AMERICAN MORTGAGE ACCEPTANCE CO
Form 10-Q
May 10, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

OR

----- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-23972

AMERICAN MORTGAGE ACCEPTANCE COMPANY
(Exact name of Registrant as specified in its charter)

MASSACHUSETTS	13-6972380
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
625 MADISON AVENUE, NEW YORK, NEW YORK	10022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 317-5700

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Large Accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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

As of April 28, 2006, there were 8,303,838 outstanding common shares of the

registrant's shares of beneficial interest, $0.10 par value.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)

ASSETS

	March 31, 2006	Dece 2
	(Unaudited)	

Cash and cash equivalents	$ 678	$
Investments		
Debt securities at fair value	219,639	2
Mortgage loans receivable, net	53,297	
Notes receivable, net	13,725	
Revenue bonds	6,581	
ARCap	20,152	
Real estate owned - held and used, net	68,033	
Accounts receivable	2,644	
Other assets	3,595	
Total assets	$ 388,344	$ 4

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Repurchase facilities payable	$ 205,650	$ 2
Warehouse facility payable	--	
Mortgages payable on real estate owned	40,355	
Preferred shares of subsidiary (subject to mandatory repurchase)	25,000	
Accounts payable and accrued expenses	1,489	
Due to Advisor and affiliates	1,044	
Distributions payable	3,322	
Total liabilities	276,860	2
Commitments and contingencies		
Shareholders' equity:		
Shares of beneficial interest; $.10 par value; 25,000 shares authorized; 8,719 issued and 8,304 outstanding in 2006 and 2005	871	
Treasury shares of beneficial interest at par; 415 shares in 2006 and 2005	(42)	
Additional paid-in capital	126,396	1
Share-based compensation	--	
Accumulated deficit	(18,919)	(
Accumulated other comprehensive income	3,178	
Total shareholders' equity	111,484	1
Total liabilities and shareholders' equity	$ 388,344	$ 4

See accompanying notes to condensed consolidated financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months E March 31,	
	2006	20
Revenues:		
Interest income:		
Debt securities	$ 3,219	$ 3
Mortgage loans	1,989	
Notes receivable	233	
Revenue bonds	142	
Temporary investments	83	
Rental income of real estate owned - held and used	2,393	2
Other revenues	5	
Total revenues	8,064	6
Expenses:		
Interest	2,216	1
Interest - distributions to preferred shareholders of subsidiary (subject to mandatory repurchase)	517	
Mortgage interest for real estate owned - held and used	597	
Property operations of real estate owned - held and used	1,465	
General and administrative	487	
Fees to Advisor	827	
Depreciation	450	
Amortization and other	15	
Total expenses	6,574	4
Other income:		
Equity in earnings of ARCap	679	
Net loss on repayment of debt securities	--	
Total other income	679	
Net income	$ 2,169	$ 2
Net income per share (basic and diluted)	$ 0.26	$
Dividends per share	$ 0.40	$
Weighted average shares outstanding:		
Basic	8,304	8
Diluted	8,307	8

See accompanying notes to condensed consolidated financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	$ 2,169	$ 2,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	450	366
Equity in earnings of ARCap	(679)	(600)
Net loss on sale or repayment of assets	--	71
Amortization and accretion	8	79
Other non-cash income	(85)	--
Distributions received from equity investees	1,037	600
Changes in operating assets and liabilities:		
Accounts receivable	435	(264)
Other assets	307	(203)
Due to Advisor and affiliates	(1,917)	882
Accounts payable and accrued expenses	(71)	(26)
Net cash provided by operating activities	1,654	3,732
Cash flows from investing activities:		
Investment in debt securities	--	(36,574)
Principal repayments of debt securities	1,458	5,839
Funding and purchase of mortgage loans	(1,263)	--
Purchase of mortgage loans on real estate owned	--	(17,150)
Proceeds from sale of real estate owned	--	7,474
Principal repayment on real estate owned	--	480
Funding of notes receivable	--	(294)
Repayment of notes receivable	--	6,829
Principal repayment of revenue bonds	38	51
Additions to real estate owned	--	(103)
Net cash provided by (used in) investing activities	233	(33,448)

continued

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Cash flows from financing activities:		
Proceeds from repurchase facilities	3,830	40,402
Repayments of repurchase facilities	(7,281)	(19,710)
Proceeds from warehouse facility	--	243
Repayments of warehouse facility	(4,070)	--
Proceeds from line of credit - related party	--	14,761
Repayments of line of credit - related party	--	(19,361)
Deferred financing costs	(1,580)	(802)
Distributions paid to shareholders	(3,322)	(3,334)
Treasury stock purchases	--	(29)
Issuance of preferred shares of subsidiary	--	25,000
Net cash (used in) provided by financing activities	(12,423)	37,170
Net (decrease) increase in cash and cash equivalents	(10,536)	7,454
Cash and cash equivalents at the beginning of the year	11,214	2,674
Cash and cash equivalents at the end of the period	$ 678	$ 10,128

See accompanying notes to condensed consolidated financial statements.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2006
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of American

Mortgage Acceptance Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise indicated, we herein refer to American Mortgage Acceptance Company and its subsidiaries as "AMAC", "we", "us", "our", and "our Company". We are externally managed by CharterMac AMI Associates, Inc., (the "Advisor"), a subsidiary of CharterMac, a publicly traded company. We operate in one business segment, which focuses on investing in mortgage loans secured by multifamily and commercial property throughout the United States.

