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 June 30, 1998

|_| 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)

Virginia	52-1549373
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10900 Nuckols Road, 3rd Floor, Glen Allen, Virginia	23060
(Address of principal executive offices)	(Zip Code)

(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.
|X| Yes |_| No

On July 31, 1998, the registrant had 45,981,020 shares of common stock of $.01 value outstanding, which is the registrant's only class of common stock.

DYNEX CAPITAL, INC.
FORM 10-Q

INDEX

<TABLE>
<CAPTION>

PART II. OTHER INFORMATION

</TABLE>

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

DYNEX CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands except share data)
<TABLE>
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ASSETS	June 30, 1998	December 31, 1997
<S>	<C>	<C>
Investments:		
Collateral for collateralized bonds	$ 4,968,405	$ 4,375,561
Mortgage securities	264,054	513,750
Other investments	229,058	214,120
Assets held for securitization	524,859	235,023
	5,986,376	5,338,454
Cash	20,357	18,329
Accrued interest receivable	5,157	5,628
Other assets	58,692	15,761
	$ 6,070,582	$ 5,378,172
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Non-recourse debt - collateralized bonds	$ 4,070,203	$ 3,632,079
Recourse debt:		
Secured by collateralized bonds retained	602,110	494,493
Secured by assets	661,373	510,491
Unsecured	140,563	140,711
	5,474,249	4,777,774
Accrued interest payable	7,446	7,240
Accrued expenses and other liabilities	28,864	12,756
Dividends payable	16,990	19,493
	5,527,549	4,817,263
SHAREHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, 50,000,000 shares authorized:		
9.75% Cumulative Convertible Series A, 1,309,061 and 1,397,511 issued and outstanding, respectively	29,900	31,920
9.55% Cumulative Convertible Series B, 1,912,434 and 1,957,490 issued and outstanding, respectively	44,767	45,822
9.73% Cumulative Convertible Series C, 1,840,000 and 1,840,000 issued and outstanding, respectively	52,740	52,740
Common stock, par value $.01 per share, 100,000,000 shares authorized, 45,712,366 and 45,146,242 issued and outstanding, respectively	457	451
Additional paid-in capital	349,070	342,570
Accumulated other comprehensive income	62,054	79,441
Retained earnings	4,045	7,965
	543,033	560,909

	$ 6,070,582	$ 5,378,172

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

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands except share data)
<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Interest income:				
Collateral for collateralized bonds	$ 74,130	$ 45,433	$ 145,710	$ 93,895
Mortgage securities	15,017	21,420	29,947	41,050
Other investments	5,543	3,150	10,536	5,525
Assets held for securitization	16,323	11,113	23,152	17,669
	111,013	81,116	209,345	158,139
Interest and related expense:				
Non-recourse debt	57,449	32,737	115,364	66,946
Recourse debt	32,891	25,082	53,265	45,753
Other	651	414	1,066	971
	90,991	58,233	169,695	113,670
Net interest margin before provision for losses	20,022	22,883	39,650	44,469
Provision for losses	(1,727)	(1,420)	(3,681)	(2,415)
Net interest margin	18,295	21,463	35,969	42,054
Gain on sale of investments and trading revenue	3,573	2,201	8,230	4,688
Other income	1,164	490	1,792	941
General and administrative expenses	(7,433)	(5,770)	(15,960)	(10,989)
Net income	15,599	18,384	30,031	36,694
Dividends on preferred stock	(3,276)	(3,716)	(6,563)	(7,403)
Net income available to common shareholders	$ 12,323	$ 14,668	$ 23,468	$ 29,291
Net income per common share:				
Basic	$ 0.27	$ 0.35	$ 0.52	$ 0.70

Diluted	$ 0.27	$ 0.34	$ 0.52	$ 0.69

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

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(amounts in thousands except share data)

<TABLE>
<CAPTION>

<S>	Preferred Stock <C>	Common Stock <C>	Additional Paid-in Capital <C>	Accumulated Other Comprehensive Income <C>	Retained Earnings <C>	Total <C>
Balance at December 31, 1997	$ 130,482	$ 451	$ 342,570	$ 79,441	$ 7,965	$ 560,909
Comprehensive income:						
Net income - six months ended June 30, 1998	-	-	-	-	30,031	30,031
Change in net unrealized gain on investments classified as available-for-sale during the period	-	-	-	(17,387)	-	(17,387)
Total comprehensive income	-	-	-	(17,387)	30,031	12,644
Issuance of common stock	-	3	4,037	-	-	4,040
Conversion of preferred stock	(3,075)	3	3,072	-	-	-
Repurchase of common stock	-	-	(609)	-	-	(609)
Dividends on common stock at $0.30 per share	-	-	-	-	(27,388)	(27,388)
Dividends on preferred stock	-	-	-	-	(6,563)	(6,563)
Balance at June 30, 1998	$ 127,407	$ 457	$ 349,070	$ 62,054	$ 4,045	$ 543,033

<FN>

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

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
<TABLE>
<CAPTION>

	Six Months Ended June 30,	
(amounts in thousands)	1998	1997
<S>	<C>	<C>

Operating activities:		
Net income	$ 30,031	$ 36,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for losses	3,681	2,415
Gain on sale of investments and trading revenue	(8,230)	(4,688)
Amortization and depreciation	24,746	11,693
Net increase in accrued interest, other assets and other liabilities	(12,823)	(39,984)
Net cash provided by operating activities	37,405	6,130
Investing activities:		
Collateral for collateralized bonds:		
Fundings of investments subsequently securitized	(1,378,951)	(931,582)
Principal payments on collateral	1,033,445	387,040
Increase in accrued interest receivable	(2,293)	(3,315)
Net increase in funds held by trustees	(4,206)	(432)
Net increase in assets held for securitization	(290,293)	(42,560)
Purchase of other investments	(96,755)	(62,586)
Payments on other investments	11,933	7,338
Proceeds from sale of other investments	26,647	1,727
Purchase of mortgage securities	(219,911)	(839,344)
Payments on mortgage securities	86,552	36,374
Proceeds from sales of mortgage securities	78,569	432,011
Proceeds from sale of single family operations	9,500	9,500
Capital expenditures	(1,704)	(2,037)
Net cash used for investing activities	(747,467)	(1,007,866)
Financing activities:		
Collateralized bonds:		
Proceeds from issuance of bonds	1,515,241	897,649
Principal payments on bonds	(1,013,553)	(383,655)
(Decrease) increase in accrued interest payable	(361)	670
Proceeds from recourse debt borrowings, net	243,816	502,342
Net proceeds from issuance of common stock	4,040	14,832
Repurchase of common stock	(609)	-
Dividends paid	(36,484)	(33,588)
Net cash provided by financing activities	712,090	998,250
Net increase (decrease) in cash	2,028	(3,486)
Cash at beginning of year	18,329	11,396
Cash at end of year	$ 20,357	$ 7,910
Cash paid for interest	$ 162,533	$ 107,622
Supplemental disclosure of non-cash activities:		
Mortgage securities owned subsequently securitized	$ 257,959	$ 92,775
Other investments owned subsequently securitized	$ 37,211	$ -

<FN>
See notes to unaudited consolidated financial statements.
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DYNEX CAPITAL, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998
(amounts in thousands except share data)

NOTE 1--BASIS OF PRESENTATION

The accompanying 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 generally accepted accounting principles for complete financial statements. The consolidated financial statements include the accounts of Dynex Capital, Inc., its wholly-owned subsidiaries, and certain other entities. As used herein, the "Company" refers to Dynex Capital, Inc. ("Dynex") and each of the entities that is consolidated with Dynex for financial reporting purposes. A portion of the Company's operations are operated by taxable corporations that are consolidated with Dynex for financial reporting purposes, but are not consolidated for income tax purposes. All significant intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all material adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the consolidated financial statements have been included. The Consolidated Balance Sheets at June 30, 1998 and December 31, 1997, the Consolidated Statements of Operations for the three and six months ended June 30, 1998 and 1997, the Consolidated Statement of Shareholders' Equity for the six months ended June 30, 1998, the Consolidated Statements of Cash Flows for the six months ended June 30, 1998 and 1997 and related notes to consolidated financial statements are unaudited. Operating results for the six months ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1997.

Certain amounts for 1997 have been reclassified to conform with the presentation for 1998.

