primarily the result of additional provision for losses related to the performance of the Company's manufactured housing loan portfolio during the third quarter of 2001 partially offset by higher trading losses during the third quarter of 2002. The trading loss for 2002 relates to a short position in the 5-year Treasury futures contract which was terminated during the third quarter 2002.

Net interest margin for the three and nine months ended September 30, 2002 increased to $5.4 million and $16.3 million from ($0.6) million and $13.2 million, respectively for the same period in 2001. This increase was primarily the result of higher provision for losses in 2001, as stated above, and an increase in the net interest spread, as discussed further below. Net interest margin was negatively impacted during the three and nine months ended September 30, 2002 by a decline in interest earning assets versus the three and nine months ended September 30, 2001 as discussed further below.

Net (loss) gain on sales, impairment charges and litigation declined by $10.7 million, from a gain of $1.5 million during the nine months ended September 30, 2001, to a loss of $9.2 million during the nine months ended September 30, 2002. This decrease was primarily a result of a $7.1 million, positive, non-recurring favorable settlement of litigation during 2001 coupled with a loss of $1.9 million in 2002 on a valuation adjustment on loans which were not included in the SASCO 2002-9 securitization completed in April 2002, but were retained and reported at the lower of cost or market. Net (loss) gain on sales, impairment charges and litigation increased by $0.3 million during the three months ended September 2002 as compared to the same period in 2001. This increase was the result of additional impairment charges on non-performing single family loans and losses on sales of real estate owned properties partially offset by a decrease in impairment charges on debt securities during the third quarter 2002.

The following table summarizes the average balances of interest-earning assets and their average effective yields, along with the average interest-bearing liabilities and the related average effective interest rates, for each of the periods presented.

Average Balances and Effective Interest Rates

<TABLE>
<CAPTION>

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2002		2001		2002		2001	
(amounts in thousands)	Average Balance	Effective Rate	Average Balance	Effective Rate	Average Balance	Effective Rate	Average Balance	Effective Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets: (1)								
Collateral for collateralized bonds (2) (3)	$2,286,126	7.33%	$2,723,166	7.46%	$2,344,647	7.34%	$2,901,545	7.74%
Securities	3,499	33.07	6,339	9.89	4,221	23.58	9,856	10.25
Other investments	69,892	(0.04)	35,534	14.69	74,147	(0.16)	35,837	15.14
Loans	11,319	3.74	3,386	11.36	9,630	4.26	4,432	12.74
Cash	15,069	1.53	7,642	3.62	21,235	1.51	21,687	5.11
Total interest-earning assets	$2,385,905	7.10%	$2,776,067	7.55%	$2,453,880	7.08%	$2,973,357	7.82%
Interest-bearing liabilities:								
Non-recourse debt (3)	$2,139,624	5.71%	$2,528,163	6.11%	$2,189,094	5.67%	$2,649,423	6.60%
Recourse debt - secured by collateralized bonds	-	-	8,364	5.41	-	-	21,123	6.37
	2,139,624	5.71	2,536,527	6.11	2,189,094	5.67	2,670,546	6.60
Other recourse debt - secured	7,463	8.62	58,712	8.15	34,816	8.15	75,611	8.29
Total interest-bearing liabilities	$2,147,087	5.72%	$2,595,239	6.15%	$2,223,910	5.70%	$2,746,157	6.64%
Net interest spread on all investments (3)		1.38%		1.40%		1.37%		1.18%

Net yield on average

interest-earning assets (3)	1.95%	1.80%	1.91%	1.69%
	============	============	===========	============

<FN>

(1) Average balances exclude adjustments made in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" to record available-for-sale securities at fair value.

(2) Average balances exclude funds held by trustees of $500 and $579 for the three months ended September 30, 2002 and 2001, respectively, and $545 and $502 for the nine months ended September 30, 2002 and 2001, respectively.

(3) Effective rates are calculated excluding non-interest related collateralized bond expenses. If included, the effective rate on interest-bearing liabilities would be 5.87% and 6.25% for the three months ended September 30, 2002 and 2001, respectively, and 5.85% and 6.76% for the nine months ended September 30, 2002 and 2001, respectively, while the net yield on average interest-earning assets would be 0.91% and 0.18% for the three months ended September 30, 2002 and 2001, respectively, and 0.89% and 0.68% for the nine months ended September 30, 2002 and 2001, respectively.