In March 2006, we formed AMAC CDO Funding I ("AMAC CDO"), a wholly owned subsidiary, for the purposes of managing our first planned Collateralized Debt Obligation ("CDO") securitization (see Note 5).

The condensed consolidated financial statements have been prepared without audit. In the opinion of management, the financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our financial position as of March 31, 2006, and the results of our operations and our cash flows. However, the operating results for interim periods may not be indicative of the results for the full year.

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. It is suggested that these financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2005.

Our annual report on Form 10-K for the year ended December 31, 2005, contains a summary of our significant accounting policies. There have been no material changes to these items since December 31, 2005, except as noted below. As previously disclosed, we converted a portion of our preferred investment in ARCap Investors, LLC to common units. While we continue to account for this investment under the equity method, a portion of the equity income recorded is based on the preferred dividend, while the balance is based on our proportionate share of common units outstanding.

The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts, in particular, the reclassification of results of operations of our real estate owned - held and used portfolio have been reclassified to conform to the current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS

During the first quarter of 2006, we were required to adopt the FASB STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123(R), SHARE-BASED PAYMENT, which replaces SFAS No. 123. The impact of adopting this Standard was not material to us, as we had been accounting for share-based payments following the fair value provisions of SFAS No. 123.

Notes to Condensed Consolidated Financial Statements
March 31, 2006
(Unaudited)

NOTE 2 - INVESTMENTS IN DEBT SECURITIES - AVAILABLE FOR SALE

Information regarding our investments in debt securities is as follows:

(In thousands)

	March 31, 2006	December 31, 2005
Amortized cost	$ 217,385	$ 218,891
Unrealized gains	6,601	5,707
Unrealized losses	(4,347)	(1,875)
Net unrealized gain	2,254	3,832
Fair value	$ 219,639	$ 222,723

The fair value and gross unrealized losses of our debt securities aggregated by length of time that these individual debt securities have been in a continuous unrealized loss position, at March 31, 2006, and December 31, 2005, is summarized in the table below:

(Dollars in thousands)

	March 31, 2006			December 31, 2005		
	Less than 12 Months	12 Months or More	Total	Less than 12 Months	12 Months or More	Total
Number of securities	13	19	32	8	16	24
Fair value	$ 63,801	$ 62,516	$126,317	$ 25,905	$ 56,281	$ 82,186
Gross unrealized loss	$ 832	$ 3,515	$ 4,347	$ 197	$ 1,678	$ 1,875

These unrealized losses are as a result of increases in interest rates subsequent to the acquisition of the securities. All of the debt securities are performing according to their terms. Furthermore, we have the intent and ability to hold these securities to maturity, or at least until interest rates change such that the fair value is no longer less than book value. Accordingly, we have concluded that these declines in value are temporary.

At March 31, 2006, all of our debt securities were partially or wholly pledged as collateral under our repurchase facilities. At March 31, 2006, we had no availability to borrow against partially or unpledged debt securities.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2006
(Unaudited)

NOTE 3 - REAL ESTATE OWNED

Real estate owned at March 31, 2006, and December 31, 2005, consisted of the following:

(Dollars in thousands)

	Number of Units	Location	Carrying Value as of March 31, 2006	Carr Va as Decem 20
Real Estate Owned - Held and Used				
Concord Portfolio	852	Houston, TX	$ 53,267	$ 5
Less: accumulated depreciation			(3,399)	(
Subtotal			49,868	5
Reserve at Autumn Creek	212	Friendswood, TX	19,293	1
Less: accumulated depreciation			(1,128)	(
Subtotal			18,165	1
Total Real Estate Owned - Held and Used, net	1,064		$ 68,033	$ 6
Mortgages Payable on Real Estate Owned				
Concord Portfolio			$ 40,355	$ 4

NOTE 4 - WAREHOUSE FACILITY

During February 2006, we repaid the remaining outstanding balance of approximately $4.1 million on this facility. We can no longer borrow off of this facility, as it has matured.