NOTE 2--EARNINGS PER SHARE

Earnings per share ("EPS") as shown on the consolidated statements of operations for the three and six months ended June 30, 1998 and 1997 is presented on both a basic and diluted EPS basis. Diluted EPS assumes the conversion of the convertible preferred stock into common stock, using the if-converted method, and stock appreciation rights ("SARs"), using the treasury stock method but only if these items are dilutive. As a result of the two-for-one split of the Company's common stock in May 1997, the preferred stock is convertible into two shares of common stock for one share of preferred stock.

The following tables reconcile the numerator and denominator for both the basic and diluted EPS for the three and six months ended June 30, 1998 and 1997.
<TABLE>
<CAPTION>

	Three Months Ended June 30,				Six Months Ended June 30,			
	1998		1997		1998		1997	
	Income	Weighted-Average Number of Shares	Income	Weighted-Average Number of Shares	Income	Weighted-Average Number of shares	Income	Weighted-Average Number of Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net income	$15,599		$18,384		$30,031		$36,694	
Less: Dividends paid on preferred stock	(3,276)		(3,716)		(6,563)		(7,403)	
Basic	12,323	45,673,946	14,668	42,430,631	23,468	45,548,238	29,291	42,050,789
Effect of dividends and additional shares of preferreD stock:								
Series A	-	-	1,381	2,983,048	-	-	1,967	3,020,603
Series B	-	-	993	4,180,308	-	-	2,750	4,262,370
Diluted	$12,323	45,673,946	$17,042	49,593,987	$23,468	45,548,238	34,008	49,333,762
Basic EPS		$0.27		$0.35		$0.52		$0.70
Diluted EPS		$0.27		$0.34		$0.52		

$0.69

Reconciliation of anti-dilutive shares:								
Dividends and additional shares of preferred stock:								
Series A	785	2,630,418	-	-	1,579	2,668,792	-	-
Series B	1,148	3,826,966	-	-	2,298	3,849,590	-	-
Series C	1,343	3,680,000	1,342	3,679,099	2,686	3,680,000	2,686	3,680,000
Expense and incremental shares of stock appreciation rights	100	162,287	505	172,640	600	162,287	1,012	172,640
	$ 3,376	10,299,671	$ 1,847	3,851,739	$ 7,163	10,360,669	$ 3,698	3,852,640

</TABLE>

NOTE 3--COLLATERAL FOR COLLATERALIZED BONDS, MORTGAGE SECURITIES AND OTHER INVESTMENTS

The following table summarizes the Company's amortized cost basis and fair value of collateral for collateralized bonds, mortgage securities and other investments classified as available-for-sale at June 30, 1998 and December 31, 1997, and the related average effective interest rates (calculated excluding unrealized gains and losses) for the month ended June 30, 1998 and December 31, 1997:

<TABLE>
<CAPTION>

	June 30, 1998		December 31, 1997	
	Fair Value	Effective Interest Rate	Fair Value	Effective Interest Rate
<S>	<C>	<C>	<C>	<C>
Collateral for collateralized bonds:				
Amortized cost	$ 4,918,708	7.6%	$ 4,317,945	7.5%
Allowance for losses	(21,861)		(24,811)	
Amortized cost, net	4,896,847		4,293,134	
Gross unrealized gains	91,100		94,825	
Gross unrealized losses	(19,542)		(12,398)	
	$ 4,968,405		$ 4,375,561	
Mortgage securities:				
Adjustable-rate mortgage securities	$ 77,733	6.7%	$ 403,117	7.7%
Fixed-rate mortgage securities	109,368	7.1%	21,463	9.1%
Derivative and residual securities	90,330	13.5%	97,848	16.3%
	277,431		522,428	
Allowance for losses	(3,281)		(5,692)	
Amortized cost, net	274,150		516,736	
Gross unrealized gains	12,643		18,144	
Gross unrealized losses	(22,739)		(21,130)	
	264,054		$ 513,750	
Other investments: (1)				
Amortized cost	$ 26,019	7.5%	$ -	
Gross unrealized gains	592		-	
Gross unrealized losses	-		-	
	$ 26,611		$ -	

<FN>

(1) Excludes $202,447 and $214,120 of other investments at amortized cost at June 30, 1998 and December 31, 1997, respectively, which are not classified as debt securities according to Statement of Financial Accounting Standard No. 115 "Accounting for Certain Investments in Debt and Equity Securities" and as such are not considered available-for-sale.
</FN>
</TABLE>

Collateral for collateralized bonds consists of debt securities backed primarily by adjustable-rate and fixed-rate mortgage loans secured by first liens on single family and multifamily residential housing properties and commercial properties, manufactured housing installment loans secured by either a UCC filing or a motor vehicle title, and property tax receivables. All collateral for collateralized bonds is pledged to secure repayment of the related collateralized bonds. All principal and interest (less servicing-related fees) on the collateral is remitted to a trustee and is available for payment on the collateralized bonds. The Company's exposure to credit losses on collateral for collateralized bonds is generally limited to the principal amount of collateral pledged in excess of the related collateralized bonds issued, as the collateralized bonds issued by the limited-purpose finance subsidiaries are non-recourse to the Company.

Mortgage securities with an aggregate principal balance of $84,537 were sold during the six months ended June 30, 1998 for an aggregate gain of $1,897. The specific identification method is used to calculate the basis of mortgage securities sold. Gain on sale of investments and trading revenue also includes realized gains of $4,873 on various trading positions closed during the six months ended June 30, 1998. At June 30, 1998, the Company had outstanding open treasury future positions with a notional value of $855 million remaining. Such positions had a mark-to-market gain of $1,038 based upon quotes obtained from third party dealers, which was included in the gain on sale of investments and trading revenue.

The Company uses estimates in establishing 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 appropriate discount rates, prepayment rates and credit loss assumptions. The discount rates used are based on management's estimates of market rates, and the cash flows are projected utilizing the current interest rate environment and forecasted prepayment rates. Estimates of fair value for other financial instruments are based primarily on management's judgment. Since the fair value of the Company's financial instruments is based on estimates, actual gains and losses recognized may differ from those estimates recorded in the consolidated financial statements.

NOTE 4--ADOPTION OF FINANCIAL ACCOUNTING STANDARDS

In January 1998, the Company adopted the Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("FAS No. 130"). FAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The impact of adopting FAS No. 130 did not result in a material change to the Company's financial position and results of operations.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS No. 131"). FAS No. 131 establishes standard for reporting information about operating segments and is effective for financial statements issued for fiscal years beginning after December 15, 1997. There will be no significant changes to the Company's disclosures pursuant to the adoption of FAS No. 131.

In January 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits" ("FAS No. 132"). FAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans and is effective for financial statements issued for fiscal years beginning after December 15, 1998. There will be no significant changes to the Company's disclosures pursuant to the adoption of FAS No. 132.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"). FAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. FAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The impact of adopting FAS No. 133 has not yet been determined.

NOTE 5--DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into interest rate swap agreements, interest rate cap agreements, interest rate floor agreements, financial forwards, financial futures and options on financial futures ("Interest Rate Agreements") to manage its sensitivity to changes in interest rates. These Interest Rate Agreements are intended to provide income and cash flow to offset potential reduced net interest income and cash flow under certain interest rate environments. At trade date, these instruments are designated as either hedge positions or trade positions.

For Interest Rate Agreements designated as hedge instruments, the Company evaluates the effectiveness of these hedges periodically against the financial instrument being hedged under various interest rate scenarios. The revenues and costs associated with interest rate swap agreements are recorded as adjustments to interest income or expense on the asset or liability being hedged. For interest rate cap agreements, the amortization of the cost of the agreements is recorded as a reduction in the net interest income on the related investment. The unamortized cost is included in the carrying amount of the related investment. Revenues or cost associated with futures and option contracts are recognized in income or expense in a manner consistent with the accounting for the asset or liability being hedged. Amounts payable to or receivable from counterparties are included in the financial statement line of the item being hedged. Interest Rate Agreements that are hedge instruments and hedge an asset which is carried at its fair value are also carried at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity.

The Company may also enter into forward delivery contracts and interest rate futures and options contracts for hedging interest rate risk associated with commitments made to fund loans. Gains and losses on such contracts are either (i) deferred as an adjustment to the carrying value of the related loans until the loan has been funded and securitized, after which the gains or losses will be amortized into income over the remaining life of the loan using a method that approximates the effective yield method, or (ii) deferred until such time as the related loans are funded and sold.

If the underlying asset, liability or commitment is sold or matures, or the criteria that was executed at the time the hedge instrument was entered into no longer exists, the Interest Rate Agreement is no longer accounted for as a hedge. Under these circumstances, the accumulated change in the market value of the hedge is recognized in current income to the extent that the effects of interest rate or price changes of the hedged item have not offset the hedge results.

