

MFA FINANCIAL, INC.
Form DEF 14A
April 08, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant
Filed by a party other than the Registrant
Check the appropriate box:

- Preliminary Proxy statement
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

MFA Financial, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2015

To the Stockholders of MFA Financial, Inc.:

The 2015 Annual Meeting of Stockholders (the Annual Meeting) of MFA Financial, Inc., a Maryland corporation (MFA, we or our), will be held at The New York Palace Hotel, 455 Madison Avenue (at 51), New York, New York 10022, on Thursday, May 21, 2015, at 9:00 a.m., New York City time, for the following purposes:

- (1) To elect the two directors named in the proxy statement to serve on MFA's Board of Directors (the Board) until our 2018 Annual Meeting of Stockholders and until their successors are duly elected and qualify;
 - (2) To consider and vote upon the ratification of the appointment of KPMG LLP as MFA's independent registered public accounting firm for the fiscal year ending December 31, 2015;
- (3) To consider and vote upon an advisory (non-binding) resolution to approve MFA's executive compensation as disclosed in the proxy statement;
- (4) To consider and vote upon the MFA Financial, Inc. Equity Compensation Plan, which is an amendment and restatement of our 2010 Equity Compensation Plan, and which, if approved at the Annual Meeting, will, among other things, increase the number of shares of common stock available for grant by MFA so that the number of shares reserved for issuance on or after the date of the Annual Meeting will be 12,000,000; and
- (5) To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The close of business on March 27, 2015, has been fixed by the Board as the record date for the determination of the stockholders entitled to notice of, and to vote at, the Annual Meeting or any postponement or adjournment thereof.

Whether or not you plan to attend in person, in order to assure proper representation of your shares at the Annual Meeting, we urge you to submit your proxy voting instructions to MFA by using our dedicated internet voting website, our toll-free telephone number or, if you prefer, the mail. By submitting your proxy voting instructions promptly, either by internet, telephone or mail, you can help MFA avoid the expense of follow-up mailings and ensure the presence of a quorum at the Annual Meeting. If you attend the Annual Meeting, you may, if so desired, revoke your prior proxy voting instructions and vote your shares in person.

In order to submit proxy voting instructions prior to the Annual Meeting, you have the option of authorizing your proxy (a) through the internet at www.proxyvote.com and following the instructions described on the notice and access card previously mailed to you or on your proxy card, (b) by toll-free telephone at 1-800-690-6903 and following the instructions described on your proxy card or (c) by completing, signing and dating your proxy card and returning it promptly in the postage-prepaid envelope provided.

Your proxy is being solicited by the Board. The Board recommends that you vote in favor of the proposed items.

By Order of the Board

Harold E. Schwartz
Secretary

New York, New York

April 8, 2015

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2015

GENERAL INFORMATION

This Proxy Statement is being furnished to stockholders in connection with the solicitation of proxies by and on behalf of the Board of Directors (the Board) of MFA Financial, Inc., a Maryland corporation (MFA, the Company, we, us), for exercise at MFA's 2015 Annual Meeting of Stockholders (the Annual Meeting) to be held at The New York Palace Hotel, 455 Madison Avenue (at 51st Street), New York, New York 10022, on Thursday, May 21, 2015, at 9:00 a.m., New York City time, or at any postponement or adjournment thereof.

In order to submit proxy voting instructions prior to the Annual Meeting, stockholders have the option to authorize their proxy by internet, telephone or mail. Stockholders are requested to authorize a proxy to vote their shares of our common stock, par value \$0.01 per share (the Common Stock), at the Annual Meeting by using the dedicated internet voting website or toll-free telephone number provided for this purpose. Alternatively, stockholders may authorize their proxy by completing, signing and dating their proxy card and returning it in the postage-prepaid envelope provided. Specific instructions regarding the internet and telephone voting options are described on the notice of access card previously mailed to you and/or on your proxy card. Stockholders who authorize their proxy by using the internet or telephone voting options do not need to also return a proxy card.