NOTE 5 - CDO RELATED REPURCHASE FACILITY

In addition to our existing repurchase facilities, we executed a new repurchase agreement during March 2006 with Bank of America ("BOA"). The purpose of this facility is to fund up to $250.0 million of investments that are to be placed into our first CDO Securitization. Advance rates on the borrowings from this facility, ranging from 50% to 95% of collateral value, will be determined on a draw-by-draw basis in accordance with the repurchase agreement. Interest on the borrowings, which range from LIBOR + 50 bps to LIBOR + 225 bps, are also determined on a draw-by-draw basis. The repurchase facility expires upon inception of the CDO securitization, or six months after the inception of the repurchase facility, whichever comes first. There were no borrowings under the new facility as of March 31, 2006. In connection with the CDO securitization, we have prepaid approximately $1.5 million of a 1% fee due in full when the CDO is securitized. These fees, which are non-refundable, have been deferred and will be amortized over the life of the CDO securitization.

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2006
(Unaudited)

NOTE 6 - SHAREHOLDERS' EQUITY

Comprehensive Income

Comprehensive income for the three months ended March 31, 2006 and 2005, was as follows:

(In thousands)

	Three months ended March 31,	
	2006	2005
Net income	$ 2,169	$ 2,827
Net unrealized gain on interest rate derivatives	147	556
Net unrealized holding loss on investments	(1,586)	(1,802)
Comprehensive income of equity investments	(166)	--
Comprehensive income	$ 564	$ 1,581

NOTE 7 - SHARE BASED COMPENSATION

In accordance with our Amended and Restated Incentive Share Option Plan (the "Plan"), our board of trustees can award share options to trustees, officers and employees of AMAC and our Advisor and its affiliates. A maximum of 830,384 options can be granted, with annual limits based upon formulas specified in the Plan. Option terms and vesting requirements are determined at the time of grant,

provided that the term is no longer than ten years.

In accordance with SFAS No. 123(R), we accrue compensation cost based on the estimated fair value of the options issued and amortize those costs over the vesting period. Because the grant recipients are not our employees and vesting of the options is contingent upon the recipient continuing to provide services to us, we estimate the fair value of the options at each period-end up to the vesting date, and adjust recorded amounts accordingly.

The assumptions used for valuing these options and the results of the valuations at March 31, 2006, were as follows:

Weighted average assumptions:

Dividend yield	9.98%
Estimated volatility	25.00%
Risk free interest rate	4.73%
Expected life (years)	4.91

There were 643,332 shares available for grant as of March 31, 2006.

The following table summarizes share option activity in the Plan for the three months ended March 31, 2006:

	Options	Weighted Average Exercise Price
Outstanding at beginning of period	187,052	$ 15.78
Granted	--	--
Forfeited	--	--
Exercised	--	--
Outstanding at end of period	187,052	$ 15.78

Exercisable at end of period	146,385	$ 15.78
Compensation cost recognized	$ 59,000	

NOTE 8 - EARNINGS PER SHARE

Diluted net income per share is calculated using the weighted average number of shares outstanding during the period plus the additional dilutive effect of common share equivalents. The dilutive effect of outstanding share options is calculated using the treasury stock method.

(In thousands, except per share amounts)

Three Months Ended March 31, 2006:	Income	Shares	Per Share
Basic EPS	$2,169	8,304	$ 0.26
Effect of dilutive securities	--	3	--
Diluted EPS	$2,169	8,307	$ 0.26
Three Months Ended March 31, 2005:			
Basic EPS	$2,827	8,337	$ 0.34
Effect of dilutive securities	--	7	--
Diluted EPS	$2,827	8,344	$ 0.34

NOTE 9 - RELATED PARTY TRANSACTIONS

The costs paid or payable to our Advisor for the three months ended March 31 were as follows:

(In thousands)

	2006	2005

Shared services expenses	$ 202	$ 246
Asset management fees (1)	431	328
Incentive management fee (2)	194	120
	$ 827	$ 694

(1) These fees were incurred pursuant to our prior management agreement, which, as previously disclosed, has been amended effective April 1, 2006.
(2) Accrual based on proportion of actual first quarter earnings as compared to our estimates of 2006 full-year results.

During April 2006, we purchased a loan from CharterMac for the CDO securitization (see Note 11).

During April 2006, we amended our loan agreement with CharterMac to increase our borrowing capacity and extend the maturity date of our related party facility (see Note 11).

NOTE 10 - COMMITMENTS AND CONTINGENCIES

a) Legal
On October 27, 2003, prior to taking possession of the real estate collateral supporting a loan investment, we were named in a lawsuit, Concord Gulfgate, Ltd. vs. Robert Parker, Sunrise Housing Ltd., and American Mortgage Acceptance Company, Cause No. 2003-59290 in the 133rd Judicial District Court of Harris County, Texas. The suit alleges that the loan transaction was not properly authorized by the borrower and was not for a legitimate borrower purpose. The suit claims, among other causes of action against the respective defendants, wrongful foreclosure of the real estate collateral, tortious interference with contract and civil conspiracy. The suit seeks, among other relief, actual, consequential, and exemplary damages, and a declaration that the loan documents are unenforceable and constitute a cloud on title. The basic claim of this suit is for the amount of $1.5 million. The discovery phase of this suit has been completed. A motion for summary judgment was filed by us, but was denied on July 25, 2005. It is not known when the case will be called to trial.