For Interest Rate Agreements entered into for trading purposes, realized and unrealized changes in fair value of these instruments are recognized in the consolidated statements of operations as trading revenue in the period in which the changes occur or when such trade instruments are settled. Amounts payable to or receivable from counterparties, if any, are included on the consolidated balance sheets in accrued expenses and other liabilities.

NOTE 6 - EMPLOYEE BENEFITS

During the six months ended June 30, 1998, 24,000 SARs were exercised for a total value of $322. During the same period, 220,795 additional SARs were granted. The total SARs remaining to be exercised was 884,435 at June 30, 1998. The Company expensed $600 related to the Employee and Board Incentive Plans during the six months ended June 30, 1998.

NOTE 7 -- COMMITTMENTS

On June 10, 1998, the Company entered into an agreement with AutoBond Acceptance Corporation ("AutoBond"). AutoBond is a specialty consumer finance company that underwrites, acquires, services and securitizes retail installment contracts originated by automobile dealers to borrowers that are credit impaired. The common stock of AutoBond trades on the American Stock Exchange under the symbol "ABD". Through a funding note structure, the Company will provide AutoBond with limited funding over a one year period to finance its retail installment contracts up to $25 million per month. The Company also purchased from AutoBond a $3.0 million senior note convertible into 500,000 shares of AutoBond's common stock. In exchange, the Company, through a taxable affiliate, received an option to purchase 5.5 million shares of common stock of AutoBond held by the three principal shareholders of AutoBond, for a price of $6.00 per share.

NOTE 8 -- OTHER MATTERS

During the six months ended June 30, 1998, the Company issued 329,112 shares of its common stock pursuant to its dividend reinvestment program for net proceeds of $4,040.

The Company repurchased 55,000 shares of its common stock outstanding at an aggregate purchase price of $609, or $11.03 per share, during the six months ended June 30, 1998. The Company is authorized to repurchase up to one million shares of its common stock.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dynex Capital, Inc. (the "Company") is a financial services company electing to be treated as a real estate investment trust. The Company originates mortgage loans secured by multifamily and commercial properties and loans secured by manufactured homes. The Company will generally securitize the loans funded as collateral for collateralized bonds, thereby limiting its credit and liquidity risk and providing long-term financing for its investment portfolio.

FINANCIAL CONDITION

<TABLE>
<CAPTION>

(amounts in thousands except per share data)	June 30, 1998	December 31, 1997
<S>	<C>	<C>
Investments:		
Collateral for collateralized bonds	$ 4,968,405	$ 4,375,561
Mortgage securities	264,054	513,750
Other investments	229,058	214,120
Assets held for securitization	524,859	235,023
Non-recourse debt - collateralized bonds	4,070,203	3,632,079
Recourse debt	1,404,046	1,145,695
Shareholders' equity	543,033	560,909
Book value per common share	9.09	9.53

</TABLE>

Collateral for collateralized bonds

As of June 30, 1998, the Company had 33 series of collateralized bonds outstanding. The collateral for collateralized bonds increased to $5.0 billion at June 30, 1998 compared to $4.4 billion at December 31, 1997. This increase of $0.6 billion is primarily the result of the addition of $1.7 billion of collateral related to the issuance of one series of collateralized bonds during the six months ended June 30, 1998, net of $1.0 billion in paydowns on such collateral.

Mortgage securities

Mortgage securities decreased to $264.1 million at June 30, 1998 compared to $513.8 million at December 31, 1997. This decrease of $249.7 million was primarily the result of the Company pledging $710.1 million of mortgage securities as part of the collateral for collateralized bonds issued during the six months ended June 30, 1998. In addition, the Company sold $54.3 million of mortgage securities and received $86.6 million in paydowns during the six months ended June 30, 1998. These decreases were partially offset by the Company exercising its bond call rights on $452.1 million of mortgage securities and purchasing $155.3 million of mortgage securities during the same period.

Other investments

Other investments consists primarily of single family homes leased to home builders, corporate bonds, a note receivable received in connection with the sale of the Company's single family mortgage operations in May 1996 and property tax receivables. Other investments increased from $214.1 million at December 31, 1997 to $229.1 million at June 30, 1998. This increase of $15.0 million is primarily the result of additional purchases or financing of $63.8 million of model homes during the six months ended June 30, 1998. In addition, the Company purchased $25.0 million of corporate bonds during the six months ended June 30, 1998. These increases were partially offset during the same period by the sale of $26.1 million in model homes and the receipt of the $9.5 million annual principal payment on the note receivable from the 1996 sale of the single family mortgage operations. In addition, the Company securitized $37.2 million of property tax receivables to secure collateralized bonds issued during the six months ended June 30, 1998.

Assets held for securitization

Assets held for securitization increased from $235.0 million at December 31, 1997 to $524.9 million at June 30, 1998. This increase was due to new loan fundings from the Company's production operations totaling $478.9 million and bulk purchases of single family loans totaling $562.0 million, during the six months ended June 30, 1998. In addition, as part of its agreement with AutoBond Acceptance Corporation the Company funded $38.3 million of funding notes secured by automobile installment contracts during the six months ended June 30, 1998. These increases were partially offset by the securitization of $827.3 million of assets as collateral for collateralized bonds in May.

Non-recourse debt - collateralized bonds

Collateralized bonds increased to $4.1 billion at June 30, 1998 from $3.6 billion at December 31, 1997 primarily as a result of the issuance of $1.6 billion of collateralized bonds during the six months ended June 30, 1998. The series of collateralized bonds issued during the first half of 1998 was collateralized by securities secured by single family mortgage loans, manufactured housing loans and property tax receivables. This increase was partially offset by $1.0 billion in paydowns on collateralized bonds.

Recourse debt

Recourse debt increased to $1.4 billion at June 30, 1998 from $1.1 billion at December 31, 1997. This increase was primarily due to the addition of $115.2 million of repurchase agreements secured by collateralized bonds retained by the Company from the $1.7 billion securitization in May 1998 and the addition of $349.1 million of notes payable as a result of additional assets funded during the six months ended June 30, 1998. These increases were partially offset by a $198.3 million reduction in repurchase agreements due to the securitization of $258.0 million mortgage securities as collateral for collateralized bonds during the six months ended June 30, 1998 which were previously financed by repurchase agreements.

Shareholders' equity

Shareholders' equity decreased to $543.0 million at June 30, 1998 from $560.9 million at December 31, 1997. This decrease was primarily the result of a $17.3 million decrease in the net unrealized gain on investments available-for-sale from $79.4 million at December 31, 1997 to $62.1 at June 30, 1998. Also, the Company repurchased 55,000 of its common shares at an aggregate purchase price of $0.6 million, or $11.03 per share, during the six months ended June 30, 1998. These decreases were partially offset by $4.0 million of common stock proceeds received through the dividend reinvestment plan during the same period.

Production Activity
($ in thousands)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Commercial (1)	$ 164,956	$ 38,344	$ 368,295	$ 51,020
Manufactured housing	136,284	68,863	220,232	97,940
Specialty finance	35,887	23,417	69,290	58,659
Total fundings through direct production	337,127	130,624	657,817	207,619
Secured funding notes (2)	38,266	-	38,266	-
Mortgage securities acquired through bond calls	208,347	40,164	497,276	48,000
Single family fundings through bulk purchases	-	702,850	562,045	800,994
Total fundings	$ 583,740	$ 873,638	$ 1,755,404	$1,056,613

<FN>

(1) Included in commercial fundings were $32.7 million and $110.0 million of construction loans closed during the three and six months ended June 30, 1998. Only the draw amount for these loans of $21.8 million is included in the balance of the assets held for securitization at June 30, 1998.
(2) Secured by automobile installment contracts.

</FN>
</TABLE>

RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

(amounts in thousands except per share information)	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
<S>	<C>	<C>	<C>	<C>
Net interest margin	$ 18,295	$ 21,463	$ 35,969	$ 42,054
Gain on sale of investments and trading revenue	3,573	2,201	8,230	4,688
General and administrative expenses	7,433	5,770	15,960	10,989
Net income	15,599	18,384	30,031	36,694
Basic net income per common share (1)	0.27	0.35	0.52	0.70
Diluted net income per common share (1)	0.27	0.34	0.52	0.69
Dividends declared per share:				
Common (1)	$ 0.30	$ 0.335	$ 0.60	$ 0.66
Series A and B Preferred	0.60	0.670	1.20	1.32
Series C Preferred	0.73	0.730	1.46	1.46

<FN>
(1) Adjusted for two-for-one common stock split effective May 5, 1997.
</FN>
</TABLE>

Three and Six Months Ended June 30, 1998 Compared to Three and Six Months Ended June 30, 1997. The decrease in the Company's earnings during the three and six months ended June 30, 1998 as compared to the same period in 1997 is primarily the result of the decrease in the net interest margin and the increase in general and administrative expenses.