Shares of Common Stock represented by properly submitted proxies received by us prior to the Annual Meeting will be voted according to the instructions specified on such proxies. Any stockholder submitting a proxy retains the power to revoke such proxy at any time prior to its exercise at the Annual Meeting by (i) delivering prior to the Annual Meeting a written notice of revocation to the attention of our Secretary at MFA Financial, Inc., 350 Park Avenue, 20th Floor, New York, New York 10022, (ii) submitting a later dated proxy or (iii) voting in person at the Annual Meeting. Attending the Annual Meeting will not automatically revoke a stockholder's previously submitted proxy unless such stockholder votes in person at the Annual Meeting.

If a proxy is properly authorized, submitted without specifying any instructions thereon and not revoked prior to the Annual Meeting, the shares of Common Stock represented by such proxy will be voted (i) **FOR** the election of the two directors named in this Proxy Statement to serve on the Board until our 2018 Annual Meeting of Stockholders and until their successors are duly elected and qualify, (ii) **FOR** the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015, (iii) **FOR** the advisory (non-binding) resolution to approve our executive compensation as disclosed in this proxy statement and (iv) **FOR** the MFA Financial, Inc. Equity Compensation Plan (the Amended Plan), which is an amendment and restatement of our 2010 Equity Compensation Plan (the 2010 Plan), and which, if approved at the Annual Meeting, will increase the number of shares of Common Stock available for grant by us so that the number of shares reserved for issuance on or after the date of the Annual Meeting will be 12,000,000 (which includes 2,052,422 shares subject to outstanding grants under the 2010 Plan) and make certain other changes as described in this Proxy Statement. As to any other business that may properly come before the Annual Meeting or any postponement or adjournment thereof, the persons named as proxy holders on your proxy card will vote the shares of Common Stock represented by properly submitted proxies in their discretion.

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This Proxy Statement, the Notice of Annual Meeting of Stockholders and the related proxy card are first being sent and made available to stockholders on or about April 8, 2015.

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ANNUAL REPORT

This Proxy Statement is accompanied by our Annual Report to Stockholders for the year ended December 31, 2014, including financial statements audited by KPMG LLP, our independent registered public accounting firm, and their report thereon, dated February 12, 2015.

VOTING INFORMATION

Record Date

Stockholders will be entitled to one vote for each share of Common Stock held of record at the close of business on March 27, 2015 (the Record Date), with respect to (i) the election of the two directors named in this Proxy Statement to serve on the Board until our 2018 Annual Meeting of Stockholders and until their successors are duly elected and qualify, (ii) the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015, (iii) the advisory (non-binding) resolution to approve our executive compensation (Say-on-Pay), (iv) the approval of the Amended Plan and (v) any other proposal for stockholder action that may properly come before the Annual Meeting or any postponement or adjournment thereof.

As of the Record Date, we had issued and outstanding 370,364,193 shares of Common Stock.

Quorum and Required Vote

The presence, in person or by proxy, of holders of Common Stock entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting shall constitute a quorum.

Assuming a quorum is present, the business scheduled to come before the Annual Meeting will require the following affirmative votes:

- (i) with respect to the election of directors, a majority of the votes cast on the election of each such director on a per director basis;
- (ii) with respect to the ratification of the appointment of our independent registered public accounting firm, a majority of the votes cast on the proposal;
- (iii) with respect to the advisory (non-binding) vote on Say-on-Pay, a majority of the votes cast on the proposal; and
 - (iv) with respect to the approval of the Amended Plan, a majority of the votes cast on the proposal.

Abstentions and Broker Non-Votes

Abstentions and broker non-votes are each included in the determination of the number of shares present at the Annual Meeting for the purpose of determining whether a quorum is present.

An abstention is the voluntary act of directing your proxy to abstain or attending the meeting in person and marking a ballot to abstain.

A broker non-vote occurs when a nominee (i.e., a broker) holding shares for a beneficial owner has not received instructions from the beneficial owner on a particular proposal for which the nominee is not permitted to exercise

discretionary voting power under New York Stock Exchange (the NYSE) rules, and therefore, the nominee does not cast a vote on the proposal.

Under NYSE rules, brokers are not permitted to vote shares held in their clients' accounts on elections of directors, on the non-binding Say-on-Pay vote or on the vote to approve the Amended Plan, unless, in each case, the client (as beneficial owner) has provided voting instructions to the broker. The ratification of the appointment of our independent registered public accounting firm is, however, a proposal for which brokers do have discretionary voting authority. If you hold your shares in street name (i.e., through a broker or other nominee), your broker or nominee will not vote your shares on non-routine matters unless you provide instructions on how to vote your shares. You can instruct your broker or nominee how to vote your shares by following the voting procedures provided by such broker or nominee.