</FN>
</TABLE>

The net interest spread decreased 2 basis points, to 138 basis points for the three months ended September 30, 2002 from 140 basis points for the same period in 2001 (each basis point is 0.01%). The net interest spread for the nine months ended September 30, 2002 improved relative to the same period in 2001, to 137 basis points from 118 basis points. The improvement in the Company's net interest spread can be attributed to a decline in the cost of interest-bearing liabilities from the respective 2001 period, which have declined as a result in the decline of One-Month LIBOR due to the reduction in short-term interest rates by the Federal Reserve. The majority of the Company's variable-rate interest-bearing liabilities are indexed relative to One-Month LIBOR. Interest-bearing liability costs declined 43 basis points and 94 basis points for the three and nine-month periods ended September 30, 2002, respectively, compared to the same period in 2001. For the three month period ended September 30, 2002, there has been a lesser decline in the effective interest-earning yield on the collateral for collateralized bonds due to the `reset' lag and `floors' (the loans generally adjust or `reset' every six or twelve months and are generally limited to maximum adjustments upwards or downwards of 1% each six months) on the approximate $555 million in single-family and manufactured housing ARM loans that comprise a portion of the collateral for collateralized bonds. The Company would expect its net interest spread on its interest-earning assets for the balance of 2002 to decrease as rates on adjustable collateral loans continue to adjust downward while rates on collateralized bonds remain flat unless the Federal Funds target rate is adjusted downward by the Federal Reserve during the balance of the year. The average One-Month LIBOR rate declined to 1.82% and 1.84% for the three and nine month periods ended September 30, 2002, respectively from 3.55% and 4.45% for the three and nine month periods ended September 30, 2001, respectively.

From September 30, 2001 to September 30, 2002, average interest-earning assets declined $375 million, or approximately 14%. A large portion of such reduction relates to paydowns on the Company's adjustable-rate single-family mortgage loans. The Company's portfolio as of September 30, 2002 consists of $555.1 million of adjustable-rate assets and $1.7 billion of fixed-rate assets. The yields for the three months ended September 30, 2002 for the adjustable-rate and fixed-rate assets was approximately 6.68% and 8.31%, respectively. The Company currently finances approximately $280 million of the fixed-rate assets with non-recourse LIBOR based floating-rate liabilities. The average cost of such floating-rate liabilities was an estimated 2.55% for the three months ended September 30, 2002. The Company, through the use of an interest-rate swap, converted $100 million of such floating-rate liabilities into fixed rate, in effect locking the spread in for that portion of fixed rate assets financed with floating rate liabilities. Under the swap, the Company pays a fixed rate of 3.73% and receives one-month LIBOR. In October 2002, the Company created an amortizing synthetic swap through the short sale of a string of Eurodollar futures contracts, with an initial effective notional balance of approximately $80 million, amortizing over a three-year period.

Interest Income and Interest-Earning Assets. At September 30, 2002, $1.7 billion of the investment portfolio consists of loans which pay a fixed-rate of interest. Also at September 30, 2002, approximately $555.1 million of the investment portfolio is comprised of loans or securities that have coupon rates which adjust over time (subject to certain periodic and lifetime limitations) in conjunction with changes in short-term interest rates. Approximately 73% of the ARM loans underlying the ARM securities and collateral for collateralized bonds are indexed to and reset based upon the level of six-month LIBOR; approximately 15% of the ARM loans are indexed to and reset based upon the level of the one-year Constant Maturity Treasury (CMT) index. The following table presents a breakdown, by principal balance, of the Company's collateral for collateralized bonds and ARM and fixed mortgage securities by type of underlying loan. This table excludes derivative and residual securities, other investments and loans held for sale.

Investment Portfolio Composition (1)
($ in millions)

<TABLE>
<CAPTION>

	LIBOR Based ARM Loans	CMT Based ARM Loans	Other Indices Based ARM Loans	Fixed-Rate Loans	Total
<C>	<C>	<C>	<C>	<C>	<C>
2001, Quarter 4	$ 472.4	$ 144.6	$ 73.6	$ 1,765.8	$ 2,456.4
2002, Quarter 1	410.2	100.2	65.7	1,725.1	2,301.2
2002, Quarter 2	452.6	90.1	63.8	1,740.2	2,346.7
2002, Quarter 3	414.4	80.8	59.9	1,698.4	2,253.5

</TABLE>

(1) Includes only the principal amount of collateral for collateralized bonds, ARM securities and fixed-rate mortgage securities.

The average asset yield is reduced for the amortization of premiums, net of discounts on the investment portfolio. As indicated in the table below, net premium on the collateral for collateralized bonds, ARM securities, fixed-rate mortgage securities at September 30, 2001, was $16.7 million, or approximately 0.75% of the aggregate balance of collateral for collateralized bonds, ARM securities and fixed-rate securities. The $16.7 million net premium consists of gross collateral premiums of $40.5 million, less gross collateral discounts of $23.8 million. Of the $40.5 million in gross premiums on collateral, $29.5 million relates to the premium on multifamily and commercial mortgage loans with a principal balance of $790.0 million at September 30, 2002, and that have average prepayment lockouts or yield maintenance to 2008. The net premium on such multifamily and commercial loans is $24.0 million. Amortization expense as a percentage of principal pay-downs has increased from 1.59% for the three months ended September 30, 2001 to 1.84% for the same period in 2002. The principal prepayment rate for the Company (indicated in the table below as "CPR Annualized Rate") was approximately 21% for the three months ended September 30, 2002. CPR or "constant prepayment rate" is a measure of the annual prepayment rate on a pool of loans.