Net interest margin for the six months ended June 30, 1998 decreased to $36.0 million, or 14%, below the $42.1 million for the same period for 1997. Net interest margin for the three months ended June 30, 1998 decreased to $18.3 million, or 15%, below the $21.5 million for the same period for 1997. These decreases were primarily the result of a $3.0 million and $7.7 million increase in premium amortization expense during the three and six months ended June 30, 1998, respectively, compared to the same period in 1997. These increases in premium amortization resulted from a higher rate of prepayments in the investment portfolio during the first half of 1998. Amortization expense arises from the amortization of premiums on assets in the Company's investment portfolio due to scheduled payments and unscheduled principal payments received. In addition, the net interest spread on the Company's investment portfolio decreased to 1.23% for the six months ended June 30, 1998 from 1.65% for the same period in 1997. The net interest spread on the Company's investment portfolio decreased to 1.22% for the three months ended June 30, 1998 from 1.59% for the same period in 1997. These decreases in net interest spread for the three and six months ended June 30, 1998 relative to the same period in 1997 are also primarily the result of higher premium amortization as a result of the increase in principal prepayments as well as the decrease in spreads between the indices on which the Company's interest-earning assets and interest-bearing liabilities are based.

The gain on sale of investments and trading revenue for the six months ended June 30, 1998 increased to $8.2 million, as compared to $4.7 million for the six months ended June 30, 1997. The increase in the net gain is primarily the result of gains recognized of $5.9 million on trading positions entered into during the six months ended March 31, 1998. In addition, mortgage securities with an aggregate principal balance of $84.5 million were sold during the six months ended June 30, 1998, for an aggregate net gain of $1.9 million.

General and administrative expenses increased $5.0 million, or 45%, to $16.0 million for the six months ended June 30, 1998 as compared to the same period for 1997. The increase in general and administrative expenses is a result of the continued growth in the Company's production operations, both in the Company's manufactured housing and commercial lending business. Management would expect general and administrative expenses in the third quarter of 1998 to approximate first quarter 1998 totals, with further material increases only if loan fundings materially increase quarter-to-quarter. The following table summarizes the average balances of the Company's interest-earning assets and their average effective yields, along with the Company's 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 June 30,				Six Months Ended June 30,			
	1998		1997		1998		1997	
	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)	$4,001,881	7.41%	$2,372,929	7.66%	$3,959,452	7.36%	$ 2,436,554	7.71%
Mortgage securities	750,998	8.00	1,257,243	8.31	725,935	8.25	1,084,175	8.44
Other investments	223,087	10.00	122,994	9.97	213,887	9.90	111,881	9.79
Assets held for securitization	823,804	7.93	573,273	7.75	570,755	8.11	441,848	8.00
Total interest-earning assets	$5,799,770	7.66%	$4,326,439	7.93%	$5,470,029	7.66%	$ 4,074,458	7.99%
Interest-bearing liabilities:								
Non-recourse debt - collateralized bonds (3)	$3,444,696	6.54%	$1,889,815	6.71%	$3,434,428	6.58%	$ 1,953,680	6.64%
Recourse debt - collateralized bonds retained	542,222	5.88	368,953	5.99	522,080	5.88	367,196	5.81
	3,986,918	6.46	2,258,768	6.60	3,956,508	6.49	2,320,876	6.51
Recourse debt secured by investments:								
Mortgage securities	603,074	5.99	1,088,827	5.69	552,293	5.82	922,195	5.87
Other investments	128,771	7.20	41,664	7.64	111,279	7.27	27,720	7.71
Assets held for securitization	668,803	5.94	442,469	6.06	404,925	5.44	315,385	5.79
Recourse debt - unsecured	145,242	8.83	44,011	9.99	142,392	8.80	43,821	10.01
Total interest-bearing liabilities	$5,532,808	6.44%	$3,875,739	6.34%	$5,167,397	6.43%	$ 3,629,997	6.34%
Net interest spread on all investments (3)		1.22%		1.59%		1.23%		1.65%
Net yield on average interest-earning assets (3)		1.51%		2.25%		1.59%		2.34%

<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 $5,492 and $2,943 for the three months ended June 30, 1998 and June 30, 1997, respectively, and $3,841 and $2,614 for the six months ended June 30, 1998 and June 30, 1997, respectively.
(3) Effective rates are calculated excluding non-interest related collateralized bond expenses and provision for credit losses.
</FN>
</TABLE>

The net interest spread decreased to 1.23% for the six months ended June 30, 1998 from 1.65% for the same period in 1997. This decrease was primarily the result of the decline in the spread on collateral for collateralized bonds due to an increase in premium amortization. The overall yield on interest-earning assets decreased to 7.66% for the three and six months ended June 30, 1998, from 7.93% and 7.99% for three and six months ended June 30, 1997, respectively. These decreases of 0.27% and 0.33%, respectively, are primarily due to the previously discussed increase in premium amortization expense. In addition, the net interest spread was adversely impacted by the origination or purchase of lower coupon collateral, principally A+ quality single family adjustable-rate mortgage ("ARM") loans during the second half of 1997.

Individually, the net interest spread on collateral for collateralized bonds decreased 33 basis points, from 120 basis points for the six months ended June 30, 1997 to 87 basis points for the same period in 1998. This decline was primarily due to (i) the securitization of lower coupon collateral, principally A+ quality single family ARM loans during the second half of 1997, (ii) higher premium amortization caused by increased prepayments during the first half of 1998 and (iii) the decline in spread between six-month LIBOR and one-month LIBOR. Approximately 56% of the Company's collateral for collateralized bonds is indexed to six-month LIBOR, and substantially all of the collateralized bond obligations are indexed to one-month LIBOR. The net interest spread on mortgage securities decreased 14 basis points, from 257 basis points for the six months ended June 30, 1997 to 243 basis points for the six months ended June 30, 1998. This decrease was a result of the purchase of lower coupon fixed-rate mortgage securities during the first quarter of 1998. The net interest spread on other investments increased 55 basis points, from 208 basis points for the six months ended June 30, 1997, to 263 basis points for the same period in 1998, due primarily to lower borrowing costs associated with the Company's single family model home purchase and leaseback business during 1998 than during the same period in 1997. The net interest spread on assets held for securitization increased 46 basis points, from 221 basis points from the six months ended June 30, 1997, to 267 basis points for the same period in 1998. This increase is primarily attributable to lower borrowing costs as a result of a higher level of compensating cash balances during the first half of 1998 than during the same period in 1997. Credits earned from these compensating cash balances are used by the Company to offset interest expense.

Interest Income and Interest-Earning Assets

The Company's average interest-earning assets were $5.5 billion for the six months ended June 30, 1998, an increase of approximately 34% from $4.1 billion of average interest-earning assets during the same period of 1997. This increase in average interest-earning assets was primarily the result of new loan fundings of $1.9 billion for the twelve months ended June 30, 1998. In addition, the Company purchased $149.5 million of mortgage securities and exercised bond call rights on $945.2 million of mortgage securities during the twelve months ended June 30, 1998. These were partially offset by $1.8 billion of principal paydowns on investments during the same period. Total interest income rose approximately 29%, from $162.8 million for the six months ended June 30, 1997 to $209.4 million for the same period of 1998. This increase in total interest income was due to the growth in average interest-earnings assets. Overall, the yield on interest-earning assets declined to 7.66% for the six months ended June 30, 1998 from 7.99% for the six months ended June 30, 1997, as the premium amortization expense grew due to an increase in principal prepayments on investments. Premium amortization expense reduced the average interest-earning asset yield 0.57% for the first half of 1998 versus 0.38% for the first half of 1997.

On a quarter to quarter basis, average interest-earning assets for the quarter ended June 30, 1998 were $5.8 billion versus $5.1 billion for the quarter ended March 31, 1998. This increase in average interest-earning assets was primarily the result of $337.1 million of loans funded through the production operations during the quarter ended June 30, 1998. In addition, the Company exercised its bond call rights on $208.3 million of mortgage securities during the same period. Total interest income for the quarter ended June 30, 1998 was $111.1 million versus $98.3 million for the quarter ended March 31, 1998. This increase in total interest income was due to the growth in interest-earning assets. Approximately $4.0 billion of the Company's investment portfolio as of June 30, 1998 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 57% 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; approximately 33% are indexed to and reset based upon the level of the One Year Constant Maturity Treasury Index (CMT).

