UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

ý	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	For the quarterly period ended: June 30, 2004
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	Commission File Number: 1-13485

AMNET MORTGAGE, INC.

(Exact name of registrant as specified in its charter)

Maryland	**33-0741174**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10421 Wateridge Circle, Suite 250 **San Diego, California**	**92121**
(Address of principal executive offices)	(Zip Code)

(858) 909-1200
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

ý YES o NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes o No ý

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock ($0.01)	7,389,133 as of July 30, 2004

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

AmNet Mortgage, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data) (unaudited)

		June 30, 2004		December 31, 2003
ASSETS				
Cash and cash equivalents	$	50,944	$	44,400
Cash and cash equivalents restricted		2,290		2,100
Mortgage loans held for sale, net, pledged (lower of cost or market)		466,281		276,781
Mortgage loans held of sale (formerly bond collateral), net (lower of cost or market)		1,707		
Bond collateral, mortgage loans, net		18,457		157,872
Bond collateral, real estate owned, net		800		3,380
Accounts receivable mortgage loans sold/funded		5,558		3,856
Accrued interest receivable		1,013		2,593
Deferred taxes		7,497		5,694
Other assets		6,200		5,520
	$	560,747	$	502,196
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Short-term debt	$	453,808	$	268,619
Long-term debt, net		18,043		130,295
Derivative financial instruments		2,101		1,224
Accrued interest payable		591		494
Accrued expenses and other liabilities		7,494		12,950
Total liabilities		482,037		413,582
Commitments and contingencies (Note 12)				
Minority Interest		155		129
Stockholders Equity:				
Preferred stock, par value $.01 per share; 100,000 shares authorized; no shares issued and outstanding				
Common stock, par value $.01 per share; 24,900,000 shares authorized; 7,389,133 shares issued and outstanding in 2004, and 7,873,714 shares issued and outstanding in 2003		74		79
Additional paid-in-capital		104,258		108,719
Accumulated deficit		(25,777)		(20,313)
Total stockholders equity		78,555		88,485
	$	560,747	$	502,196

See accompanying notes to consolidated financial statements.

AmNet Mortgage, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss), unaudited

(in thousands, except per share data)

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004	For The Six Months Ended June 30, 2003
Revenues				
Gain on sales of loans	$ 2,323	$ 32,971	$ 17,839	$ 53,180
Derivative financial instruments and market adjustments				
Derivative financial instruments forward sales of mortgage backed securities and options to sell mortgage-backed securities	10,857	(3,027)	5,370	(3,080)
Market adjustment on interest rate lock commitments	4,390	(6,257)	3,233	(8,415)
Total derivative financial instruments and market adjustments	15,247	(9,284)	8,603	(11,495)
Interest on mortgage assets	9,569	10,393	16,211	19,639
Other income	434	247	729	462
Total revenue, net of derivative financial instruments and adjustments	27,573	34,327	43,382	61,786
Expenses				
Employee compensation and benefits	14,399	12,586	26,242	22,070
Interest expense	4,754	4,598	7,994	8,811
Office and occupancy expense	959	621	1,795	1,188
Provision for loan losses	128	794	128	1,713
Gain on sale of real estate owned, net	(61)	(330)	(320)	(515)
Loss on bond collateral held for sale	880		5,309	
Professional fees	1,369	1,338	2,404	2,742
Other operating expenses	4,687	4,025	8,940	7,779
Total expenses	27,115	23,632	52,492	43,788
Income (loss) before income taxes	458	10,695	(9,110)	17,998
Income tax (benefit)	250	1,190	(3,646)	(3,663)
Net income (loss)	$ 208	$ 9,505	$ (5,464)	$ 21,661
Basic weighted average shares outstanding	7,838,504	7,863,437	7,856,426	7,863,154
Diluted weighted average shares outstanding	8,582,572	8,470,633	7,856,426	8,470,350
Net income (loss) per share basic	$ 0.03	$ 1.21	$ (0.70)	$ 2.75
Net income (loss) per share diluted	$ 0.02	$ 1.12	$ (0.70)	$ 2.56

See accompanying notes to consolidated financial statements.