Premium Basis and Amortization
($ in millions)

<TABLE>
<CAPTION>

	Net Premium	Amortization Expense	CPR Annualized Rate	Principal Paydowns	Amortization Expense as a % of Principal Paydowns
<C>	<C>	<C>	<C>	<C>	<C>
2001, Quarter 4	$ 22.4	$ 1.8	24%	$ 122.0	1.46%
2002, Quarter 1	20.0	2.4	26%	150.9	1.59%
2002, Quarter 2	18.3	1.5	17%	99.4	1.51%
2002, Quarter 3	16.7	1.6	21%	87.0	1.84%

</TABLE>

Credit Exposures. The Company invests in collateralized bonds or pass-through securitization structures. Generally these securitization structures use over-collateralization, subordination, third-party guarantees, reserve funds, bond insurance, mortgage pool insurance or any combination of the foregoing as a form of credit enhancement. The Company generally has retained a limited portion of the direct credit risk in these securities. In most instances, the Company retained the "first-loss" credit risk on pools of loans that it has securitized.

The following table summarizes the aggregate principal amount of collateral for collateralized bonds and ARM and fixed-rate mortgage pass-through securities outstanding; the direct credit exposure retained by the Company (represented by the amount of over-collateralization pledged and subordinated securities owned by the Company), net of the credit reserves and discounts maintained by the Company for such exposure; and the actual credit losses incurred for each year.

The table includes any subordinated security retained by the Company.

The table excludes other forms of credit enhancement from which the Company benefits, and based upon the performance of the underlying loans, may provide additional protection against losses. These additional protections include loss reimbursement guarantees with a remaining balance of $30.2 and a remaining deductible aggregating $1.5 million on $100 million of securitized single family mortgage loans which are subject to such reimbursement agreements; guarantees aggregating $28.7 million on $304.5 million of securitized commercial mortgage loans, whereby losses on such loans would need to exceed the respective guarantee amount before the Company would incur credit losses; and $305.7 million of securitized single family mortgage loans which are subject to various mortgage pool insurance policies whereby losses would need to exceed the remaining stop loss of at least 42% on such policies before the Company would incur losses.

Credit Reserves and Actual Credit Losses
($ in millions)

<TABLE>
<CAPTION>

	Outstanding Loan Principal Balance	Credit Exposure, Net of Credit Reserves	Actual Credit Losses	Credit Exposure, Net of Credit Reserves to Outstanding Loan Balance
<C>	<C>	<C>	<C>	<C>
2001, Quarter 4	$ 2,588.4	$ 153.5	$ 7.1	5.93%
2002, Quarter 1	2,423.0	141.8	6.0	5.85%
2002, Quarter 2	2,437.8	114.6	8.4	4.70%
2002, Quarter 3	2,340.5	110.2	5.9	4.71%

</TABLE>

The following table summarizes single family mortgage loan, manufactured housing loan and commercial mortgage loan delinquencies as a percentage of the outstanding collateral balance for those securities in which the Company has retained a portion of the direct credit risk. The delinquencies as a percentage of the outstanding collateral balance have increased to 2.48% at September 30, 2002 from 1.75% at September 30, 2001 primarily due to two commercial loans which have become delinquent and increased delinquencies on single family loans. Delinquencies have declined from the second quarter 2002 of 2.78%. The Company monitors and evaluates its exposure to credit losses and has established reserves based upon anticipated losses, general economic conditions and trends in the investment portfolio.

Delinquency Statistics (1)

<TABLE>
<CAPTION>

	60 to 90 days delinquent	90 days and over delinquent (2)	Total
<C>	<C>	<C>	<C>
2001, Quarter 4	0.28%	1.99%	2.27%
2002, Quarter 1	0.76%	1.83%	2.59%
2002, Quarter 2	0.59%	2.19%	2.78%
2002, Quarter 3	0.34%	2.14%	2.48%

</TABLE>

(1) Excludes other investments and loans held for sale or securitization. (2) Includes foreclosures, repossessions and REO.

General and Administrative Expense

The following tables present a breakdown of general and administrative expense by category and business unit.

