

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 5, 2005

SAXON CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of Incorporation)

000-50945
(Commission File Number)

30-0228584
(I.R.S. Employer Identification No.)

4860 Cox Road, Suite 300
Glen Allen, Virginia
(Address of principal executive offices)

23060
(Zip Code)

Registrant's telephone number, including area code **(804) 967-7400**

Formerly Saxon REIT, Inc.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On May 5, 2005, Saxon Capital, Inc. ("Saxon") issued a press release announcing Saxon's financial results for the first quarter 2005. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated May 5, 2005.

Signature

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

Date: May 6, 2005

SAXON CAPITAL, INC.

By: /s/Robert B. Eastep

Robert B. Eastep
Executive Vice President, Chief Financial Officer

INDEX TO EXHIBITS

Exhibits

Exhibit 99.1

Press Release dated May 5, 2005.



Contact:

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For Release May 5, 2005 at 7PM EST

Saxon Capital, Inc. Reports First Quarter 2005 Operating Results

Diluted EPS \$0.63 per share for the Quarter

GLEN ALLEN, VA. (May 5, 2005) - Saxon Capital, Inc. ("Saxon") (NYSE: SAX), a residential mortgage lending and servicing real estate investment trust (REIT), today announced first quarter 2005 net income of \$31.7 million or \$0.63 per share diluted, compared to \$19.7 million or \$0.63 per share diluted for the first quarter of 2004, and \$30.1 million or \$.60 per share diluted for the fourth quarter of 2004.

Operational Highlights

- Mortgage loan production (excluding called loans) for the first quarter of 2005 increased 25% compared to the first quarter of 2004, and decreased 16% compared to the fourth quarter of 2004.
- Net mortgage loan portfolio increased 1.7% to \$6.1 billion at March 31, 2005, from \$6.0 billion at December 31, 2004, and increased 24% from \$4.9 billion at March 31, 2004.
- Third party servicing portfolio for the first quarter of 2005 increased 198% compared to the first quarter of 2004 and increased 9% compared to the fourth quarter of 2004.

Financial Performance

Net interest income was \$58.9 million for the first quarter of 2005, compared to \$57.8 million for the first quarter of 2004 and \$57.0 million for the fourth quarter of 2004. Net interest margin was 3.9% for the first quarter of 2005 compared to 4.9% for the first quarter of 2004 and 4.0% for the fourth quarter of 2004. Net interest margin is calculated as net interest income divided by average interest-earning assets. Average interest-earning assets are calculated using a daily average balance over the time period indicated. Net interest margin after provision for mortgage loan losses was 3.5% for the first quarter 2005, compared to 4.6% for the first quarter of 2004 and 3.1% for the fourth quarter of 2004. Net interest margin after provision for mortgage loan losses is calculated as net interest income after provision for mortgage loan losses divided by average interest-earning assets.

The decrease in net interest margin was attributable primarily to the continued rise in 1-month LIBOR, which impacted the Company's long term and short term financing. As of March 31, 2005, 1-month LIBOR had increased approximately 180 basis points since March 31, 2004, and approximately 50 basis points since December 31, 2004. Net interest margin after provision for mortgage loan losses increased due to lower provision requirements for the first quarter of 2005, resulting from a \$98 million decrease in delinquencies on our mortgage loan portfolio from the fourth quarter of 2004 to the first quarter of 2005.

During the first quarter of 2005, the Company recognized an unrealized hedge gain of approximately \$22.1 million (on a pre-tax basis), which is reflected as a component of shareholders' equity in accumulated other comprehensive income on the condensed consolidated balance sheet as of March 31, 2005. The Company's deferred hedge gain is accreted into income as a reduction of interest expense in the condensed consolidated statement of operations in future periods. For the first quarter of 2005, the hedge gain resulted in a \$255 thousand decrease of interest expense, as compared to a \$2.1 million hedge loss that was amortized as an increase to interest expense in the fourth quarter of 2004.

Servicing income, net of amortization and impairment, was \$13.6 million for the first quarter 2005, compared to \$4.9 million for the first quarter of 2004 and \$13.4 million for the fourth quarter of 2004. During the first quarter 2005, Saxon purchased servicing rights to \$3.1 billion in mortgage loan pools. Saxon's third party servicing portfolio grew 9% to \$15.5 billion at March 31, 2005, compared to \$14.2 billion at December 31, 2004.

Total net revenues for the first quarter of 2005 were \$68.5 million, compared to \$61.4 million for the first quarter of 2004 and \$58.0 million for the fourth quarter of 2004.

Total expenses, which include payroll and related expenses, general and administrative expenses and other expenses, were \$40.7 million for the first quarter of 2005, compared to \$31.0 million for the first quarter of 2004 and \$41.3 million for the fourth quarter of 2004.

Payroll and related expenses increased from the fourth quarter of 2004 to the first quarter of 2005 due to the issuance of restricted stock units in the first quarter of 2005, the cost of which is amortized over the relevant vesting period, as well as to the severance expense related to the closing of four retail branches and lower FAS 91 deferral due to the decreased number of mortgage loans funded in the first quarter of 2005. General and administrative expenses decreased from the fourth quarter of 2004 to the first quarter of 2005 due to a decrease in accounting fees and consulting services.

