

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1996

OR

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

Commission File Number 1-9977

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction)
of Incorporation or Organization)

86-0611231
(I.R.S. Employer
Identification No.)

5333 North 7th Street, Suite 219
Phoenix, Arizona
(Address of Principal Executive Offices)

85014
(Zip Code)

(602) 265-8541
(Registrant's Telephone Number, Including Area Code)

Not Applicable
Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report.

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

As of May 7, 1996; 9,716,517 shares of Homeplex Mortgage Investments Corporation common stock were outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1 Financial Statements

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED BALANCE SHEETS
As Of March 31, 1996 and December 31, 1995
(Dollars In Thousands Except Per Share Data)
(Unaudited)

	March 31, 1996	Dec. 31, 1995
	-----	-----
ASSETS		
Real estate loans	\$ 3,599	\$ 4,048
Short-term investments	9,082	8,969
Funds held by Trustee	5,249	5,638
Residual interests	4,985	5,457
Cash and cash equivalents	3,091	3,347
Other assets	517	357
	-----	-----
Total Assets	\$ 26,523	\$ 27,816
	=====	=====
LIABILITIES		
Long-term debt	\$ 6,828	\$ 7,819

Accounts payable and other liabilities	1,097	1,182
Accrued interest payable	66	76
Dividend payable	--	291
	-----	-----
Total Liabilities	7,991	9,368
	-----	-----
Contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share; 50,000,000 shares authorized;		
issued and outstanding - 9,875,655 shares	99	99
Additional paid-in capital	84,046	84,046
Cumulative net loss	(23,673)	(23,757)
Cumulative dividends	(41,530)	(41,530)
Treasury stock - 159,138 shares	(410)	(410)
	-----	-----
Total Stockholders' Equity	18,532	18,448
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 26,523	\$ 27,816
	=====	=====

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
For The Three Months Ended March 31, 1996 and 1995
(Dollars In Thousands Except Per Share Data)
(Unaudited)

	1996	1995
	-----	-----
INCOME		
Interest income on real estate loans	\$ 190	\$ 575
Income from residual interests	248	415
Other income	196	113
	-----	-----
Total Income	634	1,103
	-----	-----
EXPENSES		
Interest	162	250
General, administrative and other	388	391
	-----	-----
Total Expenses	550	641
	-----	-----
Net Income	\$ 84	\$ 462
	=====	=====

SHARE DATA

Net Income Per Share	\$.01	\$.05
	=====	=====
Weighted Average Number Of Shares Of Common Stock And Common Stock Equivalents Outstanding	9,819,354	9,725,490
	=====	=====

See notes to consolidated financial statements.

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<TABLE>

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For The Three Months Ended March 31, 1996
(Dollars In Thousands)
(Unaudited)

<CAPTION>

Number	Par	Additional Paid-In	Cumulative Net Income	Cumulative	Treasury
--------	-----	-----------------------	--------------------------	------------	----------

	Of Shares	Value	Capital	(Loss)	Dividends	Stock	Total
	-----	-----	-----	-----	-----	-----	-----
-							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	9,875,655	\$ 99	\$ 84,046	\$ (23,757)	\$ (41,530)	\$ (410)	\$ 18,448
Net income	--	--	--	84	--	--	84
-							
Balance at March 31, 1996 ..	9,875,655	\$ 99	\$ 84,046	\$ (23,673)	\$ (41,530)	\$ (410)	\$ 18,532
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended March 31, 1996 and 1995
Increase (Decrease) In Cash
(Dollars In Thousands)
(Unaudited)

