

MFA FINANCIAL, INC.
Form 10-Q
November 04, 2010
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**UNITED STATES
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 September 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 1-13991

MFA FINANCIAL, INC.

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(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

13-3974868

(I.R.S. Employer
Identification No.)

350 Park Avenue, 21st Floor, New York, New York

(Address of principal executive offices)

10022

(Zip Code)

(212) 207-6400

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

280,930,004 shares of the registrant's common stock, \$0.01 par value, were outstanding as of November 1, 2010.

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CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amounts)	September 30, 2010 (Unaudited)	December 31, 2009
Assets:		
Agency mortgage-backed securities (MBS), at fair value (\$5,721,900 and \$7,597,136 pledged as collateral, respectively)	\$ 6,180,753	\$ 7,664,851
Non-Agency MBS, at fair value (\$1,102,820 and \$240,694 pledged as collateral, respectively)	1,804,776	1,093,103
Cash and cash equivalents	270,925	653,460
Restricted cash	41,213	67,504
Forward contracts to repurchase MBS (MBS Forwards), at fair value	125,744	86,014
Interest receivable	34,297	41,775
Real estate, net	10,802	10,998
Goodwill	7,189	7,189
Prepaid and other assets	2,305	2,315
Total Assets	\$ 8,478,004	\$ 9,627,209
Liabilities:		
Repurchase agreements	\$ 5,995,447	\$ 7,195,827
Accrued interest payable	7,397	13,274
Mortgage payable on real estate		9,143
Interest rate swap agreements (Swaps), at fair value	175,303	152,463
Dividends and dividend equivalents rights (DERs) payable	538	76,286
Accrued expenses and other liabilities	8,361	11,954
Total Liabilities	\$ 6,187,046	\$ 7,458,947
Commitments and contingencies (Note 9)		
Stockholders Equity:		
Preferred stock, \$.01 par value; series A 8.50% cumulative redeemable; 5,000 shares authorized; 3,840 shares issued and outstanding (\$96,000 aggregate liquidation preference)	\$ 38	\$ 38
Common stock, \$.01 par value; 370,000 shares authorized; 280,335 and 280,078 issued and outstanding, respectively	2,803	2,801
Additional paid-in capital, in excess of par	2,183,163	2,180,605
Accumulated deficit	(121,261)	(202,189)
Accumulated other comprehensive income	226,215	187,007
Total Stockholders Equity	\$ 2,290,958	\$ 2,168,262
Total Liabilities and Stockholders Equity	\$ 8,478,004	\$ 9,627,209

The accompanying notes are an integral part of the consolidated financial statements.

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MFA FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Unaudited)			
Interest Income:				
MBS	\$ 97,296	\$ 124,399	\$ 293,455	\$ 383,029
Cash and cash equivalent investments	121	149	286	1,020
Interest Income	97,417	124,548	293,741	384,049
Interest Expense	35,464	52,976	109,656	183,119
Net Interest Income	61,953	71,572	184,085	200,930
Other-Than-Temporary Impairments:				
Total other-than-temporary impairment losses			(184)	(78,135)
Portion of loss (reclassified from)/recognized in other comprehensive income			(5,228)	69,126
Net Impairment Losses Recognized in Earnings			(5,412)	(9,009)
Other Income, Net:				
Gains on MBS Forwards, net	21,307	754	41,304	754
Gains on sale of MBS, net			33,739	13,495
Revenue from operations of real estate	369	378	1,100	1,145
Loss on termination of repurchase agreements			(26,815)	
Miscellaneous other income, net				43
Other Income, Net	21,676	1,132	49,328	15,437
Operating and Other Expense:				
Compensation and benefits	4,106	3,710	12,527	10,824
Other general and administrative expense	2,003	1,713	5,995	5,559
Real estate operating expense, mortgage interest and prepayment penalty	306	444	1,298	1,359
Operating and Other Expense	6,415	5,867	19,820	17,742
Net Income	77,214	66,837	208,181	189,616
Less: Preferred Stock Dividends	2,040	2,040	6,120	6,120
Net Income Available to Common Stock and Participating Securities	\$ 75,174	\$ 64,797	\$ 202,061	\$ 183,496
Earnings Per Share - Basic and Diluted	\$ 0.27	\$ 0.25	\$ 0.72	\$ 0.78
Dividends Declared Per Share of Common Stock	\$ 0.19	\$ 0.25	\$ 0.43	\$ 0.47

The accompanying notes are an integral part of the consolidated financial statements.

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MFA FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
			(Unaudited)	
Net Income	\$ 77,214	\$ 66,837	\$ 208,181	\$ 189,616
Other Comprehensive Income:				
Unrealized gain on MBS, net	48,061	173,536	98,095	410,397
Reclassification adjustment for MBS sales			(41,459)	(3,033)
Reclassification adjustment for net losses included in net income for other-than-temporary impairments			5,412	8,865
Unrealized (loss)/gain on Swaps, net	(7,624)	(4,943)	(22,840)	58,938
Comprehensive Income	\$ 117,651	\$ 235,430	\$ 247,389	\$ 664,783
Dividends declared on preferred stock	(2,040)	(2,040)	(6,120)	(6,120)
Comprehensive Income Available to Common Stock and Participating Securities	\$ 115,611	\$ 233,390	\$ 241,269	\$ 658,663

The accompanying notes are an integral part of the consolidated financial statements.

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MFA FINANCIAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(In Thousands, Except Per Share Amounts)	Nine Months Ended September 30, 2010 (Unaudited)
Preferred Stock, Par Value \$.01; Series A 8.50% Cumulative Redeemable Liquidation Preference \$25.00 per Share:	
Balance at September 30, 2010 and December 31, 2009 (3,840 shares)	\$ 38
Common Stock, Par Value \$.01:	
Balance at December 31, 2009 (280,078 shares)	2,801
Issuance of common stock (257 shares)	2