During the first quarter of 2005, the Company closed four retail branches. The closing of these retail branches is expected to reduce the fixed cost structure of the Company's retail channel. The Company recognized \$0.3 million of expense during the first quarter of 2005 in connection with the branch closings.

Cost to service decreased to 20 basis points for the first quarter of 2005 from 24 basis points for the fourth quarter of 2004 and 26 basis points for the first quarter of 2004. Production related payroll and expenses, and general and administrative expenses increased slightly from the fourth quarter of 2004 to the first quarter of 2005 due to the closing of the retail branches. Total net cost to produce was 3.27% of total loan production for the first quarter of 2005, compared to 3.54% for the first quarter of 2004 and 2.84% for the fourth quarter of 2004.

Cost to service and total net cost to produce are measures defined by the Securities and Exchange Commission as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information about the efficiency of the Company's processes to its investors. Tables reconciling the Company's calculation of cost to service and total net cost to produce to GAAP results are set forth in Exhibit A.

Portfolio Credit Performance

Net mortgage loan portfolio totaled \$6.1 billion at March 31, 2005, an increase of 24% from March 31, 2004 and an increase of 1.7% from December 31, 2004. Seriously delinquent (60+ days past due) loans were 5.7% of net mortgage loan portfolio at March 31, 2005, compared to 7.0% at March 31, 2004 and 6.6% at December 31, 2004. Saxon's allowance for loan losses was \$33.6 million at March 31, 2005, compared to \$33.8 million at March 31, 2004, and \$37.3 million at December 31, 2004. Allowance for loan losses as a percentage of net mortgage loan portfolio balance decreased to .55% at March 31, 2005 from .69% at March 31, 2004, and decreased from .62% at December 31, 2004. Allowance for loan losses as a percentage of total delinquency and serious delinquency was 6.3% and 11.3% for the first quarter 2005 compared to 5.9% and 10.9% for the fourth quarter 2004 (excludes real estate owned delinquencies). Overall delinquencies decreased \$98 million from December 31, 2004 to March 31, 2005. The Company continues to experience lower static pool losses on the 2003 and 2004 portfolio vintages compared to the 2001 and 2002 portfolio vintages. Approximately 70% of first quarter charge-offs were related to loans produced in 2001 and 2002.

Loan Production

Mortgage loan production volume (excluding called loans) was \$805.2 million for the first quarter of 2005, an increase of 25% compared to the first quarter of 2004, and a decrease of 16% from the fourth quarter of 2004.

Saxon's wholesale mortgage loan production was \$342.5 million during the first quarter of 2005, an increase of 14% over the first quarter of 2004, and a decrease of 10% from the fourth quarter of 2004. Saxon's retail mortgage loan production was \$202.0 million during the first quarter of 2005, an increase of 2% over the first quarter of 2004, and a decrease of 21% from the fourth quarter of 2004. Saxon's correspondent flow mortgage loan production was \$222.8 million during the first quarter of 2005, an increase of 101% over the first quarter of 2004, and a decrease of 15% from the fourth quarter of 2004. Correspondent bulk mortgage loan production was \$37.9 million during the first quarter of 2005, an increase of 16% from the first quarter of 2004, and a decrease of 41% from the fourth quarter of 2004.

Whole Loan Sales

During the first quarter of 2005, Saxon sold \$161.7 million in first and second lien mortgage pools, recognizing a net gain of 1.1%.

Loan Servicing

Saxon's third party servicing portfolio was \$15.5 billion at March 31, 2005, an increase of 198% from March 31, 2004, and an increase of 9% from December 31, 2004, resulting from the purchase of additional third party servicing rights. During the first quarter of 2005, Saxon purchased third party servicing rights to service approximately \$3.1 billion of mortgage loans, which have annual servicing fees of approximately 50 basis points.

Liquidity

At March 31, 2005, Saxon had \$1.7 billion in committed facilities and \$208.6 million in working capital, compared to \$1.6 billion in committed facilities and \$134.3 million in working capital at March 31, 2004. It is common business practice to define working capital as current assets less current liabilities. However, the Company does not have a classified balance sheet and therefore calculates working capital using an internally defined formula, which is generally calculated as unrestricted cash and investments as well as unencumbered mortgage loans and servicing advances that can be pledged against existing committed facilities and converted to cash in five days or less. Management believes that this working capital calculation provides a better indication of the Company's liquidity available to conduct business at the time of calculation. A reconciliation between the Company's working capital calculation and the common definition of working capital is presented in exhibit A.

During the first quarter of 2005, Saxon priced and closed a \$1.0 billion asset-backed securitization, Saxon Asset Securities Trust 2005-1.

Recent Developments

On April 19, 2005, Saxon announced its first quarter cash dividend of \$.55 per share of common stock payable May 11, 2005 to shareholders of record at the close of business on April 29, 2005.

On May 4, 2005, the Company announced an agreement to sell five retail branches located in Connecticut, Maryland, North Carolina, New Jersey, and Texas to Bravo Credit Corporation, a wholly owned subsidiary of ECC Capital Inc. Also pursuant to the agreement, Bravo will offer employment to all employees at the five retail locations as well as the Tampa, Florida retail location.

