
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **February 18, 2016**

MFA FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation
or organization)

1-13991
(Commission File Number)

13-3974868
(IRS Employer
Identification No.)

350 Park Avenue, 20th Floor
New York, New York
(Address of principal executive offices)

10022
(Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition and
Item 7.01 Regulation FD Disclosure

MFA Financial, Inc. ("MFA") issued a press release, dated February 18, 2016, announcing its financial results for the quarter ended December 31, 2015, which is attached hereto as Exhibit 99.1 and is incorporated herein by reference. In addition, in conjunction with the announcement of its financial results, MFA issued additional information relating to its 2015 fourth quarter financial results. Such additional information is attached to this report as Exhibit 99.2 and is incorporated herein by reference.

The information referenced in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) is being "furnished" and, as such, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information set forth in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) is and will not be incorporated by reference into any registration statement or other document filed by MFA pursuant to the Securities Act of 1933, as amended (the "Securities Act"), except as may be expressly set forth by specific reference in such filing.

As discussed therein, the press release contains forward-looking statements within the meaning of the Securities Act and the Exchange Act and, as such, may involve known and unknown risks, uncertainties and assumptions. These forward-looking statements relate to MFA's current expectations and are subject to the limitations and qualifications set forth in the press release as well as in MFA's other documents filed with the SEC, including, without limitation, that actual events and/or results may differ materially from those projected in such forward-looking statements.

<u>Exhibit</u>	
99.1	Press Release, dated February 18, 2016, announcing MFA's financial results for the quarter ended December 31, 2015.
99.2	Additional information relating to the financial results of MFA for the quarter ended December 31, 2015.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MFA FINANCIAL, INC.
(REGISTRANT)

By: /s/ Harold E. Schwartz
Name: Harold E. Schwartz
Title: Senior Vice President and
General Counsel

Date: February 18, 2016

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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99.2	Additional information relating to the financial results of MFA Financial, Inc. for the quarter ended December 31, 2015.

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MFA
FINANCIAL, INC.

350 Park Avenue
New York, New York 10022

PRESS RELEASE

February 18, 2016

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FOR IMMEDIATE RELEASE

NEW YORK METRO

NYSE: MFA

MFA Financial, Inc.
Announces Fourth Quarter 2015 Financial Results

NEW YORK - MFA Financial, Inc. (NYSE:MFA) today announced financial results for the fourth quarter ended December 31, 2015.

Fourth Quarter 2015 and other highlights:

- Generated fourth quarter net income available to common shareholders of \$69.7 million, or \$0.19 per common share (based on 370.3 million weighted average common shares outstanding). As of December 31, 2015, book value per common share was \$7.47.
- On January 29, 2016, MFA paid its fourth quarter 2015 dividend of \$0.20 per share of common stock to shareholders of record as of December 28, 2015.
- MFA grew its credit sensitive loan portfolio by \$117.7 million to \$895.1 million and its 3 year step-up RPL/NPL securities by \$138.6 million to \$2.6 billion.

William Gorin, MFA's CEO, said, "We remain very disciplined in our capital allocation process. In the fourth quarter, we continued to identify and acquire attractive credit sensitive residential mortgage assets. We increased our acquisitions of re-performing and non-performing whole loans, bringing our holdings of credit sensitive residential whole loans to \$895.1 million. We continued to acquire 3 year

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step-up RPL/NPL securities increasing holdings to \$2.6 billion. In addition, we sold \$20.0 million of Non-Agency MBS issued prior to 2008 ("Legacy Non-Agency MBS"), realizing a gain of \$9.7 million. This is the fourteenth consecutive quarter we have realized gains through selected sales of Legacy Non-Agency MBS based on our projections of future cash flows relative to market pricing. We did not acquire any Agency MBS or Legacy Non-Agency MBS in this quarter.

"MFA remains positioned for a period when Federal Reserve monetary policy may become more variable based on indicators of inflation, measures of the labor markets, international developments and other incoming data. Through asset selection and hedging strategy, the estimated effective duration, a gauge of MFA's interest rate sensitivity, remains below 1.0 and measured 0.59 at quarter-end. Leverage, which reflects the ratio of our financing obligations to equity, was 3.4:1 at quarter-end."

Craig Knutson, MFA's President and COO, added, "MFA's portfolio asset selection process continues to emphasize residential mortgage credit exposure while seeking to minimize sensitivity to interest rates. Our Legacy Non-Agency portfolio has benefited from improved housing fundamentals as LTVs decrease and delinquencies decline, thus lowering our expectations of future defaults and reducing expected future losses. Our RPL/NPL MBS portfolio has credit protection through deal structure and subordination, while the short term nature of the cash flows minimizes its sensitivity to interest rate changes. And our credit sensitive residential whole loans offer additional exposure to residential mortgage credit while affording us the opportunity to improve outcomes through sensible and effective servicing decisions."