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Abstentions do not count as votes cast on the election of directors, the ratification of the appointment of KPMG LLP or the advisory (non-binding) vote on Say-on-Pay. Accordingly, abstentions and broker non-votes, if any, will have no effect on the election of directors, the ratification of the appointment of KPMG LLP or the advisory (non-binding) vote on Say-on-Pay. For purposes of the vote to approve the Amended Plan, abstentions will have the same effect as votes against the proposal and broker non-votes will have no effect on the result of the vote.

CORPORATE GOVERNANCE

Role of the Board

Pursuant to our Charter and Bylaws and the Maryland General Corporation Law, our business and affairs are managed under the direction of the Board. The Board has the responsibility for establishing broad corporate policies and for our overall performance and direction, but is not involved in our day-to-day operations. Members of the Board keep informed of our business by participating in meetings of the Board and its committees, by reviewing analyses, reports and other materials provided to them and through discussions with our chief executive officer (CEO) and other executive officers.

Board Leadership Structure

We currently separate the roles of Chairman of the Board and CEO, with the chairmanship held by a non-executive independent director. Until January 1, 2014, these roles had been combined, with some of the powers traditionally granted to a Chairman of the Board instead held by a Lead Director, who was fully independent of MFA's management. During the latter half of 2013, the Board reevaluated our leadership structure. As a result of this evaluation, the Board amended our Bylaws, effective January 1, 2014, to provide that the Chairman of the Board does not automatically serve as CEO, and that the Chairman may be an executive or non-executive of the Company. Our Board presently believes that the separation of roles, while not required, fosters clear accountability and enhances the Board's oversight of and independence from management, as well as its ability to carry out its roles and responsibilities on behalf of stockholders. The Board also believes that the current structure fosters effective decision-making and alignment on corporate strategy. In addition, the Board believes that separation of the Chairman and CEO roles strengthens risk management. Also, the Board believes that this leadership structure allows our CEO to focus more of his time and energy on day-to-day management and operations of the business.

Role of the Non-Executive Chairman

George H. Krauss, an independent director, currently serves as our Chairman of the Board. The Board appointed Mr. Krauss Chairman of the Board effective as of January 1, 2014, and he was reappointed following MFA's 2014 annual meeting of stockholders. Prior thereto, Mr. Krauss had served as our Lead Director since May 2012. Among other things, the Chairman of the Board: (1) presides at all meetings of the Board; (2) has the authority to call, and will lead, meetings and executive sessions of our independent and non-management directors; (3) consults with the CEO and the Board committee chairs in establishing the agenda for Board and Board committee meetings; (4) helps facilitate communication between the CEO and the Board; (5) acts as a liaison between the Board and management; (6) confirms the Board has a process of periodically assessing the effectiveness of the Board, its committees and individual directors and management; and (7) performs such other functions as may be designated from time to time. The Chairman of the Board is elected annually by a majority of the directors then serving on the Board at the first meeting of the Board following the annual meeting of stockholders.

Board's Role in Risk Oversight

The Board is responsible for the oversight of MFA's risk management. The Board oversees and monitors MFA's risk management framework and actively reviews risks that may be material to us. As part of this oversight process, the Board receives reports from management on areas of material risk to MFA, including operational, financial, interest rate, liquidity, credit, market, legal and regulatory, accounting, strategic and cyber (i.e., data protection and information security) risks. The Board receives these reports

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from the appropriate sources within MFA to enable it to understand our risk identification, risk management and risk mitigation strategies. To the extent applicable, the Board and its committees coordinate their risk oversight roles. As part of its written charter, the Audit Committee of the Board discusses guidelines and policies to govern the process by which risk assessment and risk management, including major financial risk exposures, is undertaken by MFA and its management, and the Compensation Committee of the Board oversees our compensation programs to ensure that they do not encourage unnecessary or excessive risk taking. The goal of these processes is to achieve thoughtful board-level attention to (i) our risk management process and framework, (ii) the nature of the material risks we face and (iii) the adequacy of our risk management process and framework designed to respond to and mitigate these risks.