<TABLE>
<CAPTION>

	Servicing	Corporate/Investment Portfolio Management	Total
<C>	<C>	<C>	<C>
2001, Quarter 1	$ 786.3	$ 1,056.9	$ 1,843.2
2001, Quarter 2	935.8	1,698.3	2,634.1
2001, Quarter 3	966.1	1,333.4	2,299.5

2001, Quarter 4	1,029.9	2,719.2	3,749.1
2002, Quarter 1	893.5	1,000.6	1,894.1
2002, Quarter 2	1,036.8	1,587.5	2,624.3
2002, Quarter 3	1,122.2	1,103.7	2,225.9

</TABLE>

Supplemental Information For Collateralized Bond Securities

Below is a summary as of September 30, 2002, by each series where the fair value exceeds $0.5 million of the Company's net investment in collateralized bond securities. The tables that follow are meant to show the Company's net economic investment in each of the securities presented below, and is not meant to present the Company's investment in collateral for collateralized bonds or collateralized bonds in accordance with generally accepted accounting principles applicable to the Company's transactions. The Company master services four of its collateralized bond securities. Structured Asset Securitization Corporation (SASCO) 2002-09 is master-serviced by Wells Fargo Bank. CCA One Series 2 and Series 3 are master-serviced by Bank of New York. Monthly payment reports for those securities master-serviced by the Company may be found on the Company's website at www.dynexcapital.com.

<TABLE>
<CAPTION>

(amounts in thousands)

Collateralized bond Series (1)	Collateral Type	Principal balance of collateral pledged	Principal balance of collateralized bonds outstanding to third parties	Principal balance of net investment	Amortized basis of net investment
MERIT Series 11A	Debt securities backed by Single-family loans and Manufactured housing loans	$ 348,766	$ 312,845	$ 35,921	$ 39,167
MERIT Series 12-1	Manufactured housing loans	260,735	234,853	25,882	23,564
MERIT Series 13	Manufactured housing loans	315,189	278,939	36,250	31,766
SASCO 2002-9	Single family loans	518,244	511,322	6,922	14,849
MCA One Series 1	Commercial mortgage loans	83,022	78,279	4,743	(400)
CCA One Series 2	Commercial mortgage loans	296,194	274,091	22,103	8,234
CCA One Series 3	Commercial mortgage loans	410,947	364,413	46,534	54,736
		$ 2,233,097	$ 2,054,742	$ 178,355	$ 171,916

</TABLE>

(1) MERIT stands for MERIT Securities Corporation; MCA stands for Multifamily Capital Access One, Inc. (now known as Commercial Capital Access One, Inc.); and CCA stands for Commercial Capital Access One, Inc. Each such entity is a wholly owned limited purpose subsidiary of the Company. SASCO stands for Structured Asset Securitization Corporation.

The following table summarizes the fair value of the Company's net investment in collateralized bond securities, the various assumptions made in estimating value and the cash flow received from such net investment during the nine months ended September 30, 2002.

<TABLE>
<CAPTION>

	Fair Value Assumptions			($ in thousands)	
Collateralized Bond Series	Weighted-average prepayment speeds	Losses	Projected cash flow termination date	Fair value of net	Cash flows received in

2002,

				investment (1)	net (2)
<S>	<C>	<C>	<C>	<C>	<C>
MERIT Series 11A	35%-45% CPR on SF securities; 12% CPR on MH securities	3.9% annually on MH securities	Anticipated final maturity in 2025	$ 37,068	$ 19,817
MERIT Series 12-1	11% CPR	3.8% annually on MH Loans	Anticipated final maturity in 2027	1,905	807
MERIT Series 13	12% CPR	4.6% annually	Anticipated final maturity in 2026	2,130	919
SASCO 2002-9 (5)	30% CPR	0.20% annually	Anticipated call date in 2005	28,397	4,618
MCA One Series 1	(3)	Losses of $2,096 in 2004, $1,500 in 2006 and $1,000 in 2008	Anticipated final maturity in 2018	1,728	491
CCA One Series 2	(4)	0.60% annually beginning in 2003	Anticipated call date in 2012	9,768	1,292
CCA One Series 3	(4)	0.60% annually beginning in 2003	Anticipated call date in 2009	21,164	2,009
				$ 102,160	$29,953

</TABLE>

(1) Calculated as the net present value of expected future cash flows, discounted at 16%. Expected cash flows were based on the level of interest rates as of September 30, 2002, and incorporates the resetting of the interest rates on the adjustable rate assets to a level consistent with the respective index level as of September 30, 2002. Increases or decreases in interest rates and index levels from September 30, 2002 would impact the calculation of fair value, as would differences in actual prepayment speeds and credit losses versus the assumptions set forth above.
(2) Cash flows received by the Company during the nine months ended September 30, 2002, equal to the excess of the cash flows received on the collateral pledged, over the cash flow requirements of the collateralized bond security
(3) Computed at 0% CPR through September 2008, then 20% CPR thereafter (4) Computed at 0% CPR until the respective call date (5) SASCO 2002-9 was completed on April 25, 2002.