Earning Asset Yield
($ in millions)

<TABLE>
<CAPTION>

	Average Interest-Earning Assets	Interest Income (1)	Average Interest-Earnings Asset Yield
<S>	<C>	<C>	<C>
1996, Quarter 3	$ 4,106.5	$ 78.4	7.63%
1996, Quarter 4	4,308.6	83.1	7.72%
1997, Quarter 1	3,822.5	77.1	8.06%
1997, Quarter 2	4,326.4	85.7	7.93%
1997, Quarter 3	4,806.5	92.7	7.71%
1997, Quarter 4	5,147.6	100.1	7.78%
1998, Quarter 1	5,140.3	98.3	7.65%
1998, Quarter 2	5,799.8	111.1	7.66%

<FN>

(1) Interest income includes the gross interest income on certain securities which are accounted for net of their related debt in the financial statements.
</FN>
</TABLE>

The average asset yield is reduced for the amortization of premiums, net of discounts on the Company's investment portfolio. By creating its investments through its production operations, the Company believes that premium amounts are less than if the investments were acquired in the market. As indicated in the table below, net premiums on the Company's collateral for collateralized bonds, ARM securities and fixed-rate securities at June 30, 1998 were $45.7 million, or approximately 0.93% of the aggregate investment portfolio balance as compared to $62.7 million and 1.46% at June 30, 1997. Amortization expense as a percentage of principal paydowns has declined to 1.24% for the three months ended June 30, 1998, from 1.94% for the same period in 1997 and 1.56% for the three months ended March 31, 1998, as the Company's investment portfolio mix changes to assets funded primarily at par or at a discount. The principal repayment rate for the Company (indicated in the table below as "CPR Annualized Rate") was approximately 36% for the three months ended June 30, 1998. CPR or "constant prepayment rate" is a measure of the annual prepayment rate on a pool of loan. Excluded from this table are the Company's assets held for securitization, which are carried are a net discount at June 30, 1998.

Premium Basis and Amortization
($ in millions)

<TABLE>
<CAPTION>

	Net Premium (Discount)	Amortization Expense	CPR Annualized Rate	Principal Paydowns	Amortization Expense as a % of Principal Paydowns
<S>	<C>	<C>	<C>	<C>	<C>
1996, Quarter 3	$ 60.8	$ 2.8	19%	$ 156.8	1.80%
1996, Quarter 4	54.1	3.7	24%	196.9	1.89%
1997, Quarter 1	50.2	3.8	29%	209.7	1.84%
1997, Quarter 2	62.7	4.0	30%	205.1	1.94%
1997, Quarter 3	57.9	4.8	29%	258.8	1.85%
1997, Quarter 4	56.9	5.8	37%	319.6	1.80%
1998, Quarter 1	49.5	8.5	47%	546.7	1.56%
1998, Quarter 2	45.7	7.0	36%	563.0	1.24%

</TABLE>

Interest Expense and Cost of Funds

The Company's largest expense is the interest cost on borrowed funds. Funds to finance the investment portfolio are generally borrowed in the form of non-recourse collateralized bonds or repurchase agreements. The interest rates paid on collateralized bonds are either fixed or floating rates; the interest rates on the repurchase agreements are floating rates. The Company may use interest rate swaps, caps and financial futures to manage its interest rate risk. The net cost of these instruments is included in the cost of funds table below as a component of interest expense for the period to which it relates. The Company's average borrowed funds increased from $3.9 billion for the three months ended June 30, 1997 to $5.5 billion for the same period in 1998. This increase resulted primarily from the issuance of $3.0 billion of collateralized bonds during the twelve months ended June 30, 1998. This increase was partially offset by a reduction of repurchase agreements during 1997 and the first half of 1998 primarily as a result of the Company securitizing $513.5 million of ARM securities previously financed with repurchase agreements as collateral for collateralized bonds. For the three months ended June 30, 1998, interest expense increased to $89.1 million from $61.4 million for the three months ended June 30, 1997, while the average cost of funds increased to 6.44% for the three months ended June 30, 1998 compared to 6.34% for the same period in 1997. The increased average cost of funds for the second quarter of 1998 compared to the second quarter of 1997 was due mainly to the increase in amortization of bond premium due to an increase in payments on the collateralized bonds as a result of the increase in prepayments on the collateral for collateralized bonds.

Cost of Funds
($ in millions)

<TABLE>
<CAPTION>

	Average Borrowed Funds	Interest Expense (1)(2)	Cost of Funds
<S>	<C>	<C>	<C>
1996, Quarter 3	$ 3,718.0	$ 57.1	6.14%
1996, Quarter 4	3,869.6	60.1	6.21%
1997, Quarter 1	3,384.6	53.7	6.35%
1997, Quarter 2	3,875.7	61.4	6.34%
1997, Quarter 3	4,365.3	69.0	6.32%
1997, Quarter 4	4,579.6	74.4	6.50%
1998, Quarter 1	4,802.0	76.9	6.41%
1998, Quarter 2	5,532.8	89.1	6.44%

<FN>

(1) Excludes non-interest collateralized bond-related expenses.
(2) Includes the net amortization expense of bond discounts and bond premiums.
</FN>
</TABLE>

Interest Rate Agreements

As part of the Company's asset/liability management process for its investment portfolio, the Company enters into interest rate agreements such as interest rate caps and swaps and financial futures contracts. These agreements are used to reduce interest rate risk which arises from the lifetime yield caps on the ARM securities, the mismatched repricing of portfolio investments versus borrowed funds, the funding of fixed interest rates on certain portfolio investments with the floating rate borrowings and finally, assets repricing on indices such as the prime rate which differ from the related borrowing indices. The agreements are designed to protect the portfolio's income and cash flow, and to provide income and capital appreciation to the Company in the event that short-term interest rates rise quickly.

The following table includes all interest rate agreements in effect as of the various quarter ends for asset/liability management of the investment portfolio. This table excludes all interest rate agreements in effect for the Company's loan production operations as generally these agreements are used to hedge interest rate risk associated with forward commitments to fund loans. Generally, interest rate swaps and caps are used to manage the interest rate risk associated with assets that have periodic and annual interest rate reset limitations financed with borrowings that have no such limitations. Financial futures contracts and options on futures are used to lengthen the terms of repurchase agreement financing, generally from one month to three and six months. Amounts presented are aggregate notional amounts. To the extent any of these agreements are terminated, gains and losses are generally amortized over the remaining period of the original agreement.

Instruments Used for Interest Rate Risk Management Purposes (1)
($ in millions)

<TABLE>
<CAPTION>

Notional Amounts	Interest Rate Caps	Interest Rate Swaps	Financial Futures
<S>	<C>	<C>	<C>
1996, Quarter 3	$ 1,499	$ 1,480	$ 1,550
1996, Quarter 4	1,499	1,453	-
1997, Quarter 1	1,499	1,427	-

1997, Quarter 2	1,499	1,442	-
1997, Quarter 3	1,499	1,381	-
1997, Quarter 4	1,499	1,354	-
1998, Quarter 1	1,499	1,559	-
1998, Quarter 2	1,499	1,726	-

<FN>

(1) Excludes all interest rate agreements in effect for the Company's loan production operations.

</FN>
</TABLE>

Net Interest Rate Agreement Expense

The net interest rate agreement expense, or hedging expense, equals the cost of the agreements presented in the previous table, net of any benefits received from these agreements. For the quarter ended June 30, 1998, net hedging expense amounted to $1.83 million compared to $1.23 million and $1.23 million for the quarters ended March 31, 1998 and June 30, 1997, respectively. Such amounts exclude the hedging costs and benefits associated with the Company's production activities as these amounts are deferred as additional premium or discount on the loans funded and amortized over the life of the loans as an adjustment to their yield. The increase in the net interest rate agreement expense for the three months ended June 30, 1998 compared to the same period in 1997 is primarily related to benefits received on financial futures used to lengthen repurchase agreement maturities during the second quarter of 1997 and the additional notional amounts of interest rate swap agreements entered into during 1998 used to hedge the interest rate risk on fixed-rate manufactured housing loans which were securitized during 1997 and the first half of 1998.