MFA's Legacy Non-Agency MBS had a face amount of \$4.313 billion with an amortized cost of \$3.217 billion and a net purchase discount of \$1.096 billion at December 31, 2015. This discount consists of an \$787.5 million credit reserve and other-than-temporary impairments and a \$308.9 million net accretable discount. We believe this credit reserve appropriately factors in remaining uncertainties regarding underlying mortgage performance and the potential impact on future cash flows. Our Legacy Non-Agency MBS loss adjusted yield of 7.64% for the fourth quarter is based on projected defaults equal to 22% of underlying loan balances. On average, these loans are approximately ten years seasoned and approximately 13.5% are currently 60 or more days delinquent.

The Agency MBS portfolio had an average amortized cost basis of 103.8% of par as of December 31, 2015, and generated a 2.04% yield in the fourth quarter. The Legacy Non-Agency MBS portfolio had an average amortized cost of 74.6% of par as of December 31, 2015, and generated a loss-adjusted yield of 7.64% in the fourth quarter. At the end of the fourth quarter, MFA held approximately \$2.626 billion of the senior most tranches of RPL/NPL MBS. These securities had an amortized cost of 99.9% of par and generated a 3.70% yield for the quarter.

In addition, at December 31, 2015, our investments in credit sensitive residential whole loans totaled \$895.1 million. Of this amount, \$271.8 million is recorded at carrying value, or 84% of the interest-bearing unpaid principal balance and generated a loss-adjusted yield of 6.65% (5.96% net of servicing costs) during the quarter and \$623.3 million is recorded at fair value in our consolidated balance sheet. On this portion of the portfolio we recorded gains for the quarter of approximately \$6.9 million, primarily reflecting coupon interest payments received and changes in the fair value of the underlying loans during the quarter.

For the three months ended December 31, 2015, MFA's costs for compensation and benefits and other general and administrative expenses were \$10.6 million or an annualized 1.43% of stockholders' equity as of December 31, 2015.

The following table presents the weighted average prepayment speed on MFA's MBS portfolio.

Table 1

	Fourth Quarter 2015 Average CPR	Third Quarter 2015 Average CPR
Agency MBS	11.8%	15.4%
Legacy Non-Agency MBS	14.6%	16.3%
RPL/NPL MBS (1)	21.5%	29.5%

(1) All principal payments are considered to be prepayments for CPR purposes.

As of December 31, 2015, under its swap agreements, MFA had a weighted average fixed-pay rate of interest of 1.82% and a floating receive rate of 0.34% on notional balances totaling \$3.050 billion, with an average maturity of 45 months.

The following table presents MFA's asset allocation as of December 31, 2015 and the fourth quarter 2015 yield on average interest earning assets, average cost of funds and net interest rate spread for the various asset types.

Table 2

ASSET ALLOCATION							
At December 31, 2015 (\$ in Thousands)	Agency MBS	Legacy Non-Agency MBS	RPL/NPL MBS	Residential Whole Loans, at Carrying Value	Residential Whole Loans, at Fair Value	Other, net (1)	Total
Fair Value/ Carrying Value	\$ 4,752,244	\$ 3,794,951	\$ 2,625,866	\$ 271,845	\$ 623,276	\$ 479,437	\$ 12,547,619
Less Repurchase Agreements	(2,727,542)	(2,464,982)	(2,080,163)	(67,989)	(419,761)	(128,465)	(7,888,902)
Less FHLB advances	(1,500,000)	—	—	—	—	—	(1,500,000)
Less Securitized Debt	—	(22,057)	—	—	—	—	(22,057)
Less Senior Notes	—	—	—	—	—	(100,000)	(100,000)
Equity Allocated	\$ 524,702	\$ 1,307,912	\$ 545,703	\$ 203,856	\$ 203,515	\$ 250,972	\$ 3,036,660
Less Swaps at Market Value	—	—	—	—	—	(69,399)	(69,399)
Net Equity Allocated	\$ 524,702	\$ 1,307,912	\$ 545,703	\$ 203,856	\$ 203,515	\$ 181,573	\$ 2,967,261
Debt/Net Equity Ratio (2)	8.06x	1.90x	3.81x	0.33x	2.06x	—	3.38x
For the Quarter Ended December 31, 2015							
Yield on Average Interest Earning Assets (3)	2.04%	7.64%	3.70%	6.65%	N/A	—%	4.15%
Less Average Cost of Funds (4)	(1.17)	(2.90)	(1.81)	(2.64)	(3.14)	—	(1.93)
Net Interest Rate Spread	0.87%	4.74%	1.89%	4.01%	N/A	—%	2.22%