Annual GAAP Income to REIT Income Reconciliation

As a REIT, Saxon is required to distribute at least 90% of its annual REIT taxable income to shareholders. Federal tax laws calculate REIT taxable income in a manner that, in certain respects, differs from the calculation of consolidated net income pursuant to generally accepted accounting principles (GAAP). For example, items such as loan production expenses, loan losses, and equity-based compensation expenses may cause differences to arise between tax and GAAP income. REIT taxable income will exclude the income of the REIT's taxable REIT subsidiaries except to the extent its taxable REIT subsidiary distributes income to the REIT as a dividend. Saxon expects to reconcile its GAAP income to REIT taxable income annually.

Conference Call

Saxon will host a conference call for analysts and investors at 11 a.m. Eastern Time on Friday, May 6, 2005. For a live Internet broadcast of this conference call, please visit Saxon's investor relations website at www.saxoncapitalinc.com. To participate in the call, contact Katie Soule at 804-967-5809 or Bobbi Roberts at 804-967-7879. A replay will be available shortly after the call and will remain available until 11:59 p.m. Eastern Time, May 13, 2005. The replay will be available on Saxon's website or at 800-475-6701 using the ID number 778367.

About Saxon

Saxon is a residential mortgage lender and servicer that manages a portfolio of mortgage assets. Saxon purchases, securitizes, and services real property secured mortgages and elects to be treated as a real estate investment trust (REIT) for federal tax purposes. The company is headquartered in Glen Allen, Virginia and has additional primary facilities in Fort Worth, Texas and Foothill Ranch, California.

Saxon's production subsidiaries, Saxon Mortgage, Inc., and America's MoneyLine, Inc. originate and purchase loans through wholesale, correspondent and retail business channels. Saxon currently originates and purchases loans in 49 states, through its network of brokers, correspondents, and retail branches. As of March 31, 2005, Saxon's servicing subsidiary, Saxon Mortgage Services, Inc., serviced a mortgage loan portfolio of \$21.5 billion. For more information, visit www.saxoncapitalinc.com.

Information Regarding Forward Looking Statements

Statements in this news release reflecting Saxon's future, plans and strategies, are "forward-looking statements" that are based on current expectations and assumptions. These expectations and assumptions are subject to risks and uncertainty that could affect Saxon's future plans. Saxon's actual results and the timing and occurrence of expected events could differ materially from its plans and expectations due to a number of factors, such as (i) changes in overall economic conditions and interest rates, (ii) Saxon's ability to successfully implement its growth strategy, (iii) Saxon's ability to sustain loan production growth at levels sufficient to absorb costs of production and operational costs, (iv) continued availability of credit facilities and access to the securitization markets or other funding sources, (v) deterioration in the credit quality of Saxon's loan portfolio, (vi) lack of access to the capital markets for additional funding, (vii) challenges in successfully expanding Saxon's servicing platform and technological capabilities, (viii) Saxon's ability to remain in compliance with federal tax requirements applicable to REITs, (ix) Saxon's ability and the ability of its subsidiaries to operate effectively within the limitations imposed on REITs by federal tax rules, (x) changes in federal income tax laws and regulations applicable to REITs, (xi) unfavorable changes in capital market conditions, (xii) future litigation developments, (xiii) competitive conditions applicable to Saxon's industry, and (xiv) changes in the applicable legal and regulatory environment. You should also be aware that all information in this news release is as of May 5, 2005. Saxon undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.

Saxon Capital, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except for share data)
(unaudited)

	March 31, 2005	December 31, 2004
Assets		
Cash	\$ 16,674	\$ 12,852
Accrued interest receivable	55,618	56,132
Trustee receivable	116,922	112,062
Mortgage loan portfolio	6,112,766	6,027,620
Allowance for loan losses	(33,580)	(37,310)
Net mortgage loan portfolio	6,079,186	5,990,310
Restricted cash	1,100	1,495
Servicing related advances	117,242	113,129
Mortgage servicing rights, net	110,100	98,995
Real estate owned	25,432	24,860
Derivative assets, including cash margin	27,738	11,801
Deferred tax asset	34,149	27,825
Other assets	78,988	89,670
Total assets	\$ 6,663,149	\$ 6,539,131
Liabilities and shareholders' equity		
Liabilities:		
Accrued interest payable	\$ 8,210	\$ 8,045
Dividend payable	-	28,909
Warehouse financing	269,069	600,646
Securitization financing	5,690,070	5,258,344
Derivative liabilities	4,228	1,809
Other liabilities	17,680	22,449
Total liabilities	5,989,257	5,920,202
Shareholders' equity		
Common stock, \$0.01 par value per share, 100,000,000 shares authorized; shares issued and outstanding: 49,884,038 as of March 31, 2004 and 49,849,386 as of December 31, 2004		
	499	498
Additional paid-in capital	626,266	625,123
Accumulated other comprehensive income (loss), net of tax benefit (loss) of \$2,652 and \$(2,446)	18,242	(3,842)
Net retained earnings (accumulated deficit):		
Cumulative dividends declared	(114,641)	(114,641)
Retained earnings	143,526	111,791
Net retained earnings (accumulated deficit):	28,885	(2,850)
Total shareholders' equity	673,892	618,929
Total liabilities and shareholders' equity	\$ 6,663,149	\$ 6,539,131

Saxon Capital, Inc.
Condensed Consolidated Statement of Operations
(Dollars in thousands, except for share data)
(unaudited)

