

MFA FINANCIAL, INC.  
Form 10-Q  
May 04, 2012  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**x**

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

**For the quarterly period ended March 31, 2012**

**OR**

**o**

**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.**

(Exact name of registrant as specified in its charter)

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**Maryland**

**13-3974868**

(State or other jurisdiction of  
incorporation or organization)

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

**350 Park Avenue, 20th Floor, New York, New York**

**10022**

(Address of principal executive offices)

(Zip Code)

**(212) 207-6400**

(Registrant's telephone number, including area code)

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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

356,941,322 shares of the registrant's common stock, \$0.01 par value, were outstanding as of April 26, 2012.

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## MFA FINANCIAL, INC.

## CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amounts)	March 31, 2012 (Unaudited)	December 31, 2011
<b>Assets:</b>		
Mortgage-backed securities ( MBS ):		
Agency MBS, at fair value (\$6,536,740 and \$6,666,963 pledged as collateral, respectively)	\$ 7,059,629	\$ 7,137,531
Non-Agency MBS, at fair value (\$629,623 and \$692,534 pledged as collateral, respectively)	1,756,565	1,492,376
Non-Agency MBS transferred to consolidated variable interest entities ( VIEs ) (1)	2,658,712	2,283,070
Securities obtained and pledged as collateral, at fair value	503,740	306,401
Cash and cash equivalents	374,621	394,022
Restricted cash	13,005	15,502
MBS linked transactions, net ( Linked Transactions ), at fair value	20,124	55,801
Interest receivable	42,670	42,837
Derivative hedging instruments, at fair value		26
Goodwill	7,189	7,189
Prepaid and other assets	15,469	15,879
<b>Total Assets</b>	<b>\$ 12,451,724</b>	<b>\$ 11,750,634</b>
<b>Liabilities:</b>		
Repurchase agreements	\$ 7,908,932	\$ 7,813,159
Securitized debt (2)	967,422	875,520
Obligation to return securities obtained as collateral, at fair value	503,740	306,401
Accrued interest payable	11,516	9,112
Derivative hedging instruments, at fair value	102,103	114,220
Dividends and dividend equivalents rights ( DERs ) payable	86,778	97,525
Payable for unsettled purchases	99,772	27,056
Accrued expenses and other liabilities	5,967	9,881
<b>Total Liabilities</b>	<b>\$ 9,686,230</b>	<b>\$ 9,252,874</b>
Commitments and contingencies (Note 9)		
<b>Stockholders Equity:</b>		
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; 895,000 shares authorized; 356,266 and 356,112 issued and outstanding, respectively	3,563	3,561
Additional paid-in capital, in excess of par	2,797,475	2,795,925
Accumulated deficit	(246,433)	(243,061)
Accumulated other comprehensive income/(loss)	210,851	(58,703)
<b>Total Stockholders Equity</b>	<b>\$ 2,765,494</b>	<b>\$ 2,497,760</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 12,451,724</b>	<b>\$ 11,750,634</b>

(1) Non-Agency MBS transferred to consolidated VIEs included in the consolidated balance sheet at March 31, 2012 and December 31, 2011 represent assets of the consolidated VIEs that can be used only to settle the obligations of each respective VIE.

(2) Securitized Debt included in the consolidated balance sheet at March 31, 2012 and December 31, 2011, represents third-party liabilities of consolidated VIEs and excludes liabilities of the VIEs acquired by the Company that eliminate in consolidation. The third-party beneficial interest holders in the VIEs have no recourse to the general credit of the Company. (See Notes 9 and 14 for further discussion.)

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

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**MFA FINANCIAL, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

<b>(In Thousands, Except Per Share Amounts)</b>	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Interest Income:</b>		
Agency MBS	\$	