- (1) Includes cash and cash equivalents and restricted cash of \$236.5 million, securities obtained and pledged as collateral, \$183.6 million of CRT securities, interest receivable, goodwill, prepaid and other assets, obligation to return securities obtained as collateral, interest payable, dividends payable and accrued expenses and other liabilities.
- (2) Represents the sum of borrowings under repurchase agreements, FHLB advances, and securitized debt as a multiple of net equity allocated. The numerator of our Total Debt/Net Equity ratio also includes the obligation to return securities obtained as collateral of \$507.4 million, Senior Notes and repurchase agreements financing CRT security purchases.
- (3) Yields reported on our interest earning assets are calculated based on the interest income recorded and the average amortized cost for the quarter of the respective asset. At December 31, 2015 the amortized cost of our interest earning assets were as follows: Agency MBS - \$4,723,462; Legacy Non-Agency MBS - \$3,217,046; RPL/NPL MBS - \$2,644,797; and Residential Whole Loans at carrying value - \$271,845. In addition, the yield for residential whole loans at carrying value was 5.96% net of 69 basis points of servicing fee expense incurred during the quarter. For GAAP reporting purposes, such expenses are included in Loan servicing and other related operating expenses in our statement of operations. Interest payments received on residential whole loans at fair value is reported in Other Income as Net gain on residential whole loans held at fair value in our statement of operations. Accordingly, no yield is presented as such loans are not included in interest earning assets for reporting purposes.
- (4) Average cost of funds includes interest on repurchase agreements and other advances, the cost of swaps, Senior Notes and securitized debt. Agency cost of funds includes 74 basis points and Legacy Non-Agency cost of funds includes 69 basis points associated with Swaps to hedge interest rate sensitivity on these assets.

At December 31, 2015, MFA's \$8.546 billion of Agency and Legacy Non-Agency MBS, were backed by Hybrid, adjustable and fixed-rate mortgages. Additional information about these MBS, including average months to reset and three-month average CPR, is presented below:

Table 3

(\$ in Thousands) Time to Reset	Agency MBS			Legacy Non-Agency MBS (1)			Total (1)		
	Fair Value (2)	Average Months to Reset (3)	3 Month Average CPR (4)	Fair Value	Average Months to Reset (3)	3 Month Average CPR (4)	Fair Value (2)	Average Months to Reset (3)	3 Month Average CPR (4)
< 2 years (5)	\$ 1,977,308	6	12.7%	\$ 2,580,658	6	13.7%	\$ 4,557,966	6	13.4%
2-5 years	772,627	36	15.7	—	—	—	772,627	36	15.7
> 5 years	220,532	75	11.7	—	—	—	220,532	75	11.7
ARM-MBS Total	\$ 2,970,467	19	13.4%	\$ 2,580,658	6	13.7%	\$ 5,551,125	13	13.6%
15-year fixed (6)	\$ 1,780,746	—	9.1%	\$ 7,728	—	4.3%	\$ 1,788,474	—	9.0%
30-year fixed (6)	—	—	—	1,199,794	—	16.4	1,199,794	—	16.4
40-year fixed (6)	—	—	—	6,771	—	14.1	6,771	—	14.1
Fixed-Rate Total	\$ 1,780,746	—	9.1%	\$ 1,214,293	—	16.4%	\$ 2,995,039	—	12.3%
MBS Total	\$ 4,751,213	—	11.8%	\$ 3,794,951	—	14.6%	\$ 8,546,164	—	13.1%

(1) Excludes \$2.626 billion of RPL/NPL MBS. Refer to Table 4 for further information.

- (2) Does not include principal payments receivable of \$1.0 million.
(3) MTR or Months to Reset is the number of months remaining before the coupon interest rate resets. At reset, the MBS coupon will adjust based upon the underlying benchmark interest rate index, margin and periodic or lifetime caps. The MTR does not reflect scheduled amortization or prepayments.
(4) 3 month average CPR weighted by positions as of beginning of each month in the quarter.
(5) Includes floating rate MBS that may be collateralized by fixed-rate mortgages.
(6) Information presented based on data available at time of loan origination.