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AmNet Mortgage, Inc. and Subsidiaries

Consolidated Statements of Cash Flows, unaudited

(in thousands)

	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (5,464)	$ 21,661
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Loss on bond collateral held for sale	5,309	
Amortization of mortgage assets premiums	980	1,838
Amortization of CMO capitalized costs	474	189
Changes in provision for loan losses	128	1,713
Change in real estate owned provision	401	1,216
Gain on sale of real estate owned, net	(320)	(515)
Proceeds from sale of mortgage loans held for sale	4,250,085	5,115,960
Mortgage loan originations	(4,439,585)	(5,302,132)
Increase in restricted cash	(190)	(968)
Increase in loans held for sale, not pledged (formerly bond collateral)	(7,016)	
Increase in accounts receivable mortgage loans sold/funded	(1,702)	(4,934)
Decrease in accrued interest receivable	1,580	1,170
Increase in deferred taxes	(1,803)	(9,141)
Increase in other assets	(678)	(1,819)
Decrease/(increase) in derivative financial instruments	877	(1,380)
Increase in accrued interest payable	97	13
(Decrease)/increase in accrued expenses and other liabilities	(5,456)	14,263
Increase in minority interest	26	4
Net cash used in operating activities	(202,257)	(162,862)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments on bond collateral, mortgage loans, net	23,195	49,203
Proceeds from sale of bond collateral	116,022	
Proceeds from sale of real estate owned	1,589	6,125
Net cash provided by investing activities	140,806	55,328
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(112,727)	(60,668)
Increase in net borrowings from short-term debt	185,189	181,799
Stock options exercised	33	3
Purchase of treasury stock	(4,500)	
Net cash provided by financing activities	67,995	121,134
Net increase in cash and cash equivalents	6,544	13,600
Cash and cash equivalents at beginning of year	44,400	13,640
Cash and cash equivalents at end of period	$ 50,944	$ 27,240
Supplemental information		
Interest paid	$ 7,898	$ 8,795

Taxes paid	$	2,784		
Transfers from bond collateral, mortgage loans, net to real estate owned	$	1,087	$	(3,441)

See accompanying notes to consolidated financial statements.

AMNET MORTGAGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Practices

Basis of Financial Statement Presentation

In May 2004, American Residential Investment Trust, Inc. changed its name to AmNet Mortgage, Inc.

The consolidated financial statements include the accounts of AmNet Mortgage, Inc., a Maryland corporation, American Mortgage Network, Inc., a Delaware corporation and wholly-owned subsidiary of AmNet Mortgage Inc., American Residential Eagle, Inc., a Delaware special purpose corporation and wholly-owned subsidiary of AmNet and American Residential Eagle 2, Inc., a Delaware limited purpose corporation and wholly-owned subsidiary of American Residential Eagle, Inc. Substantially all of the assets American Residential Eagle, Inc. are pledged or subordinated to support short or long-term debt in the form of collateralized mortgage bonds and are not available for the satisfaction of general claims of AmNet Mortgage, Inc. American Residential Holdings, Inc. is an affiliate of AmNet Mortgage, Inc. that is consolidated in accordance with FASB Interpretation No. 46R Consolidation of Variable Interest Entities. All entities are together referred to as the Company or AmNet. The Company s exposure to loss on the assets pledged as collateral is limited to its net investment, as the collateralized mortgage bonds are non-recourse to the Company. All significant intercompany balances and transactions have been eliminated in the consolidation of AmNet. Certain reclassifications may have been made to prior internal period amounts to conform to the current presentation.

In management s opinion, all adjustments necessary for a fair statement are reflected in the interim periods presented. These adjustments are of a normal recurring nature. The interim financial data as of June 30, 2004 and for the six months ended June 30, 2004 and June 30, 2003 is unaudited; however, in the opinion of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods.

Sales of mortgage loans are accounted for under Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Mortgage loans are sold with the mortgage servicing rights released. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling prices and the carrying value of the related mortgage loans sold. Deferred origination fees and expenses are recognized at the time of sale.

In March 2004, the SEC released Staff Accounting Bulletin (SAB) No. 105, Application of Accounting Principles to Loan Commitments. The Company accounts for its commitments to extend credit as derivatives and records changes in fair value of the commitments in the statement of operations. The adoption of SAB No. 105 in the second quarter of 2004 did not have a significant effect on the Company s financial statements.

Please refer to the Company s Form 10-K for the year ending December 31, 2003, for a detailed discussion of all significant accounting policies.

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Stock Options

The Company elected to apply APB Opinion No. 25, Accounting for Stock Issued to Employees, in accounting for its stock-based compensation plans: the 1997 Stock Incentive Plan, 1997 Stock Option Plan, 1997 Employee Stock Purchase Plan and 1997 Outside Directors Stock Option Plan. Accordingly, no compensation cost has been recognized in the financial statements. SFAS 123 Accounting for Stock Based Compensation requires pro forma disclosures of expense computed as if the fair value based method had been applied in the financial statements of companies that continue to account for such arrangements under Opinion No. 25.