The following table compares the fair value of these investments at various discount rates, but otherwise using the same assumptions as set forth for the two immediately preceding tables:

<TABLE>
<CAPTION>

	Fair Value of Net Investment			
Collateralized Bond Series	12%	16%	20%	25%
<S>	<C>	<C>	<C>	<C>
MERIT Series 11A	$ 40,792	$ 37,068	$ 33,900	$ 30,585
MERIT Series 12-1	1,794	1,905	1,953	1,956
MERIT Series 13	2,004	2,130	2,186	2,194
SASCO 2002-9	30,161	28,397	26,762	24,886
MCA One Series 1	2,046	1,728	1,482	1,248
CCA One Series 2	12,102	9,768	8,059	6,523
CCA One Series 3	25,661	21,164	17,603	14,159

	$ 114,560	$ 102,160	$ 91,945	$ 81,551

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations from a variety of sources. These sources have included cash flow generated from the investment portfolio, including net interest income and principal payments and prepayments. In addition, while the Company was operating its loan production operations, the Company generated cash flow from common stock offerings including through the dividend reinvestment plan, short-term warehouse lines of credit with commercial and investment banks, repurchase agreements and the capital markets via the asset-backed securities market (which provides long-term non-recourse funding of the investment portfolio via the issuance of collateralized bonds). Since 1999, the Company has focused on substantially reducing its recourse debt and minimizing its capital requirements. Effective July 15, 2002, with the repayment in full of the July 2002 Senior Notes, the Company has essentially repaid all remaining outstanding recourse debt. Furthermore, the Company's investment portfolio continues to provide positive cash flow, which can be utilized by the Company for reinvestment or other purposes. Should the Company's future operations require access to sources of capital such as lines of credit and repurchase agreements, the Company believes that it would be able to access such sources.

Non-recourse Debt. Dynex, through limited-purpose finance subsidiaries, has issued non-recourse debt in the form of collateralized bonds to fund the majority of its investment portfolio. The obligations under the collateralized bonds are payable solely from the collateral for collateralized bonds and are otherwise non-recourse to Dynex. The maturity of each class of collateralized bonds is directly affected by the rate of principal prepayments on the related collateral. Each series is also subject to redemption according to specific terms of the respective indentures, generally on the earlier of a specified date or when the remaining balance of the bonds equals 35% or less of the original principal balance of the bonds. At September 30, 2002, Dynex had $2.1 billion of collateralized bonds outstanding.

Recourse Debt. On July 15, 2002, the Company satisfied and discharged the entire indebtedness on the Senior Notes. Collateral pledged to secure the Senior Notes was released and the Company was released from all associated operating and distribution restrictions. Remaining recourse debt is comprised of $94,000 of capitalized leases for office furniture and equipment.

Table 1
Non-GAAP Net Balance Sheet (1)
($ in thousands)

<TABLE>
<CAPTION>

<S>	September 30, 2002 <C>
ASSETS	
Investments:	
Collateral for collateralized bonds	$ 2,247,276
Less: Collateralized bonds issued	(2,098,405)
Net investment in collateralized bond securities	148,871
Other investments	56,516
Securities	7,307
Loans	12,454
	225,148
Cash	6,416
Other assets	7,854
	$ 239,418
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Notes payable	$ 94
Other liabilities	5,182
	5,276
Shareholders' Equity:	
Preferred stock, par value $.01 per share	94,586
Common stock, par value $.01 per share	109
Additional paid-in capital	364,743

Accumulated other comprehensive loss	(19,612)
Accumulated deficit	(205,684)
	234,142
	$ 239,418

</TABLE>

(1) This presents the balance sheet where the collateralized bonds are "netted" against the collateral for collateralized bonds. This presentation does not comply with generally accepted accounting principles applicable to the Company's transactions. Management has included this table to illustrate the Company's net investment in the collateralized bonds, which represents its economic interest in the collateralized bond securities.

FORWARD-LOOKING STATEMENTS

Certain written statements in this Form 10-Q made by the Company, that are not historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may involve factors that could cause the actual results of the Company to differ materially from historical results or from any results expressed or implied by such forward-looking statements. The Company cautions the public not to place undue reliance on forward-looking statements, which may be based on assumptions and anticipated events that do not materialize. The Company does not undertake, and the Securities Litigation Reform Act specifically relieves the Company from, any obligation to update any forward-looking statements.