Table 4

The following table presents certain information about our RPL/NPL MBS portfolio at December 31, 2015:

(\$ in Thousands)	Fair Value	Net Coupon	Months to Step-Up (1)	Current Credit Support (2)	Original Credit Support	3 Month Average Bond CPR (3)
Re-Performing MBS	\$ 490,566	3.69%	18	47%	40%	24.4%
Non-Performing MBS	2,135,300	3.71	24	49	48	20.7
Total RPL/NPL MBS	\$ 2,625,866	3.71%	23	49%	47%	21.5%

- (1) Months to step-up is the weighted average number of months remaining before the coupon interest rate increases pursuant to the first coupon reset. We anticipate that the securities will be redeemed prior to the step-up date.
(2) Credit Support for a particular security is expressed as a percentage of all outstanding mortgage loan collateral. A particular security will not be subject to principal loss as long as credit enhancement is greater than zero.
(3) All principal payments are considered to be prepayments for CPR purposes.

Webcast

MFA Financial, Inc. plans to host a live audio webcast of its investor conference call on Thursday, February 18, 2016, at 11:00 a.m. (Eastern Time) to discuss its fourth quarter 2015 financial results. The live audio webcast will be accessible to the general public over the internet at <http://www.mfafinancial.com> through the “Webcasts & Presentations” link on MFA’s home page. To listen to the conference call over the internet, please go to the MFA website at least 15 minutes before

the call to register and to download and install any needed audio software. Earnings presentation materials will be posted on the MFA website prior to the conference call and an audio replay will be available on the website following the call.

When used in this press release or other written or oral communications, statements which are not historical in nature, including those containing words such as “will,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions, are intended to identify “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, may involve known and unknown risks, uncertainties and assumptions. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market value of MFA’s MBS; changes in the prepayment rates on the mortgage loans securing MFA’s MBS; credit risks underlying MFA’s assets, including changes in the default rates and management’s assumptions regarding default rates on the mortgage loans securing MFA’s Non-Agency MBS and relating to MFA’s residential whole loan portfolio; MFA’s ability to borrow to finance its assets and the terms, including the cost, maturity and other terms, of any such borrowing; implementation of or changes in government regulations or programs affecting MFA’s business; MFA’s estimates regarding taxable income the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by the Company to accrete the market discount on Non-Agency MBS and the extent of prepayments, realized losses and changes in the composition of MFA’s Agency MBS and Non-Agency MBS portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of MFA’s Board of Directors and will depend on, among other things, MFA’s taxable income, its financial results and overall financial condition and liquidity, maintenance of its REIT qualification and such other factors as the Board deems relevant; MFA’s ability to maintain its qualification as a REIT for federal income tax purposes; MFA’s ability to maintain its exemption from registration under the Investment Company Act of 1940, as amended (or the Investment Company Act), including statements regarding the Concept Release issued by the SEC relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; MFA’s ability to successfully implement its strategy to grow its residential whole loan portfolio; expected returns on our investments in non-performing residential whole loans (NPLs), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that MFA files with the Securities and Exchange Commission, could cause MFA’s actual results to differ materially from those projected in any forward-looking statements it makes. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect MFA. Except as required by law, MFA is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

MFA FINANCIAL, INC. CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Amounts)	December 31, 2015 (Unaudited)	December 31, 2014
Assets:		
Mortgage-backed securities (“MBS”) and credit risk transfer (“CRT”) securities:		
Agency MBS, at fair value (\$4,532,094 and \$5,519,813 pledged as collateral, respectively)	\$ 4,752,244	\$ 5,904,207
Non-Agency MBS, at fair value (\$4,874,372 and \$2,377,343 pledged as collateral, respectively)	5,822,519	3,358,426
Non-Agency MBS transferred to consolidated variable interest entities (“VIEs”), at fair value	598,298	1,397,006
CRT securities, at fair value (\$170,352 and \$94,610 pledged as collateral, respectively)	183,582	102,983
Securities obtained and pledged as collateral, at fair value	507,443	512,105
Residential whole loans, at carrying value (\$93,692 and \$67,536 pledged as collateral, respectively)	271,845	207,923
Residential whole loans, at fair value (\$585,971, and \$143,072 pledged as collateral, respectively)	623,276	143,472
Cash and cash equivalents	165,007	182,437