	Quarter Ended March 31, 2005	Quarter Ended December 31, 2004	Quarter Ended September 30, 2004	Quarter Ended June 30, 2004	Quarter Ended March 31, 2004
Revenues:					
Interest income	\$ 114,063	\$ 105,640	\$ 99,657	\$ 99,051	\$ 90,999
Interest expense	(55,172)	(48,660)	(37,933)	(36,045)	(33,167)
Net interest income	58,891	56,980	61,724	63,006	57,832
Provision for mortgage loan losses	(5,699)	(12,879)	(14,730)	(10,160)	(3,878)
Net interest income after provision for mortgage loan losses	53,192	44,101	46,994	52,846	53,954
Servicing income, net of amortization and impairment	13,566	13,442	8,371	6,931	4,892
Gain on sale of mortgage assets	1,701	421	220	308	2,551
Total net revenues	\$ 68,459	\$ 57,964	\$ 55,585	\$ 60,085	\$ 61,397
Expenses:					
Payroll and related expenses	21,751	19,337	20,132	18,439	16,415
General and administrative expenses	16,020	19,063	13,841	12,482	11,987
Other expenses	2,918	2,919	2,371	2,823	2,637
Total expenses	40,689	41,319	36,344	33,744	31,039
Income before taxes	27,770	16,645	19,241	26,341	30,358
Income tax (benefit) expense	(3,965)	(13,495)	(19,044)	8,893	10,666
Net income	\$ 31,735	\$ 30,140	\$ 38,285	\$ 17,448	\$ 19,692
Basic earnings per share	\$ 0.64	\$ 0.60	\$ 1.21	\$ 0.61	\$ 0.69
Diluted earnings per share	\$ 0.63	\$ 0.60	\$ 1.14	\$ 0.56	\$ 0.63

Saxon Capital, Inc.
Supplemental Data

The following supplemental data is considered to be either relevant GAAP information or operational data other than as disclosed.

	Qtr		Qtr		Qtr		Qtr		Qtr	
(\$ in thousands, except share data)	3/31/2005		12/31/2004		9/30/2004		6/30/2004		3/31/2004	
Production Statistics										
Volume										
Wholesale	\$	342,514	\$	378,790	\$	394,891	\$	425,415	\$	301,206
Retail		201,979		255,156		247,474		264,619		197,511
Correspondent flow		222,759		260,938		267,086		208,320		111,006
Correspondent bulk		37,900		64,198		39,660		45,601		32,720
Called loans (1)		-		83,269		50,476		-		136,291
Net Cost to Produce (2)										
Wholesale		2.99%		2.83%		2.67%		2.63%		3.28%
Retail		3.96%		2.38%		2.62%		2.28%		3.58%
Correspondent (3)		3.11%		3.21%		3.07%		3.21%		4.06%
Total Production		3.27%		2.84%		2.79%		2.69%		3.54%
Cost to service		0.20%		0.24%		0.20%		0.22%		0.26%
Credit Quality (4)										
Average loan-to-value		78.5%		80.2%		80.3%		80.2%		80.1%
Credit score		617		615		622		627		618
Fixed weighted average coupon		7.9%		8.3%		8.2%		7.2%		8.2%
ARM weighted average coupon		7.0%		7.0%		7.0%		6.9%		7.2%
Total weighted average coupon		7.2%		7.3%		7.3%		7.0%		7.6%
Portfolio Statistics										
Owned portfolio weighted average credit score		616		617		617		614		611
Owned portfolio weighted average coupon		7.5%		7.6%		7.7%		7.8%		8.1%
Owned portfolio principal balance (at period end)	\$	6,035,444	\$	5,950,965	\$	5,575,386	\$	5,215,050	\$	4,918,253
Owned portfolio seriously delinquent (5)		5.7%		6.6%		6.6%		6.5%		7.0%
Non-GAAP owned net losses on liquidated loans - quarter ended trust basis (6)		11,273		14,474		10,862		11,007		10,381
GAAP owned net losses on liquidated loans - quarter ended (6)		8,893		11,014		11,908		9,497		13,350
Total serviced portfolio principal balance (at period end)		21,518,419		20,165,942		16,098,212		11,364,002		10,127,216
Total serviced portfolio seriously delinquent (5)		5.0%		5.3%		5.8%		7.2%		7.9%
Total serviced net losses on liquidated loans - quarter ended trust basis		21,817		25,433		22,060		29,396		26,982
Key Ratios										
Average interest earning assets (7)	\$	6,025,904	\$	5,642,337	\$	5,375,840	\$	4,986,364	\$	4,726,335
Average assets (8)		6,601,140		6,429,964		5,984,834		5,698,349		5,403,454
Average equity (8)		646,411		659,747		545,933		375,976		352,849
Return on average assets (ROA) (9)		1.9%		1.9%		2.6%		1.2%		1.5%
Return on average equity (ROE) (9)		19.6%		18.3%		28.1%		18.6%		22.3%
Average equity/average assets		9.8%		10.3%		9.1%		6.6%		6.5%
Debt to equity		8.9		9.6		8.0		13.4		14.9
Interest income/average interest earning assets (9)		7.6%		7.5%		7.4%		7.9%		7.7%
Interest expense/average interest earning assets (9)		3.7%		3.4%		2.8%		2.9%		2.8%
Net interest margin/average interest earning assets (9) (10)		3.9%		4.0%		4.6%		5.1%		4.9%
Net interest margin after provision for mortgage loans losses (9)(10)		3.5%		3.1%		3.5%		4.2%		4.6%
Operating expenses/servicing portfolio (9)		0.8%		0.8%		0.9%		1.2%		1.2%
Operating expenses/average assets (9)		2.5%		2.6%		2.4%		2.4%		2.3%
Efficiency ratio (11)		59.4%		71.3%		65.4%		56.2%		50.6%
Non-GAAP adjusted efficiency ratio (12)		55.7%		58.7%		46.8%		44.5%		49.5%
Common Stock Data										
Basic earnings per share	\$	0.64	\$	0.60	\$	1.21	\$	0.61	\$	0.69
Diluted earnings per share	\$	0.63	\$	0.60	\$	1.14	\$	0.56	\$	0.63
Shares used to compute basic EPS		49,850		49,844		31,525		28,703		28,671
Shares used to compute diluted EPS		50,463		49,854		33,565		31,196		31,407
Shares outstanding (period end)		49,884		49,849		49,844		28,731		28,691
Common Stock Price (13)										
High	\$	24.28	\$	26.58	\$	29.15	\$	28.97	\$	30.75
Low	\$	16.33	\$	18.25	\$	20.85	\$	21.60	\$	26.82
Period End	\$	17.20	\$	23.99	\$	21.50	\$	22.83	\$	28.40
Book value per share (period end)	\$	13.51	\$	12.42	\$	14.06	\$	13.62	\$	12.57