Factors that may cause actual results to differ from historical results or from any results expressed or implied by forward-looking statements include the following:

Economic Conditions. The Company is affected by general economic conditions. The risk of defaults and credit losses could increase during an economic slowdown or recession. This could have an adverse effect on the performance of the Company's securitized loan pools and on the Company's overall financial performance.

Capital Resources. Cash flows from our portfolio are subject to fluctuation due to changes in interest rates, repayment rates and default rates and related losses.

Interest Rate Fluctuations. The Company's income depends on its ability to earn greater interest on its investments than the interest cost to finance these investments. Interest rates in the markets served by the Company generally rise or fall with interest rates as a whole. A majority of the loans currently pledged as collateral for collateralized bonds by the Company are fixed-rate. The Company currently finances these fixed-rate assets through non-recourse debt, approximately $280 million of which is variable rate. Through the use of interest rate swaps and synthetic swaps, the Company has reduced this exposure by approximately $180 million. In addition, a significant amount of the investments held by the Company is adjustable-rate collateral for collateralized bonds. These investments are financed through non-recourse long-term collateralized bonds. The net interest spread for these investments could decrease materially during a period of rapidly rising short-term interest rates, since the investments generally have interest rates which reset on a delayed basis and have periodic interest rate caps, whereas the related borrowing have no delayed resets or such interest rate caps.

Defaults. Defaults by borrowers on loans securitized by the Company and where it has retained credit risk may have an adverse impact on the Company's financial performance, if actual credit losses differ materially from estimates made by the Company. The allowance for losses is calculated on the basis of historical experience and management's best estimates. Actual default rates or loss severity may differ from the Company's estimate as a result of economic conditions. In particular, the default rate and loss severity on the Company's portfolio of manufactured housing loans has been higher than initially estimated. Actual defaults on ARM loans may increase during a rising interest rate environment. The Company believes that its reserves are adequate for such risks on loans that were delinquent as of September 30, 2002.

Third-party Servicers. Third-party servicers service the majority of the Company's investment portfolio. To the extent that these servicers are financially impaired, the performance of the Company's investment portfolio may deteriorate, and defaults and credit losses may be greater than estimated.

Prepayments. Prepayments by borrowers on loans securitized by the Company may have an adverse impact on the Company's financial performance. Prepayments are expected to increase during a declining interest rate or flat yield curve environment. The Company's exposure to rapid prepayments is primarily (i) the faster amortization of premium on the investments and, to the extent applicable, amortization of bond discount, and (ii) the replacement of investments in its portfolio with lower yield securities.

Depository Institution Strategy. The Company intends to explore the formation or acquisition of a depository institution. However, the pursuit of this strategy is subject to the outcome of the Company's investigation. No business plan has been prepared for such strategy. Therefore, any forward-looking statement made is subject to the outcome of a variety of factors that are unknown at this time.

Competition. The financial services industry is a highly competitive market. Increased competition in the market has adversely affected the Company, and may continue to do so.

Regulatory Changes. The Company's businesses as of September 30, 2002 are not subject to any material federal or state regulation or licensing requirements. However, changes in existing laws and regulations or in the interpretation thereof, or the introduction of new laws and regulations, could adversely affect the Company and the performance of the Company's securitized loan pools or its ability to collect on its delinquent property tax receivables.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument due to fluctuations in interest and foreign exchange rates and in equity and commodity prices. Market risk is inherent to both derivative and non-derivative financial instruments, and accordingly, the scope of the Company's market risk management extends beyond derivatives to include all market risk sensitive financial instruments. As a financial services company, net interest margin comprises the primary component of the Company's earnings. Additionally, cash flow from the investment portfolio represents the primary component of the Company's incoming cash flow. The Company is subject to risk resulting from interest rate fluctuations to the extent that there is a gap between the amount of the Company's interest-earning assets and the amount of interest-bearing liabilities that are prepaid, mature or re-price within specified periods.

The Company monitors the aggregate cash flow, projected net yield and market value of its investment portfolio under various interest rate and prepayment assumptions. While certain investments may perform poorly in an increasing or decreasing interest rate environment, other investments may perform well, and others may only be minimally impacted.

The Company focuses on the sensitivity of its cash flow, and measures such sensitivity to changes in interest rates. Changes in interest rates are defined as instantaneous, parallel, and sustained interest rate movements in 100 basis point increments. The Company estimates its net interest margin cash flow for the next twenty-four months assuming no changes in interest rates from those at period end. Once the base case has been estimated, cash flows are projected for each of the defined interest rate scenarios. Those scenario results are then compared against the base case to determine the estimated change to cash flow.