Restricted cash	71,538	67,255
Interest receivable	29,002	32,581
Derivative instruments:		
MBS linked transactions, net (“Linked Transactions”), at fair value	—	398,336
Interest rate swap agreements (“Swaps”), at fair value	1,127	3,136
Goodwill	7,189	7,189
Prepaid and other assets	134,253	37,688
Total Assets	<u>\$ 13,167,323</u>	<u>\$ 12,354,744</u>
Liabilities:		
Repurchase agreements and other advances	\$ 9,388,902	\$ 8,267,388
Securitized debt	22,057	110,574
Obligation to return securities obtained as collateral, at fair value	507,443	512,105
8% Senior Notes due 2042 (“Senior Notes”)	100,000	100,000
Accrued interest payable	16,949	13,095
Swaps, at fair value	70,526	62,198
Dividends and dividend equivalents payable	74,575	74,529
Accrued expenses and other liabilities	19,610	11,583
Total Liabilities	<u>\$ 10,200,062</u>	<u>\$ 9,151,472</u>
Stockholders’ Equity:		
Preferred stock, \$.01 par value; 7.50% Series B cumulative redeemable; 8,050 shares authorized; 8,000 shares issued and outstanding (\$200,000 aggregate liquidation preference)	\$ 80	\$ 80
Common stock, \$.01 par value; 886,950 shares authorized; 370,584 and 370,084 shares issued and outstanding, respectively	3,706	3,701
Additional paid-in capital, in excess of par	3,019,956	3,013,634
Accumulated deficit	(572,332)	(568,596)
Accumulated other comprehensive income	515,851	754,453
Total Stockholders’ Equity	<u>\$ 2,967,261</u>	<u>\$ 3,203,272</u>
Total Liabilities and Stockholders’ Equity	<u>\$ 13,167,323</u>	<u>\$ 12,354,744</u>

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts)	Three Months Ended December 31,		For the Year Ended December 31,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014
Interest Income:				
Agency MBS	\$ 24,804	\$ 32,539	\$ 105,835	\$ 142,543
Non-Agency MBS	76,381	50,637	317,821	185,806
Non-Agency MBS transferred to consolidated VIEs	10,957	25,014	45,749	130,524
CRT securities	2,096	742	6,572	772
Residential whole loans held at carrying value	4,219	2,234	16,036	4,083
Cash and cash equivalent investments	42	26	130	89
Interest Income	<u>\$ 118,499</u>	<u>\$ 111,192</u>	<u>\$ 492,143</u>	<u>\$ 463,817</u>
Interest Expense:				
Repurchase agreements and other advances	\$ 44,181	\$ 35,890	\$ 166,918	\$ 145,244
Securitized debt	266	1,062	1,996	6,533
Senior Notes	2,009	2,008	8,034	8,031
Interest Expense	<u>\$ 46,456</u>	<u>\$ 38,960</u>	<u>\$ 176,948</u>	<u>\$ 159,808</u>
Net Interest Income	<u>\$ 72,043</u>	<u>\$ 72,232</u>	<u>\$ 315,195</u>	<u>\$ 304,009</u>
Other-Than-Temporary Impairments:				
Total other-than-temporary impairment losses	\$ —	\$ —	\$ (525)	\$ —
Portion of loss reclassified from other comprehensive income	—	—	(180)	—
Net Impairment Losses Recognized in Earnings	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (705)</u>	<u>\$ —</u>
Other Income, net:				
Unrealized net gains and net interest income from Linked Transactions	\$ —	\$ 7,506	\$ —	\$ 17,092
Net gain on residential whole loans held at fair value	6,899	116	17,722	116
Gain on sales of MBS	9,652	12,194	34,900	37,497
Other, net	(831)	386	(1,457)	80
Other Income, net	<u>\$ 15,720</u>	<u>\$ 20,202</u>	<u>\$ 51,165</u>	<u>\$ 54,785</u>
Operating and Other Expense:				
Compensation and benefits	\$ 6,534	\$ 7,203	\$ 26,293	\$ 25,581
Other general and administrative expense	4,080	3,690	15,752	15,164
Loan servicing and other related operating expenses	3,678	1,833	10,384	3,383
Excise tax and interest	—	—	—	1,162
Operating and Other Expense	<u>\$ 14,292</u>	<u>\$ 12,726</u>	<u>\$ 52,429</u>	<u>\$ 45,290</u>
Net Income	<u>\$ 73,471</u>	<u>\$ 79,708</u>	<u>\$ 313,226</u>	<u>\$ 313,504</u>
Less Preferred Stock Dividends	3,750	3,750	15,000	15,000

Net Income Available to Common Stock and Participating Securities	<u>\$ 69,721</u>	<u>\$ 75,958</u>	<u>\$ 298,226</u>	<u>\$ 298,504</u>
Earnings per Common Share - Basic and Diluted	<u>\$ 0.19</u>	<u>\$ 0.20</u>	<u>\$ 0.80</u>	<u>\$ 0.81</u>
Dividends Declared per Share of Common Stock	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>