We filed a countersuit on November 25, 2003, against Concord Gulfgate, Ltd., as guarantor, seeking a deficiency on the loan and recovery of unpaid taxes and certain property receipts. We are currently unable to determine the possible outcome of the litigation.

b) Guarantees

Prior to 2000, we entered into a loan program with Fannie Mae, under which, we agreed to guarantee a first-loss position on certain loans, which could have potentially resulted in an aggregate exposure of $7.5 million. In June and October of 2000, we originated two loans totaling $3.3 million under the program. In September 2003, we transferred and assigned all of our obligations with respect to these two loans to CharterMac Mortgage Capital ("CMC"), a subsidiary of CharterMac, both of which are affiliates of the Advisor. Pursuant to the agreement with CMC, CharterMac guaranteed CMC's obligations, and we agreed to indemnify both CMC and CharterMac for any losses incurred in exchange for retaining all fees which we were otherwise entitled to receive from Fannie

AMERICAN MORTGAGE ACCEPTANCE COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2006
(Unaudited)

Mae under the program. The maximum exposure at March 31, 2006, was $3.2 million, although we expect that we will not be called upon to fund these guarantees.

In the first quarter of 2003, we discontinued our loan program with Fannie Mae and will issue no further guarantees pursuant to such program.

For these guarantees, we monitor the status of the underlying properties and evaluate our exposure under the guarantees. To date, we have concluded that no accrual for probable losses is required under SFAS No. 5, ACCOUNTING FOR CONTINGENCIES.

Future Funding Commitments

We are committed to additionally fund the following bridge and mezzanine loans:

				(In tho MAXIMUM AMOUNT	
ISSUE DATE	PROJECT	LOCATION	NO. OF APT. UNITS	TOTAL	LESS 1 Y
Jun-04	Woods of Mandarin	Jacksonville, FL	401	$ 428	$
Apr-05	Atlantic Hearthstone	Hillsborough, NJ	198	2,641	1,
May-05	Pasadena	Pasadena, FL	198	556	
Jul-05	222 Pearson	Chicago, IL	219	516	
Jul-05	Bayfront Villas	Gulfport, FL	120	258	
Sep-05	Marbella	Clearwater, FL	--	399	
TOTAL FUTURE FUNDING COMMITMENTS			1,136	$4,798	$3,

NOTE 11 - SUBSEQUENT EVENTS

During April 2006, AMAC CDO purchased a first mortgage loan from CharterMac, the parent of our Advisor, at approximately its $26.0 million par value. This note, along with an existing $5.0 million subordinated participation already owned by us, were assigned to AMAC CDO and pledged as collateral under the repurchase facility, in exchange for $29.2 million in funds.

In addition to the first mortgage loan purchased from CharterMac, we partially or fully funded four first mortgage loans, totaling approximately $82.0 million, for the CDO securitization. The loans bear interest at a weighted average interest rate of 6.41%. We have assigned four loans to the CDO related

repurchase facility, receiving approximately $78.1 million in proceeds. Interest is due on the facility, relating to these loans, at 30-day LIBOR plus a weighted average interest rate spread of 1.00%. The loans funded included $16.9 million pertaining to a property developed by a company controlled by the Chairman of CharterMac.

During April 2006, we sold a debt security and a mortgage loan, both pertaining to one property. We received $14.6 million in partial proceeds, of which $14.2 was used to repay funds borrowed from the securitization of the debt security on our repurchase facilities. We expect to receive the final payment of $850,000 after certain conditions are met pursuant to the purchase agreement. There was no gain or loss resulting from this sale.

During April 2006, we amended our loan agreement with CharterMac to increase our borrowing capacity to $50.0 million under the related party facility (see Note 9). The maturity of the facility was also extended to June 2007.

Effective April 2006, we dissolved one subsidiary that was formed for the purposes of managing a repurchase facility, which expired in March 2004.