Director Independence

MFA's Corporate Governance Guidelines (the "Governance Guidelines"), which have been adopted and are periodically reviewed by the Board, provide that a majority of the directors serving on the Board must be independent as affirmatively determined by the Board in accordance with the rules and standards established by the NYSE. In addition, as permitted under the Governance Guidelines, the Board has also adopted certain additional categorical standards (the "Independence Standards") to assist it in making determinations with respect to the independence of directors. Based upon its review of all relevant facts and circumstances, the Board has affirmatively determined that seven of our eight current directors, Stephen R. Blank, James A. Brodsky, Richard J. Byrne, Laurie Goodman, Alan L. Gosule, Robin Josephs and George H. Krauss, qualify as independent directors under the NYSE listing standards and the Independence Standards.

The Independence Standards can be found on our website at www.mfafinancial.com.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Conduct") that applies to our directors, officers and employees. The Code of Conduct was designed to assist directors, officers and employees in complying with the law, in resolving certain moral and ethical issues that may arise in the performance of their duties and in complying with our policies and procedures. Among the areas addressed by the Code of Conduct are compliance with applicable laws, conflicts of interest, use and protection of our assets, confidentiality, communications with the public, internal accounting controls, improper influence on the conduct of audits, records retention, fair dealing, discrimination and harassment, and health and safety. The Board's Nominating and Corporate Governance Committee is responsible for assessing and periodically reviewing the adequacy of the Code of Conduct and will recommend, as appropriate, proposed changes to the Code of Conduct to the Board.

The Code of Conduct can be found on our website at www.mfafinancial.com. We will also provide the Code of Conduct, free of charge, to stockholders who request it. Requests should be directed to the attention of our Secretary at MFA Financial, Inc., 350 Park Avenue, 20th Floor, New York, New York 10022.

Corporate Governance Guidelines

The Board has adopted the Governance Guidelines that address significant issues of corporate governance and set forth procedures by which the Board carries out its responsibilities. Among the areas addressed by the Governance Guidelines are Board composition, Board functions and responsibilities, Board committees, director qualification standards, director resignations, director retirements, access to management and independent advisors, director compensation, management succession, director orientation and continuing education and Board and committee

performance evaluations. The Board's Nominating and Corporate Governance Committee is responsible for assessing and periodically reviewing the adequacy of the Governance Guidelines and will recommend, as appropriate, proposed changes to the Governance Guidelines to the Board.

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The Governance Guidelines can be found on our website at www.mfafinancial.com. We will also provide the Governance Guidelines, free of charge, to stockholders who request them. Requests should be directed to the attention of our Secretary at MFA Financial, Inc., 350 Park Avenue, 20th Floor, New York, New York 10022.

Majority Voting for Directors/Director Resignation Policy. Our Bylaws provide that a nominee for director will be elected by receiving the affirmative vote of a majority of the votes cast on the election of such nominee on a per nominee basis in a non-contested election (i.e., where the number of nominees is the same as the number of directors to be elected).

Under the terms of our Governance Guidelines, if a nominee for director who is an incumbent director receives a greater number of votes against than votes for his or her election, the director is required to promptly tender to the Board his or her offer to resign from the Board. Upon recommendation of the Nominating and Corporate Governance Committee, the Board, excluding such individual, will decide whether or not to accept such offer to resign, and thereafter, it will promptly and publicly disclose its decision. If the Board determines not to accept the director's offer to resign, the director will continue to serve on the Board until the next annual meeting of stockholders and until the director's successor is duly elected and qualified or until the director's earlier resignation or removal. The Board may consider any factors it deems relevant in deciding whether to accept a director's resignation.

In a contested election, the director nominees who receive a plurality of votes cast are elected as directors. Under the plurality standard, the number of individuals equal to the number of directorships to be filled who receive more votes than other nominees are elected to the board, regardless of whether they receive a majority of votes cast.