	1996	1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 84	\$ 462
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in other assets	(179)	42
Decrease in accounts payable and other liabilities	(85)	(10)
Amortization of debt costs	19	30
Decrease in accrued interest payable	(10)	(10)
	-----	-----
Net Cash Provided By (Used In) Operating Activities	(171)	514
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on real estate loans	499	--
Amortization of residual interests	472	553
Decrease in funds held by Trustee	389	209
Increase in short-term investments	(113)	--
Real estate loans funded	(50)	(2,039)
	-----	-----
Net Cash Provided By (Used In) Investing Activities	1,197	(1,277)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments made on long-term debt	(991)	(991)
Dividends paid	(291)	(194)
	-----	-----
Net Cash Used In Financing Activities	(1,282)	(1,185)
	-----	-----
Net Decrease In Cash	(256)	(1,948)
Cash And Cash Equivalents At Beginning Of Period	3,347	6,666
	-----	-----
Cash And Cash Equivalents At End Of Period	\$ 3,091	\$ 4,718
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION

Cash paid for interest	\$ 153	\$ 230
	=====	=====

See notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Homeplex Mortgage Investments Corporation, a Maryland corporation, (the Company) commenced operations in July 1988. As described in Note 4 the Company has purchased interests in mortgage certificates securing collateralized mortgage obligations (CMOs) and interests relating to mortgage participation certificates (MPCs) (collectively residual interests). Since December 1993 the Company has originated various loans secured by real estate (see Note 3).

The accompanying interim financial statements do not include all of the information and disclosures generally required for annual financial statements. In the opinion of management, however, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1996 and 1995 are not necessarily indicative of the results that may be expected for the entire year. These financial statements should be read in conjunction with the December 31, 1995 financial statements and notes thereto.

NOTE 2 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Homeplex Mortgage Investments Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Income Taxes

The Company has elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code. As a REIT, the Company must distribute annually at least 95% of its taxable income to its stockholders.

At December 31, 1995, the Company has available, for income tax purposes, a net operating loss carryforward of approximately \$57,000,000. Such loss may be carried forward, with certain restrictions, for up to 14 years to offset future taxable income, if any. Until the tax loss carryforward is fully utilized or expires, the Company will not be required to pay dividends to its stockholders except for income that is deemed to be excess inclusion income.

The income reported in the accompanying financial statements is different than taxable income because some income and expense items are reported in different periods for income tax purposes. The principal differences relate to the amortization of residual interests and the treatment of stock option expense.

Residual Interests

Interests relating to mortgage participation certificates and residual interest certificates are accounted for as described in Note 4.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1996
(Unaudited)

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and certificates of deposit with maturities of less than three months.

Net Income Per Share

Primary net income per share is calculated using the weighted average shares of common stock outstanding and common stock equivalents. Common stock equivalents consist of dilutive stock options. Net income per share is the same for both primary and fully diluted calculations.

Short-Term Investments

At March 31, 1996, short-term investments consist of a Treasury Bill with a face amount of \$9,129,000, maturity date of May 9, 1996 and an estimated yield to maturity of 5.00%.

NOTE 3 - REAL ESTATE LOANS

The following is a summary of real estate loans at March 31, 1996:

<TABLE>

<CAPTION>

Description	Interest Rate	Payment Terms	Principal and Carrying Amount (1)
-------------	---------------	---------------	-----------------------------------

<S>	<C>	<C>	<C>
First Deed of Trust on 41 acres of land in Gilbert, Arizona.	16%	Interest only monthly, principal due October 18, 1996; may be extended for one year under cer- tain terms and conditions.	\$ 1,327,000
First Deed of Trust on 33 acres of land in Tempe, Arizona.	16%	Interest only monthly, principal due November 21, 1995; extended for one year on November 21, 1995 under the same terms and conditions.	2,272,000
			----- \$ 3,599,000 =====

</TABLE>

(1) Also represents cost for federal income tax purposes.

At March 31, 1996, both of the Company's loans are secured by properties located in Arizona. As a result of this geographic concentration, unfavorable economic conditions in Arizona could increase the likelihood of defaults on these loans and affect the Company's ability to protect the principal and interest on such loans following foreclosures upon the real properties securing such loans.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 1996
(Unaudited)

NOTE 4 - RESIDUAL INTERESTS

The Company owns residual interests in collateralized mortgage obligations (CMOs) and residual interests in mortgage participation certificates (MPCs) (collectively residual interests) with respect to which elections to be treated as a real estate mortgage investment conduit (REMIC) have been made.