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

Forward-Looking Statements

Certain statements made in this report may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Such forward-looking statements include statements regarding the intent, belief or current expectations of us and our management (which includes our Advisor) and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, which are outlined in detail in our annual report on Form 10-K for the year ended December 31, 2005, include the following:

- Risks of investing in uninsured and non-investment grade mortgage assets and subordinated Commercial Mortgage-Backed Securities ("CMBS");
- Competition in acquiring desirable investments;
- Interest rate fluctuations;
- Risks associated with hedging transactions, which can limit gains and increase exposure to loss.
- Risks associated with investments in real estate generally and the properties which secure many of our investments;
- General economic conditions, particularly as they affect the value of our assets and the credit status of our borrowers;
- Dependence on our external Advisor for all services necessary for our operations;

- Conflicts which may arise among us and other entities affiliated with our Advisor which have similar investment policies to ours; and

- Risks associated with the repurchase agreements we utilize to finance our investments and the availability of financing generally.

- Risks associated with our contemplated CDO transactions, which include, but are not limited to:

  - The inability to acquire eligible investments for a CDO issuance;

  - The inability to find suitable replacement investments in collateralized debt obligations with reinvestment periods; and

  - The negative impact on our cash flow that may result from the use of CDO financings with over-collateralization and interest coverage requirements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report.

Factors Affecting Comparability

During March 2005, we issued $25.0 million of Floating Rate Preferred Securities through a subsidiary. Due to the mandatory redemption feature of these securities, the payments or accruals of dividends and other amounts to be paid to the holders of these securities are reported as interest costs. As a result, these interest costs are classified as Interest - Distributions to Preferred Shareholders of Subsidiary (Subject to Mandatory Repurchase). During the first quarter of 2006, we recorded a full period of these costs, as compared to costs relating to a half of a month in the comparable 2005 period.

Results of Operations

The following is a summary of our operations for the three months ended March 31, 2006 and 2005:

(In thousands)

	Three Months Ended March 31,		
	2006	2005	Change
Total revenues	$8,064	$6,703	20.3 %
Total expenses	6,574	4,405	49.2
Total other income	679	529	28.4
Net income	$2,169	$2,827	(23.3)%

In the three-month period ended March 31, 2006, as compared to the same period in 2005, revenues increased mainly due to the funding of several new mezzanine loans during the second half of 2005. Expenses have also increased for these periods due to the recognition of certain property level costs for Real Estate Owned and financing costs (particularly due to a trust preferred offering and higher interest rates). Other income has increased due to the conversion of ARCap shares from preferred to common, earning higher equity income.

REVENUES

	Three Months Ended March 31, 2006	
	% Change from Prior Period	% of Total Revenues
Interest income:		
Debt securities	6.2 %	39.9 %
Mortgage loans	223.4	24.7
Notes receivable	(51.4)	2.9
Revenue bonds	(3.4)	1.7
Temporary investments	388.2	1.0
Other revenues	(97.8)	0.1
Subtotal	25.5	70.3
Rental income	9.6	29.7
Total revenues	20.3 %	100.0 %

We had the following investments (exclusive of Real Estate Owned and ARCap):

(In thousands)

	As of March 31, 2006			As of March 31, 2005		
	Carrying Amount	% of Total	Weighted Average Interest Rate	Carrying Amount	% of Total	Weighted Average Interest Rate
Debt securities	$219,639	74.9%	6.23%	$223,429	83.3%	6.33%
Mortgage loans	53,297	18.2	14.98	21,395	8.0	11.68
Notes receivable	13,725	4.7	10.26	16,584	6.2	9.31
Revenue bonds	6,581	2.2	8.68	6,604	2.5	8.69
	$293,242	100.0%	8.18%	$268,012	100.0%	7.12%

Interest income from debt securities increased, primarily due to the purchase of seven new FNMA certificates during the second half of 2005, partially offset by the repayment of two GNMA certificates. The decrease in the weighted average interest rate on debt securities as of March 31, 2006, as compared to December 31, 2005, was primarily due to the rising interest rates on mortgage loans; as

mortgage interest rates rise, yields on debt securities tend to decrease.

Interest income from mortgage loans increased for the three months ended March 31, 2006, as compared to 2005, primarily due to the funding of six mezzanine loans during the second and third quarters of 2005. The increase in the weighted average interest rates on mortgage loans as of March 31, 2006, as compared to December 31, 2005, was primarily due to the increase in market interest rates, as many of our mezzanine loans have variable interest rates.

Interest income from notes receivable decreased for the three months ended March 31, 2006, as compared to 2005, primarily due to the payoff of four notes during 2005.

Rental income increased for the three months ended March 31, 2006, as compared to 2005, due to the recognition of a full period of income from property operations of Autumn Creek in 2006 (as compared to a partial period in 2005), offset by the Plaza at San Jacinto sale in February 2005.