The following table summarizes the Company's net interest margin cash flow sensitivity analysis as of September 30, 2002. This analysis represents management's estimate of the percentage change in net interest margin cash flow given a parallel shift in interest rates, as discussed above. Other investments are excluded from this analysis because they are not interest rate sensitive. The "Base" case represents the interest rate environment as it existed as of September 30, 2002. At September 30, 2002, one-month LIBOR was 1.81% and six-month LIBOR was 1.71%. The analysis is heavily dependent upon the assumptions used in the model. The effect of changes in future interest rates, the shape of the yield curve or the mix of assets and liabilities may cause actual results to differ significantly from the modeled results. In addition, certain financial instruments provide a degree of "optionality." The most significant option affecting the Company's portfolio is the borrowers' option to prepay the loans. The model applies prepayment rate assumptions representing management's estimate of prepayment activity on a projected basis for each collateral pool in the investment portfolio. The model applies the same prepayment rate assumptions for all five cases indicated below. The extent to which borrowers utilize the ability to exercise their option may cause actual results to significantly differ from the analysis. Furthermore, the projected results assume no additions or subtractions to the Company's portfolio, and no change to the Company's liability structure. Historically, there have been significant changes in the Company's assets and liabilities, and there are likely to be such changes in the future.

Basis Point Increase (Decrease) in Interest Rates	% Change in Net Interest Margin Cash Flow From Base Case
+200	(13.3)%
+100	(6.8)%
Base	-
-100	8.9%
-200	19.6%

Approximately $555 million of the Company's investment portfolio as of September 30, 2002 is comprised of loans or securities that have coupon rates which adjust over time (subject to certain periodic and lifetime limitations) in conjunction with changes in short-term interest rates. Approximately 73% and 15% of the ARM loans underlying the Company's ARM securities and collateral for collateralized bonds are indexed to and reset based upon the level of six-month LIBOR and one-year CMT, respectively.

Generally, during a period of rising short-term interest rates, the Company's net interest spread earned on its investment portfolio will decrease. The decrease of the net interest spread results from (i) the lag in resets of the ARM loans underlying the ARM securities and collateral for collateralized bonds relative to the rate resets on the associated borrowings and (ii) rate resets on the ARM loans which are generally limited to 1% every six months or 2% every twelve months and subject to lifetime caps, while the associated borrowings have no such limitation. As short-term interest rates stabilize and the ARM loans reset, the net interest margin may be restored to its former level as the yields on the ARM loans adjust to market conditions. Conversely, net interest margin may increase following a fall in short-term interest rates. This increase may be temporary as the yields on the ARM loans adjust to the new market conditions after a lag period. In each case, however, the Company expects that the increase or decrease in the net interest spread due to changes in the short-term interest rates to be temporary. The net interest spread may also be increased or decreased by the proceeds or costs of interest rate swap, cap or floor agreements, to the extent that the Company has entered into such agreements.

The remaining portion of the Company's investment portfolio as of September 30, 2002, approximately $1.7 billion, is comprised of loans or securities that have coupon rates that are fixed. The Company has substantially limited its interest rate risk on such investments through (i) the issuance of fixed-rate collateralized bonds which approximated $1.2 billion as of September 30, 2002, and (ii) shareholders' equity, which was $234.1 million. Overall, the Company's interest rate risk is primarily related both to the rate of change in short term interest rates, and to the level of short-term interest rates.

In addition, the Company has entered into an interest rate swap to mitigate its interest rate risk exposure on $100 million in notional value of its variable rate bonds. The swap agreement has been constructed such that the Company will pay interest at a fixed rate of 3.73% on the notional amount and will receive interest based on one month LIBOR on the same notional amount. The impact on cash flows from the interest rate swap has been included in the table above for each of the respective interest-rate scenarios. An additional approximate $80 million of floating-rate liabilities are being converted to a fixed rate through a synthetic swap created by the short sale of a string of Eurodollar futures contract in October, 2002. The synthetic swap has an estimated duration of 1.5 years.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

GLS Capital, Inc. ("GLS"), a subsidiary of the Company, together with the County of Allegheny, Pennsylvania ("Allegheny County"), were defendants in a lawsuit in the Commonwealth Court of Pennsylvania (the "Commonwealth Court") wherein the plaintiffs challenged the right of Allegheny County and GLS to collect certain interest, costs and expenses related to delinquent property tax receivables in Allegheny County. This lawsuit was related to the purchase by GLS of delinquent property tax receivables from Allegheny County in 1997, 1998, and 1999 for approximately $58.3 million. In July 2001, the Commonwealth Court ruling addressed, among other things, (i) the right of the Company to charge to the delinquent taxpayer a rate of interest of 12% versus 10% on the collection of its delinquent property tax receivables, (ii) the charging of attorney's fees to the delinquent taxpayer for the collection of such tax receivables, and (iii) the charging to the delinquent taxpayer of certain other fees and costs. The Commonwealth Court remanded for further consideration to the Court of Common Pleas items (i) and (iii), and ruled that neither Allegheny County nor GLS had the right to charge attorney's fees to the delinquent taxpayer related to the collection of such tax receivables, reversing the Court of Common Pleas decision. The Pennsylvania Supreme Court has accepted the Application for Extraordinary Jurisdiction filed by Allegheny County and GLS. No damages have been claimed in the action; however, the decision may impact the ultimate amount recoverable on the delinquent property tax receivables, including attorney fees incurred in the collection process.