Residual Interest Certificates

The Company owns 100% of the residual interest certificates representing the residual interests in five series of CMOs secured by mortgage certificates and cash funds held by trustee. The CMOs have been issued through Westam Mortgage Financial Corporation (Westam) or American Southwest Financial Corporation (ASW). The mortgage certificates securing the CMOs all have fixed interest rates. Certain of the classes of CMOs have fixed interest rates and certain have interest rates that are determined monthly based on the London Interbank Offered Rates (LIBOR) for one month Eurodollar deposits, subject to specified maximum interest rates.

Each series of CMOs consists of several serially maturing classes collateralized by mortgage certificates. Generally, principal payments received on the mortgage certificates, including prepayments on such mortgage certificates, are applied to principal payments on the classes of CMOs in accordance with the respective indentures. Scheduled payments of principal and interest on the mortgage certificates securing each series of CMOs and reinvestment earnings thereon are intended to be sufficient to make timely payments of interest on such series and to retire each class of such series by its stated maturity. Certain series of CMOs are subject to redemption according to specific terms of the respective indentures.

The Company's residual interest certificates entitle the Company to receive the excess, if any, of payments received from the pledged mortgage certificates together with reinvestment income thereon over amounts required to make debt service payments on the related CMOs and to pay related administrative expenses of the REMICs. The Company also has the right, under certain conditions, to cause an early redemption of the CMOs. Under the early redemption feature, the mortgage certificates are sold at the then current market price and the CMOs repaid at par value. The Company is entitled to any excess cash flow from such early redemptions. The conditions under which such early redemptions may be elected vary but generally cannot be done until the remaining outstanding CMO balance is less than 10% of the original balance.

Interests In Mortgage Participation Certificates

The Company owns residual interests in REMICs with respect to three separate series of Mortgage Participation Certificates (MPCs) issued by the Federal Home Loan Mortgage Corporation (FHLMC) or by the Federal National Mortgage Association (FNMA). The Company's MPC residual interests entitle the Company to receive its proportionate share of the excess (if any) of payments received from the mortgage certificates underlying the MPCs over principal and interest required to be passed through to the holders of such MPCs. The Company is not entitled to reinvestment income earned on the underlying mortgage certificates, is not required to pay any administrative expenses related to the MPCs and does not have the right to elect early termination of any of the MPC

classes. The mortgage certificates underlying the MPCs all have fixed interest rates. Certain of the classes of the MPCs have fixed interest rates and certain have interest rates

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 March 31, 1996
 (Unaudited)

that are determined monthly based on LIBOR or based on the Monthly Weighted Average Cost of Funds (COFI) for Eleventh District Savings Institutions as published by the Federal Home Loan Bank of San Francisco, subject to specified maximum interest rates.

The following summarizes the Company's investment in residual interests at March 31, 1996:

Series -----	Type Of Investments -----	Company's Amortized Cost ----- (In Thousands)	Company's Percentage Ownership -----
Westam 1	Residual Interest Certificate	\$ 600	100.00%
Westam 3	Residual Interest Certificate	30	100.00%
Westam 5	Residual Interest Certificate	183	100.00%
Westam 6	Residual Interest Certificate	11	100.00%
ASW 65	Residual Interest Certificate	2,357	100.00%
FHLMC 17	Interest in MPCs	125	100.00%
FNMA 1988-24	Interest in MPCs	1,095	20.20%
FNMA 1988-25	Interest in MPCs	584	45.07%
		----- \$4,985 =====	

The following summarizes the Company's proportionate interest in the aggregate assets and liabilities of the eight residual interests at March 31, 1996 (in thousands):

Assets:		
Outstanding Principal Balance of Mortgage Certificates.....	\$ 336,377	
Funds Held By Trustee and Accrued Interest Receivable.....	11,036	

