

MFA MORTGAGE INVESTMENTS
Form 10-Q
November 01, 2007

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, 2007

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 MORTGAGE INVESTMENTS, 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, 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

104,641,121 shares of the registrant's common stock, \$0.01 par value, were outstanding as of October 30, 2007.

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MFA MORTGAGE INVESTMENTS, INC. CONSOLIDATED BALANCE SHEETS

	September 30, 2007	December 31, 2006
<i>(In Thousands, Except Per Share Amounts)</i>	<i>(Unaudited)</i>	
Assets:		
Mortgage-backed securities (MBS), at fair value (including pledged MBS of \$6,669,508 and \$6,065,021 at September 30, 2007 and December 31, 2006, respectively) (Notes 3 and 6)	\$ 6,875,047	\$ 6,340,668
Income notes (Note 3)	1,643	
Cash and cash equivalents	206,395	47,200
Accrued interest receivable	36,012	33,182
Interest rate cap agreements (Caps), at fair value (Note 4)		361

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	September 30, 2007	December 31, 2006
Swap agreements (Swaps), at fair value (Note 4)	455	2,412
Real estate, net (Note 5)	11,685	11,789
Goodwill	7,189	7,189
Prepaid and other assets	1,666	1,166
Total Assets	\$ 7,140,092	\$ 6,443,967
Liabilities:		
Repurchase agreements (Note 6)	\$ 6,313,949	\$ 5,722,711
Accrued interest payable	18,747	23,164
Mortgage payable on real estate (Note 5)	9,497	9,606
Swaps, at fair value (Note 4)	27,892	1,893
Dividends payable		4,899
Accrued expenses and other liabilities	4,168	3,136
Total Liabilities	6,374,253	5,765,409
Commitments and contingencies (Note 7)		
Stockholders Equity:		
Preferred stock, \$.01 par value; series A 8.50% cumulative redeemable; 5,000 shares authorized; 3,840 shares issued and outstanding at September 30, 2007 and December 31, 2006 (\$96,000 aggregate liquidation preference) (Note 8)	38	38
Common stock, \$.01 par value; 370,000 shares authorized; 96,591 and 80,695 issued and outstanding at September 30, 2007 and December 31, 2006, respectively (Note 8)	966	807
Additional paid-in capital, in excess of par	887,593	776,743
Accumulated deficit	(79,272)	(68,637)
Accumulated other comprehensive loss (Note 10)	(43,486)	(30,393)
Total Stockholders Equity	765,839	678,558
Total Liabilities and Stockholders Equity	\$ 7,140,092	\$ 6,443,967

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

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**MFA MORTGAGE INVESTMENTS, INC.
CONSOLIDATED STATEMENTS OF RESULTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
(In Thousands, Except Per Share Amounts)				
(Unaudited)				
Interest Income:				
MBS income (Note 3)	\$ 95,540	\$ 47,061	\$ 270,222	\$ 146,035
Interest income on short-term cash investments	1,126	471	2,208	1,677
Interest income on income notes	50		107	

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	Three Months Ended September 30,		Nine Months Ended September 30,	
Interest Income	96,716	47,532	272,537	147,712
Interest Expense	81,816	38,205	232,424	119,808
Net Interest Income	14,900	9,327	40,113	27,904
Other Income:				
Net (loss) gain on sale of MBS (Note 3)	(22,027)	36	(22,140)	(23,113)
Revenue from operations of real estate (Note 5)	405	390	1,231	1,160
Net loss on termination of Swaps (Note 4)	(560)		(384)	
Miscellaneous other income, net	103	143	327	587
Other Income (Loss)	(22,079)	569	(20,966)	(21,366)
Operating and Other Expense:				
Compensation and benefits	1,819	1,446	4,840	4,534
Real estate operating expense and mortgage interest	451	430	1,300	1,248
Other general and administrative	1,241	942	3,669	3,020
Operating and Other Expense	3,511	2,818	9,809	8,802
Income (Loss) from Continuing Operations	(10,690)	7,078	9,338	(2,264)
Discontinued Operations: (Note 5)				
Loss from discontinued operations, net		(1)		(134)
Mortgage prepayment penalty				(135)
Gain on sale of real estate, net of tax	257		257	4,840
Income (Loss) from Discontinued Operations	257	(1)	257	4,571
Income (Loss) Before Preferred Stock Dividends	(10,433)	7,077	9,595	2,307
Less: Preferred Stock Dividends	2,040	2,040	6,120	6,120
Net Income (Loss) to Common Stockholders	\$(12,473)	\$ 5,037	\$ 3,475	\$ (3,813)
Earnings (loss) Per Share of Common Stock: (Note 9)				
(Loss) earnings from continuing operations basic and diluted	\$ (0.15)	\$ 0.06	\$ 0.04	\$ (0.11)
Earnings from discontinued operations basic and diluted				0.06
(Loss) earnings per share basic and diluted	\$ (0.15)	\$ 0.06	\$ 0.04	\$ (0.05)
Dividends declared per share of common stock (Note 8b)	\$ 0.09	\$ 0.05	\$ 0.17	\$ 0.10

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