(1) Called loans are mortgages purchased from the SAST 98-1, 98-2, 98-3, 98-4, 99-1 and 99-4 securitizations pursuant to the clean-up call provision of the trust.

(2) Net cost to produce is defined as general and administrative costs and premium paid, net of fees collected, divided by loan production.
See net cost to produce calculation in Exhibit A.

- (3) Beginning January 1, 2005, Correspondent flow and bulk g&a, premium, and fees are combined to calculate net cost to produce for the Correspondent business channel. Prior periods have been recalculated to show Correspondent channel as a whole.
 - (4) Credit quality statistics for quarters ended December 31, 2004, September 30, 2004, and March 31, 2004 include called loan statistics. In addition, all quarters presented include second mortgages originated and sold.
 - (5) Seriously delinquent is defined as 60 plus days past due.
 - (6) GAAP requires losses to be recognized immediately upon the loan transferring to real estate owned. The trust does not recognize a loss on real estate owned property until it is sold, which causes a timing difference between GAAP and trust losses. In addition, trust losses exclude losses resulting from a delinquent loan sale. Exhibit A provides a reconciliation of GAAP to trust losses.
 - (7) Average interest earning assets is a daily average balance of loans in the net mortgage loan portfolio.
 - (8) Average assets is calculated by adding current quarter and previous quarter total assets, then dividing by 2. Average equity is calculated by adding current quarter and previous quarter total shareholders' equity, then dividing by 2.
 - (9) Ratios are annualized.
 - (10) Net interest margin is calculated as the difference between interest income and interest expense divided by average interest earning assets.
 - (11) Efficiency ratio is calculated as total expenses divided by total net revenues.
 - (12) See Exhibit A for a reconciliation of the calculation for non-GAAP adjusted efficiency ratio.
 - (13) Represents actual stock prices during quarter. A \$4.00 per share merger consideration was paid during the third quarter 2004.
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Saxon Capital, Inc.
Selected Quarterly Mortgage Loan Portfolio Data