	\$ 347,413	
	=====	
Range of Stated Coupon of Mortgage Certificates.....	9.0%-10.5%	
Liabilities:		
Outstanding Principal Balance of CMOs and MPCs:		
Fixed Rate	\$ 304,704	
Floating Rate - LIBOR Based.....	32,966	
Floating Rate - COFI Based.....	4,100	

Total.....	341,770	
Accrued Interest Payable.....	2,310	

	\$ 344,080	
	=====	
Range of Stated Interest Rates on CMOs and MPCs.....	0% to 9.9%	

The average LIBOR and COFI rates used to determine income from residual interests were as follows:

	Three Months Ended		At March 31, 1996
	March 31,		
	-----	-----	-----
	1996	1995	
	----	----	
LIBOR.....	5.50%	6.06%	5.31%
COFI.....	5.07%	4.57%	4.98%

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 March 31, 1996
 (Unaudited)

The Company accounts for residual interests using the prospective net level yield method. Under this method, a residual interest is recorded at cost and amortized over the life of the related CMO or MPC issuance. The total expected cash flow is allocated between principal and interest as follows:

1. An effective yield is calculated as of the date of purchase based on the purchase price and anticipated future cash flows.

2. In the initial accounting period, interest income is accrued on the investment balance using the effective yield calculated as of the date of purchase.
3. Cash received on the investment is first applied to accrued interest with any excess reducing the recorded principal balance of the investment.
4. At each reporting date, the effective yield is recalculated based on the amortized cost of the investment and the then-current estimate of the remaining future cash flows.
5. The recalculated effective yield is then used to accrue interest income on the investment balance in the subsequent accounting period.
6. The above procedure continues until all cash flows from the investment have been received.

At the end of each period, the amortized balance of the investment should equal the present value of the estimated cash flows discounted at the newly-calculated effective yield. If a residual interest is determined to have other than temporary impairment, the residual interest is written down to fair value.

At March 31, 1996, the estimated prospective net level yield of the Company's residual interests, in the aggregate, is 28% without early redemptions or terminations being considered and 72% if early redemptions or terminations are considered. At March 31, 1996, the estimated fair value of the Company's residual interests, in the aggregate, approximates the Company's aggregate carrying value.

The projected yield and estimated fair value of the Company's residual interests are based on prepayment and interest rate assumptions at March 31, 1996. There will be differences, which may be material, between the projected yield and the actual yield and the fair value of the residual interests may change significantly over time.

NOTE 5 - LONG-TERM DEBT

On December 17, 1992, a wholly owned, limited purpose subsidiary of the Company issued \$31,000,000 of Secured Notes under an Indenture to a group of institutional investors. The Notes bear interest at 7.81% and require quarterly payments of principal and interest with the balance due on February 15, 1998. In connection with the financing, the Company paid fees of \$635,000 which are included in other assets in the accompanying consolidated balance sheet and are being amortized to interest expense over the life of the financing. The Notes are secured by the Company's residual interests in Westam 1, Westam 3, Westam 5, Westam 6, ASW 65, FNMA 1988-24 and FNMA 1988-25 (see Note 4), and by Funds held by the Note Trustee. The Company used \$3,100,000 of the proceeds to establish a reserve fund. The reserve

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 March 31, 1996
 (Unaudited)

fund, which has a specified maximum balance of \$7,750,000, is to be used to make the scheduled principal and interest payments on the Notes if the cash flow available from the collateral is not sufficient to make the scheduled payments. Depending on the level of certain specified financial ratios relating to the collateral, the cash flow from the collateral is required to either prepay the Notes at par, increase the reserve fund up to its \$7,750,000 maximum or is remitted to the Company. At March 31, 1996, Funds held by Trustee consists of \$4,781,000 in the reserve fund and \$468,000 of other funds pledged under the Indenture.

NOTE 6 - SHORT-TERM BORROWINGS

Under a revolving line of credit agreement with a bank, the Company may borrow up to \$5,000,000, upon payment of a 1/2% commitment fee with interest payable monthly at prime plus 1/2%. Such advances are to be secured by certain of the Company's real estate loans with the amount advanced equal to between 40% to 60% of the principal amount of the real estate loans pledged. Only real estate loans approved by the bank are eligible for advances. The agreement contains certain financial covenants and expired on May 5, 1996. Through March 31, 1996, the Company had not drawn upon the line of credit.