Review and Approval of Transactions with Related Persons

The Board has adopted written policies and procedures for review, approval and monitoring of transactions involving us and related persons (directors and executive officers, stockholders beneficially owning greater than 5% of our outstanding capital stock or immediate family members of any of the foregoing). The policy covers any related person transaction that meets the minimum threshold for disclosure in the Proxy Statement under the relevant rules of the Securities and Exchange Commission (SEC) (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest). A summary of these policies and procedures is set forth below:

Policies

Any covered related party transaction must be approved by the Board or by a committee of the Board consisting solely of disinterested directors. In considering the transaction, the Board or committee will consider all relevant factors, including, as applicable, (i) our business rationale for entering into the transaction; (ii) the available alternatives; (iii) whether the transaction is on terms comparable to those available to or from third parties; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest; and (v) the overall fairness of the transaction to us.

On at least an annual basis, the Board or committee will monitor the transaction to assess whether it is advisable for us to amend or terminate the transaction.

Procedures

Management or the affected director or executive officer will bring the matter to the attention of the Chairman of the Audit Committee or, if the Chairman of the Audit Committee is the affected director, to the attention of the Chairman of the Nominating and Corporate Governance Committee.

The appropriate Chairman shall determine whether the matter should be considered by the Board or by a committee of the Board consisting solely of disinterested directors.

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If a director is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

The transaction must be approved in advance whenever practicable and, if not practicable, must be ratified as promptly as practicable.

If a transaction that has been entered into without prior approval is not ratified, the Board or committee may consider additional action, in consultation with counsel, including, but not limited to, with respect to transactions that are pending or ongoing, termination of the transaction on a prospective basis or modification of the transaction in a manner that would permit it to be ratified by the Board or committee, and with respect to transactions that are completed, rescission of such transaction and/or disciplinary action.

Identification of Director Candidates

In accordance with the Governance Guidelines and its written charter, the Nominating and Corporate Governance Committee is responsible for identifying and evaluating director candidates for the Board and for recommending director candidates to the Board for consideration as nominees to stand for election at our annual meetings of stockholders. Director candidates are nominated to stand for election to the Board in accordance with the procedures set forth in the written charter of the Nominating and Corporate Governance Committee.

We seek highly-qualified director candidates from diverse business, professional and educational backgrounds who combine a broad spectrum of experience and expertise with a reputation for the highest personal and professional ethics, integrity and values. The Nominating and Corporate Governance Committee periodically reviews the appropriate skills and characteristics required of our directors in the context of the current composition of the Board, our operating requirements and the interests of the Company. In accordance with the Governance Guidelines, director candidates should have experience in positions with a high degree of responsibility and decision making, be able to exercise good business judgment, be able to provide practical wisdom and mature judgment and be leaders in the companies or institutions with which they are affiliated. The Nominating and Corporate Governance Committee reviews director candidates with the objective of assembling a slate of directors that can best fulfill and promote our goals, and recommends director candidates based upon contributions they can make to the Board and management and their ability to represent our long-term interests and those of our stockholders.

Although we do not have a formal written diversity policy, the Nominating and Corporate Governance Committee considers diversity of race, ethnicity, gender, age, cultural background, professional experiences and expertise and education in evaluating director candidates for Board membership. We believe that considerations of diversity are, and will continue to be, an important component relating to the Board's composition as multiple and varied points of view contribute to a more effective decision-making process.

The Nominating and Corporate Governance Committee accepts stockholder recommendations of director candidates and applies the same standards in considering director candidates submitted by stockholders as it does in evaluating director candidates recommended by members of the Board or management. Upon determining the need for additional or replacement Board members, the Nominating and Corporate Governance Committee identifies director candidates and assesses such director candidates based upon information it receives in connection with the recommendation or otherwise possesses, which may be supplemented by certain inquiries. In conducting this assessment, the Nominating and Corporate Governance Committee considers knowledge, experience, skills, diversity and such other factors as it deems appropriate in light of our current needs and those of the Board. If the Nominating and Corporate Governance Committee determines, in consultation with other directors, including the Chairman of the Board, that a more comprehensive evaluation is warranted, the Nominating and Corporate Governance Committee may then obtain additional information about a director candidate's background and experience, including by means of personal interviews. The Nominating and Corporate Governance Committee will then re-evaluate the director candidate using

its evaluation criteria. The Nominating and

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Corporate Governance Committee receives input on such director candidates from other directors, including the Chairman of the Board, and recommends director candidates to the Board for nomination. The Nominating and Corporate Governance Committee may, in its sole discretion, engage one or more search firms and/or other consultants, experts or professionals to assist in, among other things, identifying director candidates or gathering information regarding the background and experience of director candidates. If the Nominating and Corporate Governance Committee engages any such third party, the Nominating and Corporate Governance Committee will have sole authority to approve any fees or terms of retention relating to these services.