	Qtr 3/31/2005	Qtr 12/31/2004	Qtr 9/30/2004	Qtr 6/30/2004	Qtr 3/31/2004 (1)
Summary by Product Type					
Adjustable rate - Floating	0.40%	0.45%	0.48%	0.56%	0.62%
Adjustable rate - Interest only	21.95%	18.23%	14.38%	8.54%	4.52%
Adjustable rate - 2 / 3 / 5 year hybrids	44.23%	45.48%	46.98%	51.20%	56.31%
Fixed rate - 15 / 30 year	25.44%	27.00%	28.51%	29.48%	28.46%
Fixed rate - Interst only	2.21%	2.38%	2.58%	2.63%	1.84%
Fixed rate - Balloons / Other	5.77%	6.47%	7.07%	7.59%	8.26%
Summary by Credit Grade					
Above 650					
Percent of total	28.14%	29.01%	28.82%	27.59%	26.11%
Weighted average coupon - Total	6.70%	6.74%	6.82%	6.91%	7.11%
Weighted average coupon - Fixed	7.00%	7.05%	7.08%	7.10%	7.32%
Weighted average coupon - Adjustable	6.48%	6.50%	6.58%	6.71%	6.89%
Weighted average initial LTV	78.80%	78.43%	77.92%	77.64%	77.01%
Weighted average median credit score	691	692	692	692	692
601 to 650					
Percent of total	30.49%	30.00%	29.98%	29.67%	28.57%
Weighted average coupon - Total	7.11%	7.19%	7.28%	7.41%	7.65%
Weighted average coupon - Fixed	7.51%	7.56%	7.58%	7.63%	7.86%
Weighted average coupon - Adjustable	6.89%	6.95%	7.07%	7.24%	7.48%
Weighted average initial LTV	79.39%	79.34%	79.18%	79.04%	78.70%
Weighted average median credit score	625	625	625	626	626
551 to 600					
Percent of total	24.84%	24.08%	23.83%	23.97	24.81%
Weighted average coupon - Total	7.77%	7.89%	8.02%	8.17%	8.40%
Weighted average coupon - Fixed	8.19%	8.24%	8.29%	8.37%	8.66%
Weighted average coupon - Adjustable	7.61%	7.74%	7.88%	8.08%	8.29%
Weighted average initial LTV	78.72%	78.93%	78.92%	79.18%	79.29%
Weighted average median credit score	578	578	578	578	577
526 to 550					
Percent of total	8.91%	9.00%	9.30%	9.92%	10.84%
Weighted average coupon - Total	8.73%	8.86%	8.97%	9.09%	9.24%
Weighted average coupon - Fixed	9.33%	9.41%	9.48%	9.58%	9.79%
Weighted average coupon - Adjustable	8.57%	8.70%	8.81%	8.94%	9.09%
Weighted average initial LTV	78.83%	79.57%	79.65%	79.84%	79.91%
Weighted average median credit score	539	539	539	538	538
525 and below					
Percent of total	7.01%	7.24%	7.37%	8.05%	8.77%
Weighted average coupon - Total	9.49%	9.64%	9.79%	9.94%	10.07%
Weighted average coupon - Fixed	10.40%	10.48%	10.52%	10.60%	10.76%
Weighted average coupon - Adjustable	9.28%	9.43%	9.60%	9.76%	9.88%
Weighted average initial LTV	77.74%	78.19%	78.13%	78.18%	78.10%
Weighted average median credit score	511	510	510	509	508
Unavailable					
Percent of total	0.61%	0.68%	0.70%	0.80%	0.90%
Summary by Income Documentation					
Full documentation	72.91%	72.46%	72.15%	72.42%	72.09%
Limited documentation	4.08%	4.26%	4.52%	4.81%	5.08%
Stated income	23.02%	23.28%	23.33%	22.77%	22.83%
Summary by Borrower Purpose					
Cash-out refinance	69.50%	68.38%	68.23%	69.00%	68.90%
Purchase	22.34%	23.00%	22.75%	21.47%	21.19%
Rate or term refinance	8.15%	8.61%	9.02%	9.53%	9.91%

(1) The summary by credit grade and by product type data for quarter ended March 31, 2004 is presented differently than originally reported in the Form 10-Q filed May 13, 2004. This is due to the Company's change in credit grade classification and break-out of additional product types.

Saxon Capital, Inc.
Selected Quarterly Mortgage Loan Production Data

	Qtr		Qtr		Qtr		Qtr		Qtr		
	3/31/2005		12/31/2004		9/30/2004		6/30/2004		3/31/2004 (1)		
Overall Summary (\$ in thousands) (2)											
Total Loan Production	\$	805,151	\$	1,042,351	\$	999,588	\$	943,955	\$	778,734	
Average principal balance per loan	\$	165	\$	148	\$	147	\$	156	\$	123	
Number of loans originated		4,870		7,063		6,799		6,043		6,356	
Summary by Product Type (2)											
Adjustable rate - Floating		0.13%		0.28%		0.26%		0.01%		0.76%	
Adjustable rate - Interest only		41.84%		35.41%		37.04%		29.05%		18.05%	
Adjustable rate - 2 / 3 / 5 year hybrids		40.71%		43.15%		35.83%		32.37%		37.15%	
Fixed rate - 15 / 30 year		12.41%		13.98%		17.64%		26.08%		32.11%	
Fixed rate - Interst only		0.41%		0.75%		1.38%		5.69%		2.74%	
Fixed rate - Balloons / Other		4.49%		6.44%		7.85%		6.80%		9.17%	
Summary by Credit Grade (2)											
Above 650											
Percent of total		27.66%		28.16%		31.97%		34.52%		29.81%	
Weighted average coupon - Total		6.86%		6.81%		6.92%		6.59%		7.11%	
Weighted average coupon - Fixed		7.82%		8.13%		8.07%		7.02%		7.77%	
Weighted average coupon - Adjustable		6.55%		6.30%		6.37%		6.21%		6.39%	
Weighted average initial LTV		81.67%		81.93%		81.79%		81.49%		80.86%	
Weighted average median credit score		688		688		690		692		684	
601 to 650											
Percent of total		32.78%		30.46%		31.07%		32.76%		29.24%	
Weighted average coupon - Total		6.93%		7.00%		7.10%		6.83%		7.26%	
Weighted average coupon - Fixed		7.81%		8.18%		8.13%		7.22%		7.82%	
Weighted average coupon - Adjustable		6.73%		6.66%		6.68%		6.56%		6.76%	
Weighted average initial LTV		78.83%		80.77%		80.34%		80.94%		81.06%	
Weighted average median credit score		625		624		624		625		624	
551 to 600											
Percent of total		26.14%		25.61%		23.40%		20.71%		23.47%	
Weighted average coupon - Total		7.24%		7.44%		7.49%		7.23%		7.83%	
Weighted average coupon - Fixed		7.77%		8.17%		8.14%		7.21%		8.42%	
Weighted average coupon - Adjustable		7.16%		7.29%		7.31%		7.25%		7.46%	
Weighted average initial LTV		77.10%		78.80%		78.97%		78.35%		78.83%	
Weighted average median credit score		576		578		579		579		582	
526 to 550											
Percent of total		7.75%		8.18%		7.33%		6.74%		9.33%	
Weighted average coupon - Total		7.92%		8.30%		8.32%		8.10%		8.58%	
Weighted average coupon - Fixed		8.65%		8.85%		9.10%		8.05%		9.18%	
Weighted average coupon - Adjustable		7.83%		8.20%		8.12%		8.11%		8.31%	
Weighted average initial LTV		74.14%		78.46%		78.97%		77.42%		78.81%	
Weighted average median credit score		539		539		544		539		547	
525 and below											
Percent of total		5.56%		7.07%		6.01%		5.18%		7.51%	
Weighted average coupon - Total		8.58%		8.87%		9.00%		8.83%		9.19%	
Weighted average coupon - Fixed		9.16%		10.00%		9.78%		8.98%		9.86%	
Weighted average coupon - Adjustable		8.53%		8.74%		8.86%		8.80%		8.88%	
Weighted average initial LTV		73.16%		77.64%		79.11%		77.62%		78.65%	
Weighted average median credit score		512		512		521		513		528	
Unavailable											
Percent of total		0.12%		0.52%		0.22%		0.09%		0.64%	
Summary by Income Documentation (2)											
Full documentation		70.17%		71.69%		69.38%		70.93%		69.95%	
Limited documentation		3.22%		3.03%		3.10%		3.38%		5.00%	
Stated income		26.60%		25.28%		27.52%		25.69%		25.05%	
Summary by Borrower Purpose (2)											
Cash-out refinance		73.67%		68.64%		65.39%		66.84%		66.71%	
Purchase		22.39%		25.94%		29.68%		26.96%		22.94%	
Rate or term refinance		3.94%		5.42%		4.93%		6.20%		10.35%	