NOTE 7 - COMMON STOCK AND STOCK OPTIONS

The Company has a Stock Option Plan which is administered by the Board of Directors. The plan provides for qualified stock options which may be granted to key personnel of the Company and non-qualified stock options which may be granted to the Directors and key personnel of the Company. The purpose of the

plan is to provide a means of performance-based compensation in order to attract and retain qualified personnel whose job performance affects the Company.

Options to acquire a maximum (excluding dividend equivalent rights) of 437,500 shares of the Company's common stock may be granted under the plan. The exercise price may not be less than the fair market value of the common stock at the date of grant. The options expire ten years after date of grant.

Optionholders also receive, at no additional cost, dividend equivalent rights which entitle them to receive, upon exercise of the options, additional shares calculated based on the dividends declared during the period from the grant date to the exercise date. At March 31, 1996 accounts payable and other liabilities in the accompanying consolidated balance sheets, include approximately \$850,000 related to the Company's granting of dividend equivalent rights. This liability will remain in the accompanying consolidated balance sheets until the options to which the dividend equivalent rights relate are exercised, cancelled or expire.

Under the plan, an exercising optionholder also has the right to require the Company to purchase some or all of the optionholder's shares of the Company's common stock. That redemption right is exercisable by the optionholder only with respect to shares (including the related dividend equivalent rights) that the optionholder has acquired by exercise of an option under the Plan. Furthermore, the optionholder can only exercise his redemption rights within six months from the last to expire of (i) the two year period commencing with the grant date of an option, (ii) the one year period commencing with the exercise date of an option, or (iii) any restriction period on the optionholder's transfer of the shares of common stock he acquires through exercise of his option. The price for any shares repurchased as a result of an optionholder's exercise of his redemption right is the lesser of the book value of those shares at the time of redemption or the fair market value of the shares on the original date the options were exercised.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 1996
(Unaudited)

At March 31, 1996, there were 445,177 of options (including dividend equivalent rights) outstanding of which 438,376 were currently exercisable at effective exercise prices ranging from \$1.22 per share to \$4.48 per share.

Additionally, in December 1995, in connection with the renegotiation the Chief Executive Officer's Employment Agreement, the Company replaced his annual salary of \$250,000 plus bonus with 750,000 of non-qualified stock options which vest over the three year term of the new Employment Agreement. The exercise price of the options is \$1.50 per share which was equal to the closing market price of the common stock on grant date. As of March 31, 1996, 200,000 of the options were vested, with 275,000 vesting in December 1996 and the remaining 275,000 vesting in December 1997. The options will immediately vest upon a change in control, as defined. The options will expire in December 2000. These stock options are subject to stockholder approval. In the event the stock options are not approved by the stockholders, the Employment Agreement provides that the options will be converted into phantom stock rights (PSRs). Such PSRs have the same vesting provisions, exercise price and expiration date as the related stock options, except that upon exercise of a PSR no stock is actually issued. Instead, the Company will make a cash payment to the holder equal to the difference between the market value of the stock on the exercise date and the exercise price of \$1.50 per share. The PSRs, also, provide that the holder will receive payments equal to the product of the per share dividend amount times the number of PSRs outstanding.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with requirements of SFAS No. 107, "Disclosures about Fair Values of Financial Instruments". Although management uses its best judgement in estimating the fair value of these instruments, there are inherent limitations in any estimation technique and the estimates are thus not necessarily indicative of the amounts which the Company could realize on a current transaction.

The following describes the significant assumptions underlying the estimates of fair value.