**Fourth Quarter 2015
Earnings Presentation**

Forward Looking Statements

When used in this presentation or other written or oral communications, statements which are not historical in nature, including those containing words such as “will,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions, are intended to identify “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, may involve known and unknown risks, uncertainties and assumptions. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market value of MFA’s MBS; including changes in the prepayment rates on the mortgage loans securing MFA’s MBS; credit risks underlying MFA’s assets, including; changes in the default rates and management’s assumptions regarding default rates on the mortgage loans securing MFA’s Non-Agency MBS and as related to MFA’s residential whole loan portfolio; MFA’s ability to borrow to finance its assets and the terms, including the cost, maturity and other terms, of any such borrowing; implementation of or changes in government regulations or programs affecting MFA’s business; MFA’s estimates regarding taxable income the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by the Company to accrete the market discount on Non-Agency MBS and the extent of prepayments, realized losses and changes in the composition of MFA’s Agency MBS and Non-Agency MBS portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of MFA’s Board of Directors and will depend on, among other things, MFA’s taxable income, its financial results and overall financial condition and liquidity, maintenance of its REIT qualification and such other factors as the Board deems relevant; MFA’s ability to maintain its qualification as a REIT for federal income tax purposes; MFA’s ability to maintain its exemption from registration under the Investment Company Act of 1940, as amended (or the Investment Company Act), including statements regarding the Concept Release issued by the SEC relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; MFA’s ability to successfully implement its strategy to grow its residential whole loan portfolio; expected returns on our investments in non-performing residential whole loans (NPLs), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that MFA files with the Securities and Exchange Commission, could cause MFA’s actual results to differ materially from those projected in any forward-looking statements it makes. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect MFA. Except as required by law, MFA is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Summary

- In this low interest rate environment, we continue to generate attractive returns from residential credit mortgage assets.
- In the fourth quarter we generated EPS of \$0.19 and dividend per share of \$0.20.
- MFA continued to grow its credit sensitive loan portfolio and its 3 year step-up RPL/NPL securities portfolio in response to attractive investment opportunities.

Through Volatile Markets and Both Interest Rate and Credit Cycles, MFA has Generated Strong Long Term Returns to Investors

<u>Time Period</u>	<u>Annualized MFA Shareholder Return ⁽¹⁾</u>
Since 2000	14.2%
10 Year	13.5%
5 Year	9.3%

⁽¹⁾ As of 12/31/15 assuming reinvestment of dividends

2016 MFA Strategy

1) Invest in high value-added assets

A. Generate returns from investment in credit sensitive residential mortgage assets

- MFA's credit assets continue to perform well. Legacy Non-Agency MBS Credit Reserve was reduced \$41.1 million in 2015.

B. Acquire assets with less interest rate sensitivity

- 73% of MFA MBS are adjustable, hybrid or step-up
- Net portfolio duration of 0.59

2) Maintain staying power and the ability to invest in distressed, less liquid markets

- Permanent equity capital
- Debt to Equity Ratio of 3.4x is low enough to accommodate potential changes in marks.
- Historically MFA was able to invest while many investors were concerned about capital outflows and potential mark-to-market losses.
- Our market capitalization is relevant as to how we are perceived by investors, counterparties and the residential mortgage industry.

Fourth Quarter Investment Update

We have continued to identify and acquire credit sensitive residential mortgage assets that generate earnings without materially increasing MFA's overall interest rate exposure.

\$ in Millions

	December 31, 2015	September 30, 2015	Fourth Quarter Change	December 31, 2014	2015 Change
Re-performing and Non-performing Loans	\$895	\$777	\$118	\$351	\$544
3 Year Step-up RPL/NPL Securities	\$2,626	\$2,487	\$139	\$2,008	\$618
Credit Risk Transfer Securities	\$184	\$150	\$34	\$108	\$76
Legacy Non-Agency MBS	\$3,795	\$4,037	(\$242)	\$4,661	(\$866)
Agency MBS	\$4,752	\$5,020	(\$268)	\$5,904	(\$1,152)

MFA's Yields and Spreads Remain Attractive

	Fourth Quarter 2015	Third Quarter 2015
Yield on Interest Earning Assets	4.15%	4.05%
Net Interest Rate Spread	2.22%	2.24%
Debt Equity Ratio	3.4x	3.3x
EPS	\$0.19	\$0.20

Yields and Spreads by Asset Type

Quarter Ended December 31, 2015				
Asset	Yield/Return	Cost of Funds	Net Spread	Debt/Net Equity Ratio
Agency MBS	2.04%	(1.17)%	0.87%	8.06x
Non-Agency MBS	7.64%	(2.90)%	4.74%	1.90x
RPL/NPL MBS	3.70%	(1.81)%	1.89%	3.81x
RPL Whole Loans	5.96% ⁽¹⁾	(2.64)%	3.32%	0.33x
NPL Whole Loans	⁽²⁾	(3.14)%	⁽²⁾	2.06x

(1) Net of 69 bps of servicing costs

(2) Residential whole loans held at fair value produce GAAP income/loss based on changes in fair value in the current period and therefore results will vary on a quarter to quarter basis. The company expects to realize returns over time on these investments of 5-7%.