EXPENSES

	Three Months Ended March 31, 2006	
	% Change from Prior Period	% of Total Revenues
Interest	87.5%	27.5%
Distributions to preferred shareholders	660.3	6.4
General and administrative	11.4	6.0
Fees to Advisor	19.2	10.3
Amortization and other	(88.7)	0.2
Subtotal	61.6	50.4
Property operations	59.2	18.2
Depreciation	23.0	5.6
Mortgage interest for real estate owned - held and used	(1.3)	7.4
Total expenses	49.2%	81.5%

At March 31, 2006, excluding the non-recourse mortgage on real estate owned, we had total debt of approximately $230.7 million with a weighted average interest rate of 5.04% per year, including the effect of our swap agreement. At March 31, 2005, we had a comparable balance of approximately $207.4 million with a weighted average interest rate of 3.43% per year. The increase in the weighted average interest rate is due to steady increases in market interest rates during 2005 and 2006.

Interest expense increased for the three months ended March 31, 2006, as compared to 2005, primarily due to the increased borrowings on the repurchase facilities stemming from an increased investment base and the increase in interest rates during 2005 and 2006.

Distributions to preferred shareholders increased for the three months ended March 31, 2006, as compared to 2005 due to the issuance of trust preferred securities in March 2005.

General and administrative expenses increased for the three months ended March 31, 2006, as compared to 2005, primarily due to increased accounting and Sarbanes-Oxley compliance fees, excise taxes, insurance and stock option costs (the last factor due to a rising stock price and the accelerated vesting of certain options). These increases were offset by decreased legal and investor services expenses.

Fees to Advisor increased for the three months ended March 31, 2006, as compared to 2005, due to the accrual of incentive management fees relating to the projected 2006 earnings. We accrue these costs proportionately with our projected quarterly earnings. In addition, we incurred higher overhead costs and asset management fees because of expansion of our business and an increased asset base (approximately $381.4 million in first quarter of 2006, as compared to approximately $359.2 million in comparable 2005 period). Effective in the

second quarter of 2006, the asset management fees due to our Advisor will be based on our shareholder's equity balance, instead of our asset base.

Property operations represent all non-interest costs at the property level on all of our Real Estate Owned - Held and Used properties. The increase for the three months ended March 31, 2006, as compared to 2005, was mainly due to higher property tax costs.

Depreciation expense increased for the three months ended March 31, 2006, as compared to 2005, due to a higher base of depreciable real estate owned in 2006 as compared to the 2005 period. In February 2005, we sold the Plaza at San Jacinto property and, in 2006, foreclosed on the larger Autumn Creek property.

OTHER INCOME

Other income increased for the three months ended March 31, 2006, as compared to 2005, due to the conversion of 315,000 of our 800,000 ARCap shares from preferred to common at the end of 2005. Upon conversion, we are earning a higher level of equity income from the common share portion of the investment. In addition, 2005 includes the recognition of a loss resulting from the sale of a GNMA certificate, with no comparable loss in 2006.

Funds from Operations

Funds from operations ("FFO"), represents net income or loss (computed in accordance with GAAP), excluding gains or losses from sales of property, excluding depreciation and amortization related to real property and including funds from operations for unconsolidated joint ventures calculated on the same basis. FFO is calculated in accordance with the National Association of Real Estate Investment Trusts ("NAREIT") definition. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Our management considers FFO a supplemental measure of operating performance, and, along with cash flows from operating activities, financing activities, and investing activities, it provides investors with an indication of our ability to incur and service debt, make capital expenditures, and fund other cash needs.

The following table reconciles net income to FFO for the three months ended March 31, 2006 and 2005:

(In thousands)

	2006	2005
Net income	$ 2,169	$ 2,827
Add back: depreciation of real property	$ 450	366
FFO	$ 2,619	$ 3,193
Cash flows from:		
Operating activities	$ 1,654	$ 3,732
Investing activities	$ 233	$(33,448)
Financing activities	$(12,423)	$ 37,170
Weighted average shares outstanding:		
Basic	8,304	8,337
Diluted	8,307	8,344

Since not all companies calculate FFO in a similar fashion, our calculation presented above may not be comparable to similarly titled measures reported by other companies.

Liquidity and Capital Resources

SOURCES OF FUNDS

We expect that cash generated from our investments, as well as our borrowing capacity, will meet our needs for short-term liquidity and will be sufficient to pay all expenses and distributions to our shareholders in amounts sufficient to retain our Real Estate Investment Trust ("REIT") status in the foreseeable future. In order to qualify as a REIT under the Internal Revenue Code (the "Code"), as amended, we must, among other things, distribute at least 90% of our taxable income. We believe that we are in compliance with the REIT-related provisions of the Code.

We finance our investing activity primarily through borrowing from various facilities at short-term rates. At March 31, 2006, we had approximately $20.0 million available to borrow, contractually, under our debt facilities without exceeding limits imposed by debt covenants and our declaration of trust. We also had $250.0 million available to borrow, contractually, under our new repurchase facility at March 31, 2006. Subsequently, we borrowed $29.2 million off of this facility to purchase a note from CharterMac (see Note 11 to the condensed consolidated financial statements). In April 2006, an amendment was approved to extend our facility with CharterMac to June 2007 and increase the amount available to borrow from $20.0 million to $50.0 million.