- (a) Real Estate Loans - The Company's real estate loans are both short-term (one year or less) and considered to be fully collectible. The terms and conditions of such loans are the same as would be used by the Company to fund similar type loans at March 31, 1996. As such, fair value approximates cost.
- (b) Short-Term Investments - Short-term investments consist of a Treasury Bill with a fair value that approximates cost.
- (c) Cash and Cash Equivalents / Funds Held By Trustee - Cash and cash

equivalents and funds held by Trustee consist of demand deposits and liquid money market funds with fair value approximating cost.

- (d) Residual Interests - Residual interests and their fair value are described in Note 4 to the financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
March 31, 1996
(Unaudited)

- (e) Fair Value/Long Term Debt - The estimated fair value of the Company's long-term debt is estimated to be its carrying value at March 31, 1996 plus the prepayment penalty the Company would be required to make to repay the debt in its entirety prior to its scheduled maturity.

Based on these assumptions the Company estimates the fair value of its financial instruments at March 31, 1996 to be as follows (in thousands):

	Carrying Amount	Estimated Fair Value
	-----	-----
Real Estate Loans.....	\$ 3,599	\$3,599
Short-term Investments.....	9,082	9,082
Funds held by Trustee.....	5,249	5,249
Residual Interests.....	4,985	4,985
Cash and Cash Equivalents....	3,091	3,091
Long-term Debt.....	(6,828)	(6,957)

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

ITEM 2. Management's Discussion and Analysis of Financial Condition, Results of Operations and Interest Rates and Other Information

Results of Operations For The Three Months Ended March 31, 1996 and 1995

The Company had net income of \$84,000 or \$.01 per share for the three months ended March 31, 1996 compared to net income of \$462,000 or \$.05 per share for the three months ended March 31, 1995.

The Company had income from mortgage assets of \$634,000 in 1996 as compared to income of \$1,103,000 in 1995. Interest income on real estate loans decreased from \$575,000 in 1995 to \$190,000 in 1996 due to the reduction in the average outstanding balance of real estate loans. See "Liquidity, Capital Resources and Commitments". Income from residual interests declined from \$415,000 in 1995 to \$248,000 in 1996, primarily as a result of the reduction in the average residual interest balance outstanding as a result of the amortization of such balance.

The Company's interest expense declined from \$250,000 in 1995 to \$162,000 in 1996 as a result of the Company reducing its long-term debt.

Liquidity, Capital Resources and Commitments

The Company raised \$80,593,000 in connection with its initial public offering on July 27, 1988. The proceeds were immediately utilized to purchase residual interests. Subsequently, through October 1988, the Company purchased an additional \$59,958,000 of residual interests which were initially financed using a combination of borrowings under repurchase agreements and the Company's bank line of credit. The Company has not purchased any residual interests since October 1988.

Since December 1993, the Company has originated real estate loans secured by various first deeds of trust on real properties located in Arizona. The Company's loan program seeks higher returns by targeting loan opportunities to which the Company can respond on a more timely basis than traditional real estate lenders. At March 31, 1996, both of the Company's loans are secured by properties located in Arizona. As a result of this geographic concentration, unfavorable economic conditions in Arizona could increase the likelihood of defaults on these loans and affect the Company's ability to protect the principal and interest on such loans following foreclosures upon the real properties securing such loans. The Company may, in the future, make loans on properties located outside of Arizona. In the latter half of 1995, in anticipation of a potential acquisition transaction, the Company slowed its origination of real estate loans. At March 31, 1996 the Company's real estate loans outstanding total \$3,599,000 and bear interest at 16%, payable monthly, with all principal due within one year.

On December 17, 1992, a wholly owned limited-purpose subsidiary of the Company issued \$31,000,000 of Secured Notes under an Indenture to a group of institutional investors. The Notes bear interest at 7.81% and require quarterly payments of principal and interest with the balance due on February 15, 1998.