Distributable Income / Items Expected to Impact Future Taxable Income

- As of December 31, 2015 MFA had undistributed REIT taxable income of \$0.02 per share.
- Items expected to significantly impact future taxable income (though not GAAP income) over the next two quarters include:
 - Re-securitization unwind completed in mid February is expected to increase taxable income by an amount currently estimated to be approximately \$0.19 per share.
 - Countrywide Settlement is expected to increase taxable income. Estimated impact approximately \$0.05 per share

MFA's Interest Rate Sensitivity Remains Below 1.0, as Measured by Net Duration

Assets	Market Value	Average Coupon	Duration
Non-Agency ARMs (12 months or less MTR)	\$2,527	2.85%	0.5
Non-Agency Hybrid (13-48 MTR)	\$ 237	4.93%	1.0
NPL/RPL Securities	\$2,626	3.71%	0.4
Non-Agency Fixed Rate	\$1,214	5.81%	3.0
Residential Whole Loans	\$ 913	4.58 %	2.3
Agency ARMs (12 months or less MTR)	\$1,744	2.56%	0.6
Agency ARMs (12-120 MTR)	\$1,227	3.13%	1.9
Agency 15 Year Fixed Rate	\$1,781	3.09%	3.4
Cash, Cash Equivalents & Principal Receivable	\$ 238		0.0
TOTAL ASSETS	\$12,506		1.41
Hedging Instruments	Notional Amount		Duration
Swaps (Less than 3 years)	\$1,050		-1.8
Swaps (3-10 years)	\$2,000		-4.3
TOTAL HEDGES	\$3,050		-3.4
Net Duration			0.59

FHLB Membership

- On January 20, 2016, FHFA adopted a final rule (effective 2/19/16) revising its regulations governing FHLBank membership, excluding captive insurance companies.
- For captives (such as MFA Insurance) gaining membership after September 12, 2014, this FHLBank membership will terminate after one year (2/19/17) . No new advances or renewal of advances can be made to these members after 1/20/16.
- MFA Insurance had \$1.5 billion of advances (using Agency MBS as collateral) as of the publication of this final rule and these have been reduced to \$1.2 billion at present. Remaining advances must be repaid by 2/19/17.
- MFA's Agency prepayments have averaged approximately \$75 million per month, so we expect approximately \$900 million of Agency runoff over the next year.

While Economic Growth Rate is Uncertain there are Many Positive Fundamentals for Residential Mortgage Credit and Home Prices

- Strong Fundamental **and** Technical Support for Residential Credit assets and Home Prices
- Continued home price appreciation (nationally and locally)
- Sales of existing homes rose 6.5% in 2015 to 5.26 million*
- Available listings of existing homes are down 3.8% from a year ago*
- Fewer US homes in foreclosure (as % of homes with mortgages)
- Seriously delinquent (90+ days) US mortgages continue to decline
- Underwater homes (negative equity) down 21% in 2015 vs 2014**

*National Association of Realtors

**CoreLogic

Continued Growth in Credit Sensitive Loan Portfolio

- Re-Performing and Non-Performing Loan Portfolio

\$ in Millions

Dec 31, 2015	Sept 30, 2015	June 30, 2015	March 31, 2015	Dec 31, 2014
\$895	\$777	\$429	\$387	\$351

- At today's market prices, re-performing and non-performing residential mortgage loans generate higher yields than residential MBS.
- Residential whole loans are qualifying interests for purposes of REIT qualification and 1940 Act Exemption.
- Significant expected supply
- Emphasis on credit performance rather than interest rate sensitivity

Credit Sensitive Residential Whole Loans: Growing Asset Class for MFA

- Utilizes the same residential mortgage credit expertise we have employed in Legacy Non-Agency MBS since 2008.
- Ability to oversee servicing decisions (loan modifications, short sales, etc.) to produce better NPV outcomes.
- As of December 31, 2015, MFA held \$895.1 million of loans:
 - \$271.8 million of primarily re-performing loans at purchase, held at carrying value
 - \$623.3 million of primarily non-performing loans at purchase, held at fair value
- MFA has obtained financing of \$487.7 million through three different warehouse borrowing facilities.
- MFA actively manages its loan portfolio through in-house asset management professionals and utilizes third-party special servicers.