Net Interest Rate Agreement Expense
($ in millions)

<TABLE>
<CAPTION>

<S>	Net Interest Rate Agreement Expense <C>	Net Expense as Percentage of Average Assets (annualized) <C>	Net Expense as Percentage of Average Borrowings (annualized) <C>
1996, Quarter 3	$ 1.29	0.13%	0.14%
1996, Quarter 4	2.67	0.25%	0.28%
1997, Quarter 1	2.65	0.28%	0.31%
1997, Quarter 2	1.23	0.11%	0.13%
1997, Quarter 3	1.35	0.11%	0.12%
1997, Quarter 4	1.39	0.11%	0.12%
1998, Quarter 1	1.23	0.10%	0.10%
1998, Quarter 2	1.83	0.13%	0.13%

</TABLE>

Fair Value

The fair value of the available-for-sale portion of the Company's investment portfolio as of June 30, 1998, as measured by the net unrealized gain on investments available-for-sale, was $62.1 million above its cost basis, which represents a $17.3 million decrease from $79.4 million at December 31, 1997. This decrease in the portfolio's value is primarily attributable to the accelerated prepayment activity for the quarter ended June 30, 1998. This was partially offset by the increase in the value of the collateral for collateralized bonds relative to the collateralized bonds issued during 1998.

Credit Exposures

The Company securitizes its loan production into collateralized bonds or pass-through securitization structures. With either structure, the Company may use overcollateralization, subordination, reserve funds, bond insurance, mortgage pool insurance or any combination of the foregoing as a form of credit enhancement. With all forms of credit enhancement, the Company may retain a limited portion of the direct credit risk after securitization.

The following table summarizes the aggregate principal amount of collateral for collateralized bonds and pass-through securities outstanding; the maximum direct credit exposure retained by the Company (represented by the amount of overcollateralization pledged and subordinated securities rated below BBB owned by the Company), net of the credit reserves maintained by the Company for such exposure; and the actual credit losses incurred for each year. The table excludes any risks related to representations and warranties made on loans funded by the Company and securitized in mortgage pass-through securities generally funded prior to 1995. This table also excludes any credit exposure on assets held for securitization (which will be included as the assets are securitized) and other investments. The increase in net credit exposure as a percentage of the outstanding loan principal balance from 1.17% at June 30, 1997 to 2.71% at June 30, 1998 is related primarily to the credit exposure retained by the Company on its $3.2 billion in securitizations during the twelve months ended June 30, 1998. The increase from 2.22% at March 31, 1998 to 2.71% at June 30, 1998 is principally due to the credit exposure retained by the Company on its $1.7 billion in securitizations during the three months ended June 30, 1998. The net credit exposure in the table below includes $22 million of credit exposure from the Company's commercial loan securitization in October 1997. The Company anticipates that such exposure will be substantially eliminated during the second half of 1998 through the sale or resecuritization of currently retained classes from that securitization, though no assurance can be given that these retained classes will be sold or resecuritized. There were no delinquencies on loans included in this security at June 30, 1998.

Credit Reserves and Actual Credit Losses
($ in millions)

<TABLE>
<CAPTION>

<S>	Outstanding Loan Principal Balance <C>	Maximum Credit Exposure, Net of Credit Reserves <C>	Actual Credit Losses <C>	Maximum Credit Exposure, Net of Credit Reserves to Outstanding Loan Balance <C>
1996, Quarter 3	$ 3,995.6	$ 29.5	$ 2.0	0.74%
1996, Quarter 4	3,848.1	30.0	2.1	0.78%
1997, Quarter 1	3,583.2	29.6	2.6	0.83%
1997, Quarter 2	4,305.5	50.3	4.9	1.17%
1997, Quarter 3	3,975.7	50.2	5.8	1.26%
1997, Quarter 4	5,153.1	86.6	6.5	1.68%
1998, Quarter 1	4,209.5	93.6	6.3	2.22%
1998, Quarter 2	5,098.8	138.4	3.8	2.71%

</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 mentioned above in which the Company has retained a portion of the direct credit risk. The decrease in delinquencies as a percentage of the outstanding collateral balance from 2.74% at March 31, 1998 to 1.75% at June 30, 1998 is primarily related to the Company's basis in certain subordinated securities being reduced to $0 during the second quarter of 1998, which as a result, eliminated any remaining credit exposure to the Company. Delinquencies from these subordinated securities are excluded from the table at June 30, 1998. As of June 30, 1998, the Company believes that its credit reserves are sufficient to cover any losses which may occur as a result of current delinquencies presented in the table below.

Delinquency Statistics

<TABLE>
<CAPTION>

<S>	60 to 90 days delinquent <C>	90 days and over delinquent (includes REO and foreclosures) <C>	Total <C>
1996, Quarter 3	0.73%	3.01%	3.74%
1996, Quarter 4	0.88%	3.40%	4.28%
1997, Quarter 1	0.95%	4.16%	5.11%
1997, Quarter 2	0.59%	3.25%	3.84%
1997, Quarter 3	0.86%	3.31%	4.17%
1997, Quarter 4	0.48%	2.56%	3.04%
1998, Quarter 1	0.38%	2.36%	2.74%
1998, Quarter 2	0.18%	1.57%	1.75%

</TABLE>

The following table summarizes the credit rating for securities held in the Company's investment portfolio. This table excludes the Company's other residual and derivative securities (as the risk on such securities is primarily prepayment-related, not credit-related), certain other investments which are not debt securities and assets held for securitization. The carrying balances of the investments rated below A are net of credit reserves and discounts. The average credit rating of the Company's investments at the end of the second quarter of 1998 was AAA. At June 30, 1998, securities with a credit rating of AA or better were $5.0 billion, or 96.9% of the Company's total investments compared to 97.6% and 98.5% at March 31, 1998 and June 30, 1997, respectively. At the end of the second quarter 1998, $37.4 million of investments were AA rated by one rating agency and lower rated by another rating agency. Where investments were split-rated, for purposes of this table, the Company classified such investments based on the higher credit rating.

Investments by Credit Rating (1)
($ in millions)

	AAA Carrying Value	AA Carrying Value	A Carrying Value	Below A Carrying Value	AAA Percent of Total	AA Percent of Total	A Percent of Total	Below A Percent of Total
1996, Quarter 3	$ 3,333.3	$ 766.4	$ 17.1	$ 31.1	80.3%	18.5%	0.4%	0.8%
1996, Quarter 4	2,708.4	752.8	-	29.9	77.5%	21.6%	-	0.9%
1997, Quarter 1	2,504.1	739.4	-	29.4	76.5%	22.6%	-	0.9%
1997, Quarter 2	3,372.2	588.4	2.5	57.0	83.9%	14.6%	0.1%	1.4%
1997, Quarter 3	2,867.6	601.0	6.7	56.4	81.2%	17.0%	0.2%	1.6%
1997, Quarter 4	4,346.3	358.8	-	82.9	90.8%	7.5%	-	1.7%
1998, Quarter 1	4,067.4	501.9	25.7	87.4	86.9%	10.7%	0.5%	1.9%
1998, Quarter 2	4,950.8	46.7	26.3	132.7	96.0%	0.9%	0.5%	2.6%

(1) Carrying value does not include derivative and residual securities, certain other investments which are not debt securities and assets held for securitization.

General and Administrative Expenses

General and administrative expenses ("G&A expense") consist of expenses incurred in conducting the Company's production activities and managing the investment portfolio, as well as various other corporate expenses. G&A expense increased for the three month period ended June 30, 1998 as compared to the same period in 1997, primarily as a result of continued costs in connection with the build-up of the production infrastructure for the manufacturing housing, commercial lending, and specialty finance businesses.

The following table summarizes the Company's efficiency and the ratio of G&A expense to average interest- earning assets.

Operating Expense Ratios

	G&A Efficiency Ratio (1)	G&A Expense/Average Interest-Earning Assets (Annualized)
1996, Quarter 3	5.67%	0.43%
1996, Quarter 4	6.09%	0.47%
1997, Quarter 1	6.78%	0.55%
1997, Quarter 2	7.11%	0.53%
1997, Quarter 3	7.35%	0.54%
1997, Quarter 4	7.86%	0.56%
1998, Quarter 1	8.67%	0.66%
1998, Quarter 2	6.70%	0.51%

(1) G&A expense as a percentage of interest income.

Net Income and Return on Equity

Net income decreased from $18.4 million for the three months ended June 30, 1997 to $15.6 million for the three months ended June 30, 1998. Net income available to common shareholders decreased from $14.7 million to $12.3 million for the same periods, respectively. Return on common equity (excluding the impact of the net unrealized gain on investments available-for-sale) decreased from 18.3% for the three months ended June 30, 1997 to 13.8% for the three months ended June 30, 1998. The decrease in the return on common equity is primarily the result of a decrease in net income available to common shareholders due to an increase in amortization expense (which reduced net interest income) and G&A expense and the issuance of new common shares through the dividend reinvestment program.