The Notes are secured by the Company's residual interests in Westam 1, Westam 3, Westam 5, Westam 6, ASW 65, FNMA 1988-24 and FNMA 1988-25 and by funds held by the Note Trustee. The Company used \$3,100,000 of the proceeds to establish a reserve fund. The reserve fund has a specified maximum balance of \$7,750,000, and is to be used to make the scheduled principal and interest payments on the Notes if the cash flow available from the collateral is not sufficient to make the scheduled payments. Depending on the level of certain specified financial ratios relating to the collateral, the cash flow from the collateral is required to either repay the Notes at par, increase the reserve fund up to its \$7,750,000 maximum or is remitted to the

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

Company. At March 31, 1996, \$5,249,000 is held by the Note Trustee in the reserve and other funds under the Indenture.

Under a revolving line of credit agreement with a bank, the Company may borrow up to \$5,000,000, upon payment of a 1/2% commitment fee with interest payable monthly at prime plus 1/2%. Such advances are to be secured by certain of the Company's real estate loans with the amount advanced equal to between 40% to 60% of the principal amount of the real estate loans pledged. Only real estate loans approved by the bank are eligible for advances. The agreement contains certain financial covenants and expired on May 5, 1996. Through March 31, 1996, the Company had not drawn upon the line of credit.

As a real estate investment trust (REIT), the Company is not subject to income tax at the corporate level as long as it distributes 95% of its taxable income to its stockholders. At December 31, 1995, the Company has a net operating loss carryforward, for income tax purposes, of approximately \$57,000,000. This tax loss may be carried forward, with certain restrictions, for up to 14 years to offset future taxable income, if any. Until the tax loss carryforward is fully utilized or expires, the Company will not be required to distribute dividends to its stockholders except for income that is deemed to be excess inclusion income.

The Company anticipates that future cash flow from operations will be used for payment of operating expenses and debt service with the remainder, if any, available for investment in mortgage or real estate related assets. The Company is also exploring other strategic options including the possible termination of the REIT status in conjunction with the possible purchase of an operating company.

Interest Rates and Prepayments

One of the Company's major sources of income is its income from residual interests which consists of the Company's investment in eight real estate mortgage investment conduits ("REMICs") as described in Note 4 to the financial statements. The Company's cash flow and return on investment from its residual interests are highly sensitive to the prepayment rate on the related mortgage certificates and the variable interest rates on variable rate CMOs and MPCs.

At March 31, 1996, the Company's proportionate share of floating-rate CMOs and MPCs in the eight REMICs is \$32,966,000 in principal amount that pays interest based on LIBOR and \$4,100,000 in principal amount that pays interest based on COFI. Consequently, absent any changes in prepayment rates on the related mortgage certificates, increases in LIBOR and COFI will decrease the Company's net income, and decreases in LIBOR and COFI will increase the Company's net income. The average LIBOR and COFI rates were as follows:

	Three Months Ended March 31,		At March 31, 1996
	-----	-----	-----
	1996	1995	
	----	----	
LIBOR.....	5.50%	6.06%	5.31%
COFI	5.07%	4.57%	4.98%

The Company's cash flow and return on investment from residual interests also is sensitive to prepayment rates on the mortgage certificates securing the CMOs and underlying the MPCs. In general, slower prepayment rates will tend to increase the cash flow and return on investment on investment from interests. The rate of principal prepayments on mortgage certificates is influenced by a variety of economic,

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

geographic, social and other factors. In general, prepayments of the mortgage certificates should increase when the current mortgage interest rates fall below the interest rates on the fixed rate mortgage loans underlying the mortgage certificates. Conversely, to the extent that then current mortgage interest rates exceed the interest rates on the mortgage loans underlying the mortgage certificates, prepayments of such mortgage certificates should decrease. Prepayment rates also may be affected by the geographic location of the mortgage

loans underlying the mortgage certificates, conditions in mortgage loan, housing and financial markets, the assumability of the mortgage loans and general economic conditions.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Not applicable

ITEM 2. Changes in Securities

Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

Not applicable

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - Exhibit 27, Financial Data Schedule
- (b) Reports on Form 8-K - None

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SIGNATURES

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

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

May 7, 1996

By /s/ JAY R. HOFFMAN

Jay R. Hoffman, President,
Treasurer, Chief Financial Officer
and a Duly Authorized Officer

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