

MFA MORTGAGE INVESTMENTS
Form 10-Q
May 02, 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 March 31, 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

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

81,164,997 shares of the registrant's common stock, \$0.01 par value, were outstanding as of April 27, 2007.

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MFA MORTGAGE INVESTMENTS, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2007	December 31, 2006
	(Unaudited)	
<i>(In Thousands, Except Per Share Amounts)</i>		
Assets:		
Mortgage-backed securities (MBS), at fair value (including pledged MBS of \$6,094,399 and \$6,065,021 at March 31, 2007 and December 31, 2006, respectively) (Notes 3 and 6)	\$ 6,385,605	\$ 6,340,668
Income notes (Note 3)	1,980	
Cash and cash equivalents	53,697	47,200
Accrued interest receivable	33,437	33,182
Interest rate cap agreements (Caps), at fair value (Note 4)	129	361
Swap agreements (Swaps), at fair value (Note 4)	526	2,412
Real estate (Note 5)	11,724	11,789
Goodwill	7,189	7,189
Prepaid and other assets	1,607	1,166
Total Assets	\$ 6,495,894	\$ 6,443,967
Liabilities:		
Repurchase agreements (Note 6)	\$ 5,763,357	\$ 5,722,711

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Accrued interest payable	21,415	23,164
Mortgages payable on real estate	9,573	9,606
Swaps, at fair value (Note 4)	4,707	1,893
Dividends payable		4,899
Accrued expenses and other liabilities	2,187	3,136
Total Liabilities	5,801,239	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 March 31, 2007 and December 31, 2006 (\$96,000 aggregate liquidation preference) (Note 8)	38	38
Common stock, \$.01 par value; 370,000 shares authorized; 80,764 and 80,695 issued and outstanding at March 31, 2007 and December 31, 2006, respectively (Note 8)	808	807
Additional paid-in capital, in excess of par	777,280	776,743
Accumulated deficit	(60,827)	(68,637)
Accumulated other comprehensive loss (Note 10)	(22,644)	(30,393)
Total Stockholders Equity	694,655	678,558
Total Liabilities and Stockholders Equity	\$ 6,495,894	\$ 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 INCOME**

For the Three Months Ended March 31,

	2007	2006
	(Unaudited)	
<i>(In Thousands, Except Per Share Amounts)</i>		
Interest Income:		
MBS income (Note 3)	\$ 84,341	\$ 53,329
Interest income on short-term cash investments	448	666
Interest income on income notes	6	
Interest Income	84,795	53,995
Interest Expense	72,260	42,785
Net Interest Income	12,535	11,210
Other Income:		
Net gain on sale of MBS (Note 3)	3	1,597
Revenue from operations of real estate	413	382
Miscellaneous other income, net	115	239
Other Income	531	2,218

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For the Three Months Ended March 31,

Operating and Other Expense:		
Compensation and benefits	1,612	1,558
Real estate operating expense	253	245
Mortgage interest on real estate	167	173
Other general and administrative expense	1,184	1,117
Operating and Other Expense	3,216	3,093
Income from Continuing Operations	9,850	10,335
Discontinued Operations: (Note 5)		
Loss from discontinued operations, net		(77)
Mortgage prepayment penalty		(135)
Gain on sale of real estate, net of tax		4,840
Income from Discontinued Operations		4,628
Net Income Before Preferred Stock Dividends	9,850	14,963
Less: Preferred Stock Dividends	2,040	2,040
Net Income Available to Common Stockholders	\$ 7,810	\$ 12,923
Earnings Per Share of Common Stock: (Note 9)		
Income from continuing operations basic and diluted	\$ 0.10	\$ 0.10
Income from discontinued operations basic and diluted		0.06
Earnings per share of common stock basic and diluted	\$ 0.10	\$ 0.16

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

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MFA MORTGAGE INVESTMENTS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	For the Three Months Ended March 31, 2007
	(Unaudited)
<i>(In Thousands, Except Per Share Amounts)</i>	
8.50% Series A Cumulative Redeemable Preferred Stock Liquidation Preference \$25.00 per Share:	
Balance at December 31, 2006 and March 31, 2007 (3,840 shares)	\$ 38
Common Stock, Par Value \$0.01:	
Balance at December 31, 2006 (80,695 shares)	807
Issuance of common stock (69 shares)	1
Balance at March 31, 2007 (80,764 shares)	808
Additional Paid-in Capital, in Excess of Par:	

	For the Three Months Ended March 31, 2007
Balance at December 31, 2006	776,743
Issuance of common stock, net of expenses	363
Share-based compensation expense	174
Balance at March 31, 2007	777,280
Accumulated Deficit:	
Balance at December 31, 2006	(68,637)
Net income	9,850
Dividends declared on preferred stock	(2,040)
Balance at March 31, 2007	(60,827)
Accumulated Other Comprehensive Loss:	
Balance at December 31, 2006	(30,393)
Unrealized gains on MBS, net	12,500
Unrealized losses on Caps, net	(51)
Unrealized losses on Swaps, net	(4,700)
Balance at March 31, 2007	(22,644)
Total Stockholders Equity at March 31, 2007	\$ 694,655

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

**MFA MORTGAGE INVESTMENTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
<i>(In Thousands)</i>		
Cash Flows From Operating Activities:		
Net income	\$ 9,850	\$ 14,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of MBS	(3)	(2,094)
Loss on sale of MBS		497
Amortization of purchase premiums on MBS, net of accretion of discounts	8,343	8,123
Amortization of premium cost for Caps	181	383
(Increase)/decrease in interest receivable	(255)	4,042
Depreciation and amortization on real estate, including discontinued operations	102	198
Increase in other assets and other	(478)	(1,196)
(Decrease)/increase in accrued expenses and other liabilities	(949)	1,066
Decrease in accrued interest payable	(1,749)	(22,512)

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	Three Months Ended March 31,	
	<hr/>	
Gain on sale of real estate from discontinued operations		(6,660)
Share-based compensation expense	174	120
Negative amortization and principal accretion on investment securities	(87)	(868)
Net cash provided/(used) by operating activities	15,129	