

MFA FINANCIAL, INC.
Form 10-Q
August 02, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2017

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.
(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, 20th Floor, New York, New York (Address of principal executive offices) | 10022 (Zip Code) |
|---|---------------------|

(212) 207-6400
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last period)

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 website, 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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

396,326,125 shares of the registrant’s common stock, \$0.01 par value, were outstanding as of July 27, 2017.

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Signatures

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CONSOLIDATED BALANCE SHEET

| (In Thousands Except Per Share Amounts) | June 30, 2017 (Unaudited) | December 31, 2016 |
|---|---------------------------------|----------------------|
| Assets: | | |
| Mortgage-backed securities (“MBS”) and credit risk transfer (“CRT”) securities: | | |
| Agency MBS, at fair value (\$3,125,864 and \$3,540,401 pledged as collateral, respectively) | \$3,248,007 | \$3,738,497 |
| Non-Agency MBS, at fair value (\$3,548,633 and \$4,892,399 pledged as collateral, respectively) (1) | 4,592,275 | 5,825,816 |
| CRT securities, at fair value (\$517,067 and \$357,488 pledged as collateral, respectively) | 636,315 | 404,850 |
| Securities obtained and pledged as collateral, at fair value | 370,837 | 510,767 |
| Residential whole loans, at carrying value (\$270,553 and \$427,880 pledged as collateral, respectively) (2) | 661,319 | 590,540 |
| Residential whole loans, at fair value (\$671,106 and \$734,331 pledged as collateral, respectively) (2) | 983,270 | 814,682 |
| Cash and cash equivalents | 745,480 | 260,112 |
| Restricted cash | 11,843 | 58,463 |
| Other assets | 287,470 | 280,295 |
| Total Assets | \$11,536,816 | \$12,484,022 |
| Liabilities: | | |
| Repurchase agreements and other advances | \$7,040,844 | \$8,687,268 |
| Obligation to return securities obtained as collateral, at fair value | 510,237 | 510,767 |
| 8% Senior Notes due 2042 (“Senior Notes”) | 96,753 | 96,733 |
| Payable for unsettled MBS and residential whole loans purchases | 364,389 | — |
| Other liabilities | 249,949 | 155,352 |
| Total Liabilities | \$8,262,172 | \$9,450,120 |
| Commitments and contingencies (See Note 11) | | |
| Stockholders’ Equity: | | |
| Preferred stock, \$.01 par value; 7.50% Series B cumulative redeemable; 8,050 shares authorized; | \$80 | \$80 |
| 8,000 shares issued and outstanding (\$200,000 aggregate liquidation preference) | | |
| Common stock, \$.01 par value; 886,950 shares authorized; 396,311 and 371,854 shares issued and outstanding, respectively | 3,963 | 3,719 |
| Additional paid-in capital, in excess of par | 3,214,701 | 3,029,062 |
| Accumulated deficit | (576,482) | (572,641) |
| Accumulated other comprehensive income | 632,382 | 573,682 |
| Total Stockholders’ Equity | \$3,274,644 | \$3,033,902 |

| | | |
|--|--------------|--------------|
| Total Liabilities and Stockholders' Equity | \$11,536,816 | \$12,484,022 |
|--|--------------|--------------|

(1) Includes approximately \$174.4 million of Non-Agency MBS transferred to consolidated VIEs at December 31, 2016. Such assets can be used only to settle the obligations of each respective VIE.

(2) Includes approximately \$134.1 million of Residential whole loans, at carrying value and \$42.2 million of Residential whole loans, at fair value transferred to a consolidated VIE at June 30, 2017. Such assets can be used only to settle the obligations of the VIE.

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

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

| | Three Months | | Six Months | |
|--|--------------|----------|------------|----------|
| | Ended | | Ended | |
| | June 30, | | June 30, | |
| (In Thousands, Except Per Share Amounts) | 2017 | 2016 | 2017 | 2016 |
| Interest Income: | | | | |
| Agency MBS | \$16,587 | \$21,592 | \$34,481 | \$45,589 |
| Non-Agency MBS | 74,217 | 83,765 | 156,460 | 169,917 |
| CRT securities | 7,846 | 3,222 | 14,222 | 5,914 |
| Residential whole loans held at carrying value | | | | |