(1) The summary by credit grade and by product type data for quarter ended March 31, 2004 is presented differently than originally reported in the Form 10-Q filed May 13, 2004. This is due to the Company's change in credit grade classification and break-out of additional product types.

(2) Includes called loans

Saxon Capital, Inc.
Exhibit A

(\$ in thousands)	Qtr 3/31/2005		Qtr 12/31/2004		Qtr 9/30/2004		Qtr 6/30/2004		Qtr 3/31/2004	
Reconciliation between GAAP and Trust Losses										
Losses trust basis	\$	11,273	\$	14,474	\$	10,862	\$	11,007	\$	10,381
Loan transfers to real estate owned		6,855		8,558		10,420		8,536		10,963
Realized losses on real estate owned		(8,597)		(11,563)		(9,139)		(8,153)		(9,013)
Timing differences between liquidation and claims processing		(198)		(151)		(497)		(1,158)		294
Loss from delinquent loans sale applied to reserve		-		-		-		-		359
Basis adjustments applied against loss		-		-		-		-		-
Fraud		-		-		-		-		-
Interest not advanced on warehouse		(75)		(173)		(78)		(60)		(43)
Other		(364)		(131)		339		(676)		409
GAAP losses	\$	8,893	\$	11,014	\$	11,908	\$	9,497	\$	13,350

Net Cost to Produce (1)

Management believes net cost to produce is beneficial to investors because it provides a measurement of efficiency in the origination process.

The following table demonstrates the Company's calculation of net cost to produce. There is no directly comparable GAAP financial measure to "net cost to produce", the components of which are calculated in accordance with GAAP.

Total expenses

Wholesale G&A	\$	8,086	\$	8,024	\$	7,994	\$	8,558	\$	7,514
Retail G&A		13,171		12,638		12,745		12,546		11,937
Correspondent G&A (2)		2,319		2,068		2,246		2,155		1,873
Servicing G&A		10,205		10,881		7,642		6,217		6,526
Administrative G&A		11,826		13,923		12,825		12,372		9,205
Other expenses (3)		1,411		1,459		978		1,248		1,143
Capitalized expenses (4)		(6,329)		(7,674)		(8,086)		(9,352)		(7,159)
Total expenses	\$	40,689	\$	41,319	\$	36,344	\$	33,744	\$	31,039

Fees Collected (5)

Wholesale fees collected	\$	1,073	\$	1,172	\$	1,240	\$	1,337	\$	975
Retail fees collected		5,169		6,569		6,259		6,510		4,871
Correspondent fees collected (2)		222		258		268		212		125
Total fees collected	\$	6,465	\$	7,999	\$	7,767	\$	8,058	\$	5,971

Premium Paid (5)

Wholesale premium	\$	3,212	\$	3,860	\$	3,793	\$	3,971	\$	3,330
Correspondent premium (2)		6,013		8,616		7,427		6,208		4,089
Total premium (6)	\$	9,225	\$	12,476	\$	11,221	\$	10,179	\$	7,419