The Company is also subject to other lawsuits or claims which have arisen in the ordinary course of its business, some of which seek damages in amounts which could be material to the financial statements. Although no assurance can be given with respect to the ultimate outcome of any such litigation or claim, the Company believes the resolution of such lawsuits or claims will not have a material effect on the Company's consolidated balance sheet, but could materially affect consolidated results of operations in a given year.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Controls And Procedures

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Exchange Act, within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"), the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management. Based upon that evaluation, the Company's management concluded that the Company's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including the Company's management, as appropriate, to allow timely decisions regarding required disclosures.

(b) Changes in internal controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such internal controls requiring corrective actions.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Articles of Incorporation of the Registrant, as amended, effective as of February 4, 1988. (Incorporated herein by reference to the Company's Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-10783) filed March 21, 1997.)

3.2 Amended Bylaws of the Registrant (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1992, as amended.)

3.3 Amendment to the Articles of Incorporation, effective December 29, 1989 (Incorporated herein by reference to the Company's Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-10783) filed March 21, 1997.)

3.4 Amendment to Articles of Incorporation, effective June 27, 1995 (Incorporated herein by reference to the Company's Current Report on Form 8-K (File No. 1-9819), dated June 26, 1995.)

3.5 Amendment to Articles of Incorporation, effective October 23, 1995, (Incorporated herein by reference to the Company's Current Report on Form 8-K (File No. 1-9819), dated October 19, 1995.)

3.6 Amendment to the Articles of Incorporation, effective October 9, 1996, (Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed October 15, 1996.)

3.7 Amendment to the Articles of Incorporation, effective October 10, 1996, (Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed October 15, 1996.)

3.8 Amendment to the Articles of Incorporation, effective October 19, 1992. (Incorporated herein by reference to the Company's Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-10783) filed March 21, 1997.)

3.9 Amendment to the Articles of Incorporation, effective August 17, 1992. (Incorporated herein by reference to the Company's Amendment No. 1 to the Registration Statement on

Form S-3 (No. 333-10783) filed March 21, 1997.)

3.10 Amendment to Articles of Incorporation, effective April 25, 1997. (Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)

3.11 Amendment to Articles of Incorporation, effective May 5, 1997. (Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)

3.12 Amendments to the Bylaws of the Company.

99.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Current report on Form 8-K as filed with the Commission on August 20, 2002, regarding Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Item 9 Regulation FD disclosure for in connection with the Quarterly Report of Dynex Capital, Inc. on Form 10-Q for the quarter ended June 30, 2002.

Current report on Form 8-K as filed with the Commission on September 19, 2002, regarding Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Item 9 Regulation FD disclosure for in connection with the Annual Report of Dynex Capital, Inc. on Form 10-K/A for the fiscal year ended December 31, 2001.

Current report on Form 8-K as filed with the Commission on October 7, 2002, regarding Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Item 9 Regulation FD disclosure for in connection with the Quarterly Report of Dynex Capital, Inc. on Form 10-Q/A for the quarter ended March 31, 2002.

SIGNATURE

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

DYNEX CAPITAL, INC.

By: /s/ Stephen J. Benedetti

Stephen J. Benedetti
Executive Vice President
(authorized officer of registrant, principal accounting officer)

Dated: November 14, 2002

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen L. Benedetti, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynex Capital, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Stephen L. Benedetti, Jr.

Stephen L. Benedetti, Jr.
Principal Executive Officer

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen L. Benedetti, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynex Capital, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Stephen L. Benedetti, Jr.
Stephen L. Benedetti, Jr.
Chief Financial Officer

Exhibit 99.1

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 Dynex Capital, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen J. Benedetti, the Principal Executive Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. Section 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; and

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

/s/ Stephen J. Benedetti
Stephen J. Benedetti
Principal Executive Officer
November 14, 2002

Exhibit 99.2

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 Dynex Capital, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen J. Benedetti, the Chief Financial Officer of the Company, certify, pursuant to and for purposes of 18 U.S.C. Section 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; and

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

/s/ Stephen J. Benedetti
Stephen J. Benedetti
Chief Financial Officer
November 14, 2002