Our stockholders of record who comply with the notice procedures outlined under Submission of Stockholder Proposals, which may be found on page 74 of this Proxy Statement, may recommend director candidates for evaluation and consideration by the Nominating and Corporate Governance Committee. Stockholders may make recommendations at any time, but recommendations of director candidates for consideration as director nominees at our annual meeting of stockholders must be received not less than 120 days before the first anniversary of the date of the proxy statement for the previous year's annual meeting of stockholders. Accordingly, to submit a director candidate for consideration for nomination at our 2016 Annual Meeting of Stockholders, stockholders must submit the recommendation, in writing, by no later than December 10, 2015. The written notice must demonstrate that it is being submitted by a stockholder of record of MFA and include information about each proposed director candidate, including name, age, business address, principal occupation, principal qualifications and other relevant biographical information. In addition, the stockholder must provide confirmation of each director candidate's consent to serve as a director and contact information for each director candidate so that his or her interest can be verified and, if necessary, to gather further information.

Director Retirement Policy. In the fourth quarter of 2014, the Board amended the Governance Guidelines to establish a mandatory retirement age for directors. Pursuant to this policy, no person who has reached the age of 75 at the time of election or appointment as a director may be elected or appointed as a director; provided, however, that current directors of MFA who have reached the age of 70 or more as of October 1, 2014, may not be re-appointed or nominated for re-election to the Board after reaching the age of 77.

Communications with the Board

The Board has established a process by which stockholders and/or other interested parties may communicate in writing with our directors, a committee of the Board, the Board's non-employee directors as a group or the Board generally. Any such communications may be sent to the Board by U.S. mail or overnight delivery and should be directed to the attention of our Secretary at MFA Financial, Inc., 350 Park Avenue, 20th Floor, New York, New York 10022, who will forward them to the intended recipient(s). Any such communications may be made anonymously. Unsolicited advertisements, invitations to conferences or promotional materials, in the discretion of our Secretary, are not required, however, to be forwarded to the directors. The Board has approved this communication process.

Executive Sessions of Independent Directors

In accordance with the Governance Guidelines, the independent directors serving on the Board meet in executive session at least four times per year at regularly scheduled meetings of the Board. These executive sessions of the independent directors are presided over by George H. Krauss, in his capacity as the non-executive Chairman of the Board.

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BOARD AND COMMITTEE MATTERS

Board of Directors

The Board is responsible for directing the management of our business and affairs. The Board conducts its business through meetings and actions taken by written consent in lieu of meetings. During the year ended December 31, 2014, the Board held five meetings and acted thirteen times by written consent in lieu of a meeting. Each of our directors then serving on the Board attended at least 75% of the meetings of the Board (and of the Board's committees on which they served) that were held during the portion of 2014 during which he or she was a member of the Board. All eight directors then serving on the Board attended our 2014 Annual Meeting of Stockholders. The Board's policy, as set forth in our Governance Guidelines, is to encourage and promote the attendance by each director at all scheduled meetings of the Board and all meetings of our stockholders.

Committees of the Board

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

Audit Committee. Stephen R. Blank (Chair), Richard J. Byrne, Laurie Goodman and Robin Josephs are currently the members of the Audit Committee. The Board has determined that all of the members of the Audit Committee are independent as required by the NYSE listing standards, SEC rules governing the qualifications of audit committee members, the Governance Guidelines, the Independence Standards and the written charter of the Audit Committee.

The Board has also determined, based upon its qualitative assessment of their relevant levels of knowledge and business experience (see Election of Directors beginning on page 14 of this Proxy Statement for a description of their respective backgrounds and experience), that Mr. Blank, Mr. Byrne, Ms. Goodman and Ms. Josephs qualify as audit committee financial experts for purposes of, and as defined by, SEC rules and have the requisite accounting or related financial management expertise required by the NYSE listing standards. In addition, the Board has determined that all of the members of the Audit Committee are financially literate as required by the NYSE listing standards. During 2014, the Audit Committee met eight times.