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS 148, Accounting For Stock Based Compensation Transition and Disclosure, which amends SFAS No. 123. SFAS No. 148 requires more prominent and frequent disclosures about the effects of stock-based compensation, which the Company elected to early adopt for the twelve-month period ending December 31, 2002. The Company will continue to account for its stock based compensation according to the provisions of APB Opinion No. 25.

The FASB is currently considering amending SFAS 123, Accounting for Stock-Based Compensation, and APB Opinion No. 25, Accounting for Stock Issued to Employees. The proposed standard will require the Company to record compensation expense for all share-based compensation plans. If adopted, this proposed standard would have a negative impact on our earnings in future periods since stock options are issued periodically to qualified employees.

Had compensation cost for the Company s stock options been recognized based upon the estimated fair value on the grant date under the fair value methodology prescribed by SFAS No. 123, as amended by SFAS No. 148, the Company s net income (loss) and income per share would have been as follows (in thousands except income per share) (unaudited):

	Three Months Ended		Six Months Ended	
	June 30, 2004	**June 30, 2003**	**June 30, 2004**	**June 30, 2003**
Net income (loss) as reported	$ 208	$ 9,505	$ (5,464)	$ 21,661
Deduct: Total stock-based compensation expense determined under fair value-based method, net of tax effects (See Note 9)	(136)	(505)	(419)	(1,023)
Pro forma net income (loss)	$ 72	$ 9,000	$ (5,883)	$ 20,638
Income (loss) per share:				
Basic as reported	$ 0.03	$ 1.21	$ (0.70)	$ 2.75
Basic pro forma	$ 0.01	$ 1.14	$ (0.75)	$ 2.62
Diluted as reported	$ 0.02	$ 1.12	$ (0.70)	$ 2.56
Diluted pro forma	$ 0.01	$ 1.06	$ (0.75)	$ 2.44

The assumptions used to calculate the fair value of options granted are evaluated and revised as necessary to reflect market conditions and the Company s experience. These assumptions have not changed from prior periods.

Note 2. Concentration of Mortgage Loan Sales

For the six months ending June 30, 2004, the Company sold a majority of the mortgage loans it originated to two of its competitors, Countrywide Home Loans, Inc. (62%) and Wells Fargo Funding, Inc. (16%). The Company s considerations in deciding where to sell loans are price and operational efficiency. The Company also considers speed of execution and loan product guidelines. The Company believes that all of the loans it sells currently could be sold to a number of other investors. A Countrywide Home Loans, Inc. entity, Countrywide Warehouse Lending, is also a warehouse lender to the Company (see Note 7 Short-Term Debt).

Note 3. Income Per Share

The following table illustrates the computation of basic and diluted income per share (in thousands, except share and per share data) (unaudited):

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
Numerator:				
Numerator for basic income (loss) per share	$ 208	$ 9,505	$ (5,464)	$ 21,661
Denominator:				
Denominator for basic income (loss) per share - weighted average number of common shares outstanding during the period	7,838,504	7,863,437	7,856,426	7,863,154
Denominator for diluted income (loss) per share	8,582,572	8,470,633	7,856,426	8,470,350
Income (loss) per share - basic	$ 0.03	$ 1.21	$ (0.70)	$ 2.75
Income (loss) per share - diluted	$ 0.02	$ 1.12	$ (0.70)	$ 2.56

For the six months ended June 30, 2004 and 2003 there were 1,083,149 and 1,131,904 options, respectively, that were antidilutive and, therefore, not included in the calculations above.

Note 4. Mortgage Loans Held for Sale, net, pledged

AmNet has pledged loans held for sale totaling approximately $466.3 million to secure credit lines (warehouse facilities) from four financial institutions. See Note 7, Short-Term Debt. Mortgage loans held for sale at June 30, 2004 consist of loans which have been committed for sale of approximately $162.2 million and loans available for sale at approximately $304.1 million, all of which are carried at the lower of cost or market value.

Note 5. Bond Collateral, Mortgage Loans, net

AmNet has pledged collateral in order to secure the long-term debt issued in the form of CMOs. Bond Collateral Mortgage Loans consist primarily of subprime credit 30-year mortgage loans secured by first liens on one-to-four family residential properties. As of June 30, 2004 and 2003, 0% and 17.76%, respectively, of the bond collateral mortgage loans were fixed rate loans. The balance of the bond collateral mortgage loans are adjustable-rate mortgages. All Bond Collateral Mortgage Loans are pledged to secure repayment of the related long-term debt obligation. All principal and interest (less servicing and related fees) on the bond collateral is remitted to a trustee and is available for payment of the long-term debt obligation. The obligations under the long-term debt are payable solely from the bond collateral and are otherwise non-recourse to AmNet.