From time to time, we may also issue common shares or other equity to fund investing activity. During 2005, our subsidiary issued $25.0 million of variable-rate Preferred Securities. The proceeds received were used to purchase FNMA certificates.

We have capacity to raise approximately $170.0 million of additional funds by issuing either common or preferred shares pursuant to a shelf registration statement filed with the SEC. If market conditions warrant, we may seek to raise additional funds for investment through further offerings, although the timing and amount of such offerings cannot be determined at this time.

We are expecting to utilize Collateralized Debt Obligations ("CDOs") as a financing tool to lower our cost of capital and thereby enhance our investment capabilities and opportunities. Tapping these securitization markets should enable the Company to compete in debt markets in which we have not competed effectively in the past and to originate a wide variety of debt products, including floating or fixed rate assets, first mortgages, subordinate participations in first mortgages, bridge loans, mezzanine loans, etc. We intend for the assets to be aggregated on our balance sheet and later securitized. It is anticipated that our origination activity would begin to increase in the second quarter of 2006 with the goal of completing our first CDO securitization by the third quarter of 2006, although there are no assurances that we will proceed with such a program.

SUMMARY OF CASH FLOWS

During the three months ended March 31, 2006, as compared to the three months ended March 31, 2005, the net change in cash and cash equivalents decreased approximately $18.0 million. Despite increased cash flows from receivables collected and equity income received, operating cash flows decreased by approximately $2.1 million primarily due to lower earnings and the payment of certain payables and Advisory fees incurred in 2005.

A decrease in net cash used in investing activities (approximately $33.7 million) was due to the decline in investments made during the first quarter of 2006, as compared to 2005. This was due to shifting our focus to originating loans for our first CDO securitization, most of which are due to close during

the second quarter of 2006. There was also a decrease in net cash provided by financing activities (approximately $49.6 million) that can be attributed to the lower level of investing activity during the 2006 period, offset by partial repayments made to the repurchase facilities and the full repayment of the warehouse facility.

LIQUIDITY REQUIREMENTS AFTER MARCH 31, 2006

During April 2006, we have closed approximately $108.0 million of first mortgage loans, including a $26.0 million loan purchased from CharterMac, the parent of our Advisor (see Note 11 to our condensed consolidated financial statements). We plan to securitize these loans in our first CDO. In addition to these loans, we anticipate approximately another $226.0 million in acquisition volume for the CDO securitization to close during the second quarter of 2006. Financing for the anticipated acquisitions is expected to be made through our new repurchase facility with BOA (see Note 5 to our condensed consolidated financial statements).

During May 2006, distributions of approximately $3.3 million ($0.40 per share), which were declared in March 2006, will be paid to common shareholders.

We are not aware of any trends or events, commitments or uncertainties, which have not otherwise been disclosed that will or are likely to impact liquidity in a material way.

Dividends

The following table outlines our total dividends and return of capital amounts, determined in accordance with GAAP, for the three months ended March 31:

(In thousands)

	2006	2005
Total dividends	$3,322	$3,334
Return of capital:		
Amount	$1,152	$ 508
Per share	$0.14	$0.06
Percent of total dividends	34.69%	15.22%

Commitments, Contingencies and Off-Balance Sheet Arrangements
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See Note 10 to our condensed consolidated financial statements for a summary of our guarantees and commitments and contingencies.

We have no unconsolidated subsidiaries, special purpose off-balance sheet financing entities, or other off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

In conducting business, we enter into various contractual obligations. Details of these obligations, including expected settlement periods, are contained below.

	Payments Due by Period (In thousands)				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More 5 Y
Debt:					
Repurchase facilities	$205,650	$205,650	$ --	$ --	$
Mortgage loan on real estate owned (1)	40,355	504	1,200	1,350	37
Preferred shares of subsidiary (subject to mandatory repurchase)	25,000	--	--	--	25
Funding Commitments:					
Standby and forward loan commitments	4,798	3,914	884	--	
Total	$275,803	$210,068	$ 2,084	$ 1,350	$ 62

(1) Represents a first mortgage on properties we report as Real Estate Owned - Held and Used (Concord Portfolio) as a sale of the properties did not meet the criteria for sale recognition in accordance with GAAP. The first mortgage loan is non-recourse with respect to AMAC, the debt service is paid from the cash flows of the properties, and we will not be required to satisfy the obligation.

Inflation

Inflation did not have a material effect on our results for the periods presented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. The primary market risk to which the Company is exposed is interest rate risk, which is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of our Company.

INTEREST RATE RISK

Interest rate fluctuations can adversely affect our income in many ways and present a variety of risks, including the risk of mismatch between asset yields and borrowing rates.