Fourth Quarter RPL/NPL MBS Holdings

- **Short Duration**

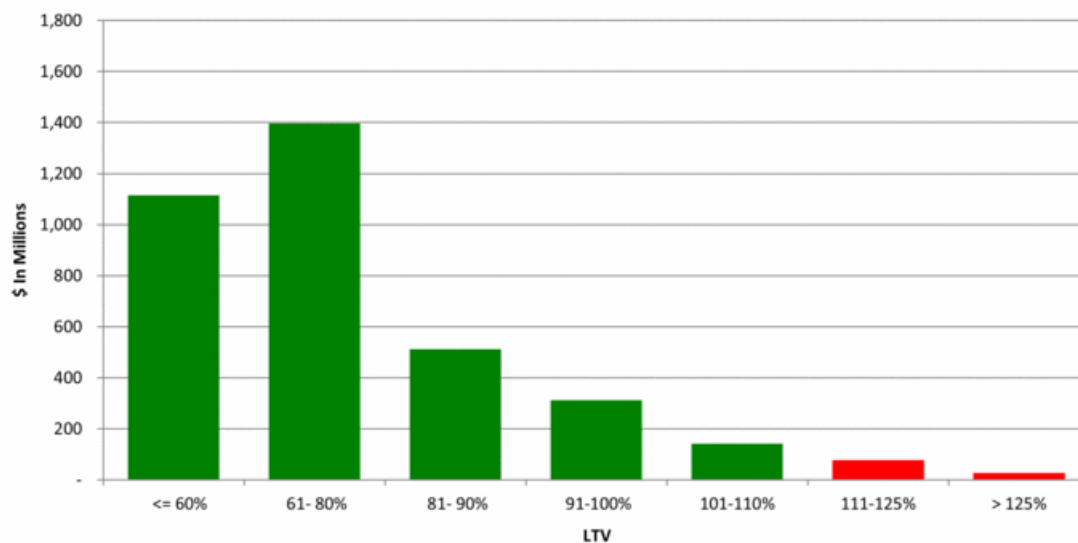
- Deal structures generally contain a coupon step-up of 300 basis points at 36 months or sooner.
- Issuer can call bonds after 12 months.
- We expect that the securities will be redeemed prior to the step-up date.

- **Low Credit Risk**

- Average credit enhancement (CE) for the portfolio is 49% of unpaid principal balance (UPB) as of December 31, 2015
- Subordinate bonds receive no principal or interest until senior bonds have been paid off.

	Fair Value \$mm	Net Coupon	Months to Step-Up	Current Credit Support	Original Credit Support	3 Month Average Bond CPR
Re-Performing MBS	\$ 491	3.69%	18	47%	40%	24.4%
Non-Performing MBS	\$ 2,135	3.71%	24	49%	48%	20.7%
Total RPL/NPL MBS	\$ 2,626	3.71%	23	49%	47%	21.5%

LTV Breakdown of Non-Delinquent Mortgage Loans Underlying MFA's Legacy Non-Agency MBS



- These loans are up to date on all required mortgage payments
- Underlying loans are ten years seasoned on average

Summary

- We continue to utilize our expertise to identify and acquire attractive credit sensitive residential mortgage assets.
- We substantially grew our holdings of credit sensitive mortgage loans and 3 Year step-up RPL/NPL securities in 2015.
- Our credit sensitive assets continue to perform well.
- MFA is well positioned for changes in monetary policy and/or interest rates.

Additional Information

Book Value Down Approximately 3% Primarily Due to Slightly Weaker Legacy Non-Agency Prices

Book value per common share as of 9/30/15	\$ 7.70
Net income available to common shareholders	0.19
Common dividend declared during the quarter	(0.20)
Net change attributable to Agency MBS	(0.10)
Net change attributable to Non-Agency MBS and CRT securities	(0.22)
Net change in value of swap hedges	0.10
Book value per common share as of 12/31/15	\$ 7.47

Fourth Quarter Non-Agency MBS Impact on MFA Book Value ⁽¹⁾

	Impact Per Share
Impact of change in market prices	(\$0.14)
Realized gains from asset sales: Reallocation from OCI to Retained Earnings	(\$0.03)
Discount Accretion: Primarily income in excess of coupon on Non-Agency MBS purchased at a discount. This income increases amortized cost and lowers unrealized gains	(\$0.06)
Principal Paydowns	\$0.05
Realized Credit Losses	(\$0.04)
Total	(\$0.22)

(1) Does not include impact of swap hedges.