In March of 2004, approximately $113.9 million in mortgage loans bond collateral and approximately $2.3 million in REO bond collateral were reclassified as held for sale. By June 30, 2004 all but 60 mortgage loans totaling approximately $1.7 million, had been sold. These remaining assets are classified as Mortgage loans held for sale (formerly bond collateral), net. There is no debt associated with these assets. One remaining portfolio (CMO/FASIT 1998-1) was not sold. Bond collateral for this structure is shown as Bond Collateral, Mortgage Loans, net and bond collateral, real estate owned, net.

Shown below are the components of bond collateral held for investment (after sale of the majority of bond collateral assets) at June 30, 2004; compared to the same components at December 31, 2003 (dollars in thousands) (unaudited):

	CMO/REMIC 2000-2 Securitization	CMO/REMIC 1999-A Securitization	CMO 1999-2 Securitization	CMO 1999-1 Securitization	CMO/FASIT 1998-1 Securitization	TOTAL Bond Collateral
At June 30, 2004						
Mortgage loans	$ 0	$ 0	$ 0	$ 0	$ 18,600	$ 18,600
Unamortized premium	0	0	0	0	56	56
Allowance for loan losses	0	0	0	0	(199)	(199)
	$ 0	$ 0	$ 0	$ 0	$ 18,457	$ 18,457
Weighted average net coupon	0%	0%	0%	0%	9.45%	9.45%
Unamortized premiums as a percent of mortgage loans	0%	0%	0%	0%	0.30%	0.30%
At December 31, 2003						
Mortgage loans	$ 7,068	$ 40,435	$ 58,922	$ 27,021	$ 22,668	$ 156,114
Unamortized premium	362	809	1,747	749	102	3,769
Allowance for loan losses	(141)	(486)	(517)	(311)	(556)	(2,011)
	$ 7,289	$ 40,758	$ 60,152	$ 27,459	$ 22,214	$ 157,872
Weighted average net coupon	9.15%	9.49%	9.00%	8.88%	9.40%	9.17%
Unamortized premiums as a percent of mortgage loans	5.12%	2.00%	2.96%	2.77%	0.45%	2.41%

Note 6. Derivative Financial Instruments

AmNet makes commitments to fund mortgages at set interest rates, which are referred to individually as rate lock commitments. Additionally the Company s loans are not yet committed for sale at the time of funding. Collectively, rate lock commitments and funded loans not yet committed for sale are the Company s pipeline. The value of the rate lock commitments and uncommitted loans will vary depending on changes in market interest rates between the time that a rate lock commitment is made and the time that the loan funds and is committed for sale to an investor.

AmNet attempts to estimate the number of rate lock commitments in the pipeline that will not close in order to calculate its interest rate exposure on a daily basis. AmNet then purchases hedging instruments in order to try to protect profit margins on the pipeline. The hedging instruments used are forward sales of mortgage-backed securities (TBA) and options on forward sales of mortgage-backed securities. Historically, changes in the price of these instruments closely relate to changes in the value (price) of loans in the pipeline.

At June 30, 2004 and June 30, 2003 AmNet had the following commitments to originate loans and loans not yet committed for sale to investors, and offsetting hedge coverage as follows (dollars in thousands) (unaudited):

	6/30/2004	6/30/2003
Interest rate exposure:		
Commitments to originate loans at set interest rates (after applying fallout)	$ 473,449	$ 1,163,221
Closed loans not yet committed for sale to investors	304,126	355,492
Hedge coverage:		
Forward sales of mortgage-backed securities (TBA)(notional amount)	670,500	1,346,500
Options on forward sales of mortgage-backed securities (notional amount)	145,000	280,000

Interest rate exposure does not directly correlate to hedge coverage without applying an option adjusted spread and fallout factor (for rate locks).

The fair value of forward sales of mortgage-backed securities and options on forward sales of mortgage-backed securities are based on quoted market prices for these instruments. The rate lock commitments are also considered a derivative instrument and are assigned fair values based on the change in the quoted market value of the underlying loans due to market movements, less an estimated factor for loans that will not close (fallout ratio). The fallout ratio is affected by the Company s recent fallout history, interest rate changes and pipeline characteristics.

The following is a summary of the carrying value of AmNet s derivative instruments as of June 30, 2004 and December 31, 2003 (dollars in thousands) (unaudited):

June 30, 2004	**Range of Coupon Rate**	**Range of Notional Amount**	**Fair Value**	**Range of Expiration Dates**
Forward sales of mortgage-backed securities (TBAs):				