Components of Return on Equity
($ in thousands)

<TABLE>
<CAPTION>

<S>	Net Interest Margin/ Average Common Equity (annualized) <C>	Provision for Losses /Average Common Equity (annualized) <C>	Gains and Other Income /Average Common Equity (annualized) <C>	G&A Expense/ Average Common Equity (annualized) <C>	Preferred Dividend/ Average Common Equity (annualized) <C>	Return on Average Common Equity (annualized) <C>	Net Income Available to Common Shareholders <C>
1996, Quarter 3	26.5%	1.2%	2.7%	5.9%	2.9%	19.2%	$ 14,363
1996, Quarter 4	28.2%	1.9%	4.3%	6.7%	4.6%	19.3%	14,480
1997, Quarter 1	27.8%	1.3%	3.8%	6.7%	4.8%	18.8%	14,623
1997, Quarter 2	28.3%	1.8%	3.5%	7.1%	4.6%	18.3%	14,668
1997, Quarter 3	26.4%	1.6%	6.2%	7.7%	4.5%	18.8%	15,784
1997, Quarter 4	27.1%	2.3%	3.5%	8.1%	4.2%	16.0%	14,103
1998, Quarter 1	22.0%	2.2%	5.9%	9.5%	3.7%	12.5%	11,145
1998, Quarter 2	22.4%	1.9%	5.3%	8.3%	3.7%	13.8%	12,323

</TABLE>

Dividends and Taxable Income

The Company and its qualified REIT subsidiaries (collectively "Dynex REIT") have elected to be treated as a real estate investment trust for federal income tax purposes. The REIT provisions of the Internal Revenue Code require Dynex REIT to distribute to shareholders substantially all of its taxable income, thereby restricting its ability to retain earnings.

The Company intends to declare and pay out as dividends 100% of its taxable income over time. The Company's current practice is to declare quarterly dividends per share. Generally, the Company strives to declare a quarterly dividend per share which, in conjunction with the other quarterly dividends, will result in the distribution of most or all of the taxable income earned during the calendar year. At the time of the dividend announcement, however, the total level of taxable income for the quarter is unknown. Additionally, the Company has considerations other than the desire to pay out most of its taxable earnings, which may take precedence when determining the level of dividends.

Dividend Summary
($ in thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	Estimated Taxable Net Income Available to Common Shareholders <C>	Estimated Taxable Net Income Per Common Share <C>	Dividend Declared Per Common Share <C>	Dividend Pay-out Ratio <C>	Estimated Cumulative Undistributed Taxable Income <C>
1996, Quarter 3	$ 13,973	$ 0.341 (1)	$ 0.293(1)	86%	$ 11,194
1996, Quarter 4	8,831	0.214 (1)	0.310(1)	145%	5,672
1997, Quarter 1	23,849	0.572 (1)	0.325(1)	57%	15,854
1997, Quarter 2	12,016	0.283	0.335	118%	13,524
1997, Quarter 3	10,531	0.248	0.345	139%	9,392
1997, Quarter 4	10,132	0.228	0.350	154%	3,949
1998, Quarter 1	21,970	0.484	0.300	62%	12,293
1998, Quarter 2	11,339	0.245	0.300	122%	9,746

<FN>

(1) Adjusted for two-for-one common stock split.
</FN>
</TABLE>

Taxable income differs from the financial statement net income which is determined in accordance with generally accepted accounting principles ("GAAP"). For the six months ended June 30, 1998, the Company's taxable income per share of $0.73 was higher than the Company's declared dividend per share of $0.60. The majority of the difference was caused by GAAP and tax differences related to the sale of the single family operations in May 1996. For tax purposes, the sale of the single family operations is accounted for on an installment sale basis with annual taxable income of approximately $10 million from 1996 through 2001. Cumulative undistributed taxable income represents timing differences in the amounts earned for tax purposes versus the amounts distributed. Such amounts can be distributed for tax purposes in the subsequent year as a portion of the normal quarterly dividend. Such amounts also include certain estimates of taxable income until such time that the Company files its federal income tax returns for each year.

Year 2000

The Year 2000 issue affects virtually all companies and organizations. Many companies have existing computer applications which use only two digits to identify a year in the date field. These applications were designed and developed without considering the impact of the change of the century. If not corrected these computer applications may fail or create erroneous results by the year 2000.

The majority of the Company's information critical systems have been developed internally since 1992. The development of these systems was undertaken with full awareness of issues involving the Year 2000, and consequently the Company does not expect to encounter any significant Year 2000 problems with these systems.

The Company also relies upon a small number of third party software vendors for certain information systems. Testing of these vendors' systems is expected to be completed by the end of 1998, and the Company does not expect to see any significant impact to the operations supported by these vendors as a result of Year 2000 problems. Additionally, the Company does not expect that any expenses incurred as a result of any necessary modifications will be material to the results of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has various sources of cash flow upon which it relies for its working capital needs. Sources of cash flow from operations include primarily net interest margin and the return of principal on the investment portfolio. The Company's primary source of borrowings is through the issuance of collateralized bonds. Other borrowings such as repurchase agreements and lines of credit to finance assets held for securitization provide the Company with additional cash flow in the event that it is necessary. Historically, these sources have provided sufficient liquidity for the conduct of the Company's operations. However, if a significant decline in the market value of the Company's investment portfolio that is funded with recourse debt should occur, or if there is a dislocation in the secondary market such that the Company is unable to securitize assets held for securitization, the Company's available liquidity from these other borrowings may be reduced. As a result of such a reduction in liquidity, the Company may be forced to sell certain investments in order to maintain liquidity. If required, these sales could be made at prices lower than the carrying value of such assets, which could result in losses.

In order to grow its equity base, the Company may issue additional capital stock. Management strives to issue such additional shares when it believes existing shareholders are likely to benefit from such offerings through higher earnings and dividends per share than as compared to the level of earnings and dividends the Company would likely generate without such offerings. During the six months ended June 30, 1998, the Company issued 329,112 shares of its common stock pursuant to its dividend reinvestment program for net proceeds of $4.0 million.

The Company borrows funds on a short-term basis to support the accumulation of assets prior to the issuance of collateralized bonds. These borrowings may bear fixed or variable interest rates, may require additional collateral in the event that the value of the existing collateral declines, and may be due on demand or upon the occurrence of certain events. If borrowing costs are higher than the yields on the assets financed with such funds, the Company's ability to acquire or fund additional assets may be substantially reduced and it may experience losses. These short-term borrowings consist of the Company's lines of credit and repurchase agreements. These borrowings are paid down as the Company securitizes or sells assets.

A substantial portion of the assets of the Company are pledged to secure indebtedness incurred by the Company. Accordingly, those assets would not be available for distribution to any general creditors or the stockholders of the Company in the event of the Company's liquidation, except to the extent that the value of such assets exceeds the amount of the indebtedness they secure.

Non-recourse Debt

The Company, through limited-purpose finance subsidiaries, has issued non-recourse debt in the form of collateralized bonds to fund its investment growth. The obligations under the collateralized bonds are payable solely from the collateral for collateralized bonds and are otherwise non-recourse to the Company. Collateral for collateralized bonds are not subject to margin calls.

The maturity of each class 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 when the remaining balance of the bonds equals 35% or less of the original principal balance of the bonds. At June 30, 1998, the Company has $4.1 billion of collateralized bonds outstanding as compared to $3.6 billion at December 31, 1997.

Recourse Debt

Secured. At June 30, 1998, the Company had four credit facilities aggregating $800 million to finance loan fundings of which $550 million expires in 1999 and $250 million expires in 2000. One of these facilities includes several sublines aggregating $250 million to serve various purposes, such as commercial loan fundings, working capital, and manufactured housing loan fundings. Unsecured working capital borrowings under this facility are limited to 10% of the aggregate committed amount of the facility. The Company expects these credit facilities will be renewed, if necessary, at their respective expiration dates, although there can be no assurance of such renewal. The lines of credit contain certain financial covenants which the Company met as of June 30, 1998. However, changes in asset levels or results of operations could result in the violation of one or more covenants in the future. At June 30, 1998, the Company had $450.2 million outstanding under its credit facilities.

The Company finances a portion of its investments through repurchase agreements generally with thirty day maturities. Repurchase agreements allow the Company to sell investments for cash together with a simultaneous agreement to repurchase the same investments on a specified date for a price which is equal to the original sales price plus an interest component. At June 30, 1998, the Company had outstanding obligations of $798.4 million under such repurchase agreements compared to $889.0 million at December 31, 1997.