Our operating results depend in large part on differences between the income from our assets (net of credit losses) and our borrowing costs. Although we are increasing our originations of variable rate loans, most of our assets generate fixed returns and have terms in excess of five years. We fund the origination and acquisition of a significant portion of our assets with borrowings which have variable interest rates that reset relatively rapidly, such as weekly, monthly, or quarterly. In most cases, the income from assets will respond more slowly to interest rate fluctuations than the cost of borrowings, creating a mismatch between asset yields and borrowing rates. Consequently, changes in interest rates, particularly short-term interest rates, may influence our net income. Our borrowings under repurchase and our trust preferred securities bear interest at rates that fluctuate with LIBOR.

Various financial vehicles exist which would allow our management to mitigate the impact of interest rate fluctuations on our cash flows and earnings. We enter into certain hedging transactions to protect our positions from interest rate fluctuations and other changes in market conditions. These transactions include interest rate swaps and fair value hedges. Interest rates swaps are entered into in order to hedge against increases in floating rates on our repurchase facilities. Fair value hedges are entered into for some of our investments to hedge our risk that interest rates may affect the fair value of these investments, prior to securitization.

Based on the $200.7 million unhedged portion of the $230.7 million of borrowings outstanding at March 31, 2006, and a fair value hedge on a $5.0 million note, a 1% change in LIBOR would impact our annual net income and cash flows by approximately $2.0 million. However, as the interest income from some of our loans is also based on LIBOR, a 1% increase in LIBOR would increase our annual net income and cash flows from such loans by approximately $387,000. The net effect of a 1% increase in LIBOR would therefore result in a reduction of our annual net income by approximately $1.6 million. In addition, an increase in LIBOR could also impede the collections of interest on our variable-rate loans, as there might not be sufficient cash flow at the properties to pay the increased debt service. Because the value of our debt securities fluctuates with changes in interest rates, rate fluctuations will also affect the market value of our net assets.

ITEM 4. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that our disclosure controls and procedures as of the end of the period covered by this quarterly report were effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and to ensure that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) INTERNAL CONTROL OVER FINANCIAL REPORTING. In January 2006, our Advisor initiated an internal audit function by hiring an external specialty firm to execute the function. Other than the foregoing, there have not been any significant changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely

to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On October 27, 2003, prior to taking possession of the real estate collateral supporting a loan investment, we were named in a lawsuit, Concord Gulfgate, Ltd. vs. Robert Parker, Sunrise Housing Ltd., and American Mortgage Acceptance Company, Cause No. 2003-59290 in the 133rd Judicial District Court of Harris County, Texas. The suit alleges that the loan transaction was not properly authorized by the borrower and was not for a legitimate borrower purpose. The suit claims, among other causes of action against the respective defendants, wrongful foreclosure of the real estate collateral, tortious interference with contract and civil conspiracy. The suit seeks, among other relief, actual, consequential, and exemplary damages, and a declaration that the loan documents are unenforceable and constitute a cloud on title. The basic claim of this suit is for the amount of $1.5 million. The discovery phase of this suit has been completed. A motion for summary judgment was filed by us, but was denied on July 25, 2005. It is not known when the case will be called to trial.

We filed a countersuit on November 25, 2003, against Concord Gulfgate, Ltd., as guarantor, seeking a deficiency on the loan and recovery of unpaid taxes and certain property receipts. We are currently unable to determine the possible outcome of the litigation.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors as disclosed in our filing on form 10-K for the year ended December 31, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS - None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None

ITEM 5. OTHER INFORMATION - None

ITEM 6. EXHIBITS

31.1 Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2 Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

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SIGNATURES

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

AMERICAN MORTGAGE ACCEPTANCE COMPANY
(Registrant)

Date: May 10, 2006 By: /s/ Jeff T. Blau

Jeff T. Blau
Chairman of the Board of Trustees
and Chief Executive Officer

Date: May 10, 2006 By: /s/ Alan P. Hirmes

Alan P. Hirmes
Managing Trustee and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Jeff T. Blau, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ending March 31, 2006, of American Mortgage Acceptance Company;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as

defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

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

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

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

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

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

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

Date: May 10, 2006

By: /s/ Jeff T. Blau
Jeff T. Blau
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Alan P. Hirmes, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ending March 31, 2006, of American Mortgage Acceptance Company;

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2006 By: /s/ Alan P. Hirmes
Alan P. Hirmes
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of American Mortgage Acceptance Company (the "Company") on Form 10-Q for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeff T. Blau, as Chief Executive Officer of the Company, and Alan P. Hirmes, as Chief Financial Officer of the Company each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ Jeff T. Blau
Jeff T. Blau
Chief Executive Officer
May 10, 2006

By: /s/ Alan P. Hirmes
Alan P. Hirmes
Chief Financial Officer
May 10, 2006

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.