The Audit Committee is responsible for, among other things, engaging our independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of their audit engagement, approving professional services to be provided by the independent registered public accounting firm, reviewing the independence of the auditors, considering the range of audit and non-audit fees, reviewing the adequacy of our internal controls, accounting and reporting practices and assessing the quality and integrity of our consolidated financial statements. In accordance with its charter, the Audit Committee has a policy requiring that the terms of all auditing and non-auditing services to be provided by our independent registered public accounting firm be pre-approved by the Audit Committee. The Audit Committee also reviews and evaluates the scope of all non-auditing services to be provided by our independent registered public accounting firm in order to confirm that such services are permitted by the rules and/or regulations of the NYSE, the SEC, the Financial Accounting Standards Board or other similar governing bodies. The specific responsibilities of the Audit Committee are set forth in its charter, which can be found on our website at www.mfafinancial.com.

Compensation Committee. Robin Josephs (Chair), Stephen R. Blank, James A. Brodsky and Alan L. Gosule are currently the members of the Compensation Committee. The Board has determined that all of the members of the Compensation Committee are independent as required by the NYSE listing standards, the Governance Guidelines, the

Independence Standards and the written charter of the Compensation Committee. During 2014, the Compensation Committee met seven times and acted four times by written consent in lieu of a meeting.

The Compensation Committee is responsible for, among other things, overseeing the design, approval, administration and evaluation of MFA's compensation plans, policies and programs and reviewing and

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establishing the compensation of our directors and executive officers. The specific responsibilities of the Compensation Committee are set forth in its charter, which can be found on our website at www.mfafinancial.com.

Compensation Committee Interlocks and Insider Participation. There are no compensation committee interlocks and no insider participation in compensation decisions that are required to be reported under the rules and regulations of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Nominating and Corporate Governance Committee. George H. Krauss (Chair), James A. Brodsky, Richard J. Byrne and Alan L. Gosule are currently the members of the Nominating and Corporate Governance Committee. The Board has determined that all of the members of the Nominating and Corporate Governance Committee are independent as required by the NYSE listing standards, the Governance Guidelines, the Independence Standards and the written charter of the Nominating and Corporate Governance Committee. During 2014, the Nominating and Corporate Governance Committee met five times.

The Nominating and Corporate Governance Committee is responsible for, among other things, assisting the Board in identifying individuals qualified to become Board members, recommending to the Board the director nominees to stand for election by our stockholders, recommending to the Board the directors to serve on each of the Board's committees, developing and recommending to the Board the corporate governance principles and guidelines applicable to us and directing the Board in an annual review of its performance. The specific responsibilities of the Nominating and Corporate Governance Committee are set forth in its charter, which can be found on our website at www.mfafinancial.com.

We will provide the charters of the Audit Committee, Compensation Committee and/or Nominating and Corporate Governance Committee, free of charge, to stockholders who request them. Requests should be directed to the attention of our Secretary at MFA Financial, Inc., 350 Park Avenue, 20th Floor, New York, New York 10022.

Report of the Audit Committee

The Audit Committee of the Board of Directors is responsible for monitoring, on behalf of the Board, the integrity of our consolidated financial statements, our system of internal controls, the performance, qualifications and independence of our independent registered public accounting firm and our compliance with related legal and regulatory requirements. The Audit Committee has the sole authority and responsibility to select, determine the compensation of, evaluate the performance of and, when appropriate, replace our independent registered public accounting firm. The Audit Committee operates under a written charter adopted by the Board.

Management has the primary responsibility for our financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States and for the report on our internal control over financial reporting. KPMG LLP, our independent registered public accounting firm, is responsible for performing an independent audit of (i) our annual consolidated financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States and (ii) the effectiveness of our internal control over financial reporting and expressing an opinion with respect thereto. The Audit Committee's responsibility is to oversee and review the financial reporting process and to review and discuss management's report on our internal control over financial reporting. The Audit Committee is not, however, professionally engaged in the practice of accounting or auditing and does not provide any expert or other special assurance as to such financial statements concerning compliance with laws, regulations or accounting principles generally accepted in the United States or as to auditor independence. The Audit Committee relies, without independent verification, on the information provided to it and on the representations made

by our management and our independent registered public accounting firm.