Increases in either short-term interest rates or long-term interest rates could negatively impact the valuation of mortgage securities and may limit the Company's borrowing ability or cause various lenders to initiate margin calls for mortgage securities financed using repurchase agreements. Additionally, certain of the Company's investments are classes of securities rated AA, A, or BBB that are subordinate to other classes from the same series of securities. Such subordinated classes may have less liquidity than securities that are not subordinated and the value of such classes is more dependent on the credit rating of the related insurer or the credit performance of the underlying mortgage loans. In instances of a downgrade of an insurer or the deterioration of the credit quality of the underlying mortgage collateral, the Company may be required to sell certain investments in order to maintain liquidity. If required, these sales could be made at prices lower than the carrying value of the assets, which could result in losses.

To reduce the Company's exposure to changes in short-term interest rates on its repurchase agreements, the Company may lengthen the duration of its repurchase agreements secured by investments by entering into certain interest rate futures and/or purchased option contracts. As of June 30, 1998, the Company had no such financial futures or option contracts outstanding.

Unsecured. Since 1994, the Company has issued three series of unsecured notes payable totaling $150 million. The proceeds from these issuances have been used to reduce short-term debt related to financing assets held for securitization during the accumulation period as well as for general corporate purposes. These notes payable have an outstanding balance at June 30, 1998 of $141 million. The Company also has various acquisition notes payable totaling $1.2 million at June 30, 1998. The above note agreements contain certain financial covenants which the Company met as of June 30, 1998. However, changes in asset levels or results of operations could result in the violation of one or more covenants in the future.

Total recourse debt increased from $1.1 billion for December 31, 1997 to $1.4 billion for June 30, 1998. This increase is primarily a result of the purchase or production of $1.9 billion of loans and investments during the first half of 1998, net of the securitization of $1.7 billion of those investments, which previously were financed through repurchase agreement and notes payable, as collateral for collateralized bonds. Total recourse debt decrease $1.0 billion from $2.4 billion at March 31, 1998 to $1.4 billion at June 30, 1998 as a result of the securitization during May 1998. Total recourse debt should continue to increase during the third quarter of 1998 as the Company anticipates it will finance its third quarter production and purchases through repurchase agreements and notes payable. Recourse debt in the fourth quarter of 1998 should decrease as a result of anticipated securitizations.

Total Recourse Debt
($ in millions)

<TABLE>
<CAPTION>

	Total Recourse Debt	Total Recourse Debt to Equity	Fixed Charge Coverage Ratio

<S>	<C>	<C>	<C>
1996, Quarter 3	$ 1,750.0	4.01	1.53
1996, Quarter 4	1,299.9	2.56	1.72
1997, Quarter 1	1,450.8	2.84	1.89
1997, Quarter 2	1,802.2	3.47	1.73
1997, Quarter 3	1,862.6	3.43	1.86
1997, Quarter 4	1,145.7	2.05	1.76
1998, Quarter 1	2,438.4	4.35	1.71
1998, Quarter 2	1,404.0	2.55	1.47

</TABLE>

Potential immediate sources of liquidity for the Company include cash balances and unused availability on the credit facilities described above. The potential immediate sources of liquidity increased 7% at June 30, 1998 in comparison to March 31, 1998. This increase in potential immediate sources of liquidity was due primarily to the securitization during the second quarter of 1998 which reduced recourse borrowings by approximately $1.0 billion. The Company anticipates that the potential immediate sources of liquidity will decrease during the third quarter as the Company continues to finance its production in the short-term through its credit facilities and repurchase agreements until securitization.

Potential Immediate Sources of Liquidity
($ in millions)

<TABLE>
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	Unrestricted Cash Balance	Estimated Unused Borrowing Capacity	Potential Immediate Sources of Liquidity	Potential Immediate Sources of Liquidity as a % of Total Recourse Debt
<S>	<C>	<C>	<C>	<C>
1996, Quarter 3	$ 9.7	$ 118.7	$ 128.4	9.82%
1996, Quarter 4	7.6	131.8	139.4	10.74%
1997, Quarter 1	4.4	139.9	144.3	9.99%
1997, Quarter 2	2.7	59.7	62.4	4.60%
1997, Quarter 3	4.8	164.6	169.4	9.14%
1997, Quarter 4	8.1	154.8	162.9	14.22%
1998, Quarter 1	7.1	82.5	89.6	3.68%
1998, Quarter 2	7.7	88.4	96.1	6.84%

</TABLE>

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 consumer demand for manufactured housing, multifamily housing and other products which it finances. A material decline in demand for these products and services would result in a reduction in the volume of loans originated by the Company. The risk of defaults and credit losses could increase during an economic slowdown or recession. This could have an adverse effect on the Company's financial performance and the performance on the Company's securitized loan pools.

Capital Resources. The Company relies on various credit facilities and repurchase agreements with certain investment banking firms to help meet the Company's short-term funding needs. The Company believes that as these agreements expire, they will continue to be available or will be able to be replaced; however no assurance can be given as to such availability or the prospective terms and conditions of such agreements or replacements.

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 originated by the Company are fixed-rate. The profitability of a particular securitization may be reduced if interest rates increase substantially before these loans are securitized. In addition, the majority of the investments held by the Company are variable rate collateral for collateralized bonds and adjustable-rate investments. These investments are financed through non-recourse long-term collateralized bonds and recourse short-term repurchase agreements. The net interest spread for these investments could decrease during a period of rapidly rising short-term interest rates, since the investments generally have periodic interest rate caps and the related borrowing have no such interest rate caps.

Defaults. Defaults by borrowers on loans retained by the Company may have an adverse impact on the Company's financial performance, if actual credit losses differ materially from estimates made by the Company at the time of securitization. The allowance for losses is calculated on the basis of historical experience and management's best estimates. Actual defaults may differ from the Company's estimate as a result of economic conditions. Actual defaults on ARM loans may increase during a rising interest rate environment. The Company believes that its reserves are adequate for such risks.

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. At June 30, 1998, the yield curve was still considered flat relative to its normal shape, and as a result, the Company expects continued high levels of prepayment through the third quarter of 1998.

Competition. The financial services industry is a highly competitive market. Increased competition in the market could adversely affect the Company's market share within the industry and hamper the Company's efforts to expand its production sources.

Regulatory Changes. The Company's business is subject to federal and state regulation which, among other things require the Company to maintain various licenses and qualifications and require specific disclosures to borrowers. Changes in existing laws and regulations or in the interpretation thereof, or the introduction of new laws and regulations, could adversely affect the Company's operation and the performance of the Company's securitized loan pools.

New Production Sources. The Company has expanded both its manufactured housing and commercial lending businesses. The Company is incurring or will incur expenditures related to the start-up of these businesses, with no guarantee that production targets set by the Company will be met or that these businesses will be profitable. Various factors such as economic conditions, interest rates, competition and the lack of the Company's prior experience in these businesses could all impact these new production sources.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of shareholders held on May 19, 1998, for which proxies were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, the following matters were voted upon by shareholders.

1. The election of five directors for a term expiring in 1999:

J. Sidney Davenport
Richard C. Leone
Thomas H. Potts
Paul S. Reid
Donald B. Vaden

2. Approval of an amendment to the Company's Articles of Incorporation to delete paragraph (7) of Article VI in its entirety and substituting therefor: "(7) Application of Article. Nothing contained in this Article or in any other provision hereof shall limit the authority of the Board of Directors to take any and all other action as it in its sole discretion deems necessary or advisable to protect the Corporation and the interests of its shareholders by maintaining

the Corporation's eligibility to be, and preserving the Corporation's status as, a qualified real estate investment trust under the Code; provided, however, that nothing in this Article VI or elsewhere in these Articles shall preclude settlement of any transaction entered into or through the facilities of the New York Stock Exchange or any other exchange on which the Corporation's common shares may be listed from time to time."

Item 5. Other Information

On June 30, 1998, the Company elected Barry S. Shein to the Board of Directors. The election of Mr. Shein increases the number of board members from five to six, five of whom are outside directors.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

Current Report on Form 8-K as filed with the Commission on July 29, 1998, relating to the change in the Registrant's Accountant.

Current Report on Form 8-K/A as filed with the Commission on August 11, 1998, relating to the change in the Registrant's Accountant.

SIGNATURES

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

DYNEX CAPITAL, INC.

By: /s/ Thomas H. Potts
Thomas H. Potts, President
(authorized officer of registrant)

/s/ Lynn K. Geurin
Lynn K. Geurin, Executive Vice
President and Chief Financial Officer
(principal accounting officer)

Dated: August 14, 1998

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