Net Cost to Produce - dollars

Wholesale	\$	10,226	\$	10,711	\$	10,547	\$	11,192	\$	9,869
Retail		8,001		6,069		6,486		6,037		7,066
Correspondent (2)		8,110		10,427		9,406		8,151		5,838
Total	\$	26,337	\$	27,207	\$	26,439	\$	25,380	\$	22,772

Volume

Wholesale	\$	342,514	\$	378,790	\$	394,891	\$	425,415	\$	301,206
Retail		201,979		255,156		247,474		264,619		197,511
Correspondent flow		222,759		260,938		267,086		208,320		111,006
Correspondent bulk		37,900		64,198		39,660		45,601		32,720
Total	\$	805,152	\$	959,082	\$	949,112	\$	943,955	\$	642,442

Net Cost to Produce - basis points

Wholesale	2.99%	2.83%	2.67%	2.63%	3.28%
Retail	3.96%	2.38%	2.62%	2.28%	3.58%
Correspondent (2)	3.11%	3.21%	3.07%	3.21%	4.06%
Total (6)	3.27%	2.84%	2.79%	2.69%	3.54%

(1) Net cost to produce is defined as general and administrative costs and premium paid, net of fees collected, divided by loan production.

(2) Beginning January 1, 2005, Correspondent flow and bulk g&a, premium, and fees are combined to calculate net cost to produce for the Correspondent business channel.

Prior periods have been recalculated to show the Correspondent channel as a whole.

(3) For purposes of net cost to produce, depreciation is removed from other expenses (as it is presented on the income statement) and is a component of the channel g&a expenses.

(4) Capitalized expenses are origination expenses that are capitalized per FAS 91.

(5) Fees collected and premium are capitalized and held on balance sheet as components of the net mortgage loan portfolio.

(6) Third quarter 2004 premium paid increased by \$276 thousand due to an adjustment. Total net cost to produce changed from 2.76% to 2.79% because of this adjustment.

Cost to Service

Management believes cost to service is beneficial to investors because it provides a measurement of efficiency in the servicing channel.

The following table demonstrates the Company's calculation of cost to service.

Servicing G&A	\$	10,205	\$	10,881	\$	7,642	\$	6,217	\$	6,526
Average total portfolio balance (\$ in thousands)	\$	20,795,384	\$	18,371,194	\$	15,107,928	\$	11,134,783	\$	9,926,027
Cost to service (Annualized)		0.20%		0.24%		0.20%		0.22%		0.26%

Reconciliation of non-GAAP adjusted efficiency ratio (1)

Total expenses	\$	40,689	\$	41,319	\$	36,344	\$	33,744	\$	31,039
Less: one-time expenses (2)		300		-		3,508		2,598		-
Total adjusted expenses	\$	40,389	\$	41,319	\$	32,836	\$	31,146	\$	31,039
Total net revenues	\$	68,459	\$	57,964	\$	55,585	\$	60,085	\$	61,397
Add: provision for mortgage loan losses		5,699		12,879		14,730		10,160		3,878
Less: gain on sale of mortgage assets		1,701		421		220		308		2,551
Total adjusted net revenues	\$	72,457	\$	70,422	\$	70,095	\$	69,937	\$	62,724
Adjusted efficiency ratio (1)		55.7%		58.7%		46.8%		44.5%		49.5%

(1) Non-GAAP adjusted efficiency ratio is calculated as total adjusted expenses divided by adjusted net revenues.

(2) Total adjusted expenses for first quarter 2005 excludes the \$0.3 million expense associated with the four retail branch closings.

Total adjusted expenses for third quarter 2004 excludes the \$3.5 million expense associated with the REIT conversion.

Total adjusted expenses for second quarter 2004 excludes a \$2.6 million severance expense.

Working Capital Reconciliation

Management believes the Company's definition of working capital provides a better indication of how much liquidity the Company has available to conduct business at the time of the calculation.

This following table provides a reconciliation between the Company's working capital calculation and the common definition of working capital.

	March 31, 2005		March 31, 2004	
	Saxon Defined Working Capital	Commonly Defined Working Capital	Saxon Defined Working Capital	Commonly Defined Working Capital
	(\$ in thousands)			
Unrestricted cash	\$ 16,674	\$ 16,674	\$ 6,795	\$ 6,795
Borrowing availability	65,600	-	32,055	-
Trustee receivable	-	116,922	-	89,797
Accrued interest receivable	-	55,618	-	52,743
Accrued interest payable	-	(8,210)	-	(9,576)
Unsecuritized mortgage loans - payments less than one year	313,747	313,747	225,790	522,284
Warehouse financing facility - payments less than one year	(187,405)	(187,405)	(130,342)	(425,048)
Bonds - repurchase agreement - payments less than one year	-	-	-	(1,320)
Servicing advances	-	117,242	-	90,789
Financed advances - payments less than one year	-	(44,564)	-	(34,025)
Securitized loans - payments less than one year	-	2,002,371	-	1,630,375
Securitized debt - payments less than one year	-	(1,972,828)	-	(1,801,601)
Total	\$ 208,616	\$ 409,567	\$ 134,298	\$ 121,213

It is common business practice to define working capital as current assets less current liabilities. The Company does not have a classified balance sheet and therefore calculates its working capital using its own internally defined formula, which is generally calculated as unrestricted cash and investments as well as unencumbered mortgage loans and servicing advances that can be pledged against existing committed facilities and converted to cash in five days or less.