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During 2014, the Audit Committee held eight meetings. The meetings were designed, among other things, to facilitate and encourage communication among the Audit Committee, management, KPMG LLP, our independent registered public accounting firm, and Grant Thornton LLP, our internal auditing firm.

The Audit Committee reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2014, and the related report prepared by KPMG LLP, with management and KPMG LLP. The Audit Committee discussed with KPMG LLP and Grant Thornton LLP the overall scope and plans for their respective audits, including internal control testing under Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee also reviewed and discussed with management, KPMG LLP and Grant Thornton LLP management's annual report on our internal control over financial reporting and the reports prepared by KPMG LLP with respect to its audit of our internal control over financial reporting. The Audit Committee met with KPMG LLP and Grant Thornton LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting.

The Audit Committee reviewed and discussed with KPMG LLP its audit plan for MFA and their proposed implementation of this plan. The Audit Committee also discussed with KPMG LLP matters that independent accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (PCAOB), including, among other things, matters related to the conduct of the audit of our consolidated financial statements and the matters required to be discussed by Auditing Standard No. 16, as adopted by the PCAOB, which included a discussion of KPMG LLP's judgments about the quality (not just the acceptability) of our accounting principles as applied to financial reporting.

The Audit Committee also discussed with KPMG LLP its independence from the Company. KPMG LLP provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence and represented that it is independent from MFA. When considering the independence of KPMG LLP, the Audit Committee considered if services KPMG LLP provided to us, beyond those rendered in connection with its audit of our consolidated financial statements, its reviews of our interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q and its audit of the effectiveness of our internal control over financial reporting were compatible with maintaining its independence. The Audit Committee reviewed and approved the audit and other professional services performed by, and the amount of fees paid for such services to, KPMG LLP. The Audit Committee has adopted policies and procedures for the pre-approval of audit and non-audit services for the purpose of maintaining the independence of our independent registered public accounting firm. The Audit Committee received regular updates on the amount of fees and scope of audit and other professional services provided.

Based on the Audit Committee's review and the outcome of these meetings, discussions and reports, and subject to the limitations on the Audit Committee's role and responsibilities referred to above and in its written charter, the Audit Committee recommended to the Board, and the Board has approved, that our audited consolidated financial statements for the fiscal year ended December 31, 2014, be included in our Annual Report on Form 10-K filed with the SEC and 2014 Annual Report to Stockholders. The Audit Committee has also selected and appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015, and is presenting this appointment to our stockholders for ratification.

AUDIT COMMITTEE

Stephen R. Blank, Chair	Laurie Goodman
Richard J. Byrne	Robin Josephs

The foregoing Report of the Audit Committee shall not be deemed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, to be (i) soliciting material or filed or (ii) incorporated by reference by any general statement into any filing made by us with the SEC, except to the extent that we specifically incorporate such report by reference.

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COMPENSATION OF NON-EMPLOYEE DIRECTORS

Pursuant to the terms of its charter, the Compensation Committee is responsible for reviewing and making recommendations to the Board with respect to the compensation of the non-employee directors (the Non-Employee Directors) on the Board. The Compensation Committee, with the assistance of an independent compensation consultant, most recently reviewed the compensation of Non-Employee Directors in the first half of 2014.

Upon the recommendation of the Compensation Committee of the Board, on June 26, 2014, the Board approved certain modifications to the compensation program for Non-Employee Directors effective July 1, 2014, which are described below:

Increased from \$75,000 per year to \$100,000 per year the annual cash retainer paid to each Non-Employee Directors, which retainer is payable quarterly in arrears on a pro rata basis.

Established an annual cash retainer for service on one or more committees of the Board pursuant to which each member of the Board s (i) Audit Committee (other than the Audit Committee Chair) receives \$15,000 per year, (ii) Compensation Committee (other than the Compensation Committee Chair) receives \$15,000 per year and (iii) Nominating and Corporate Governance Committee (other than the Nominating and Corporate Governance Committee Chair) receives \$5,000 per year. These fees are payable quarterly in arrears on a pro rata basis.

Eliminated fees payable to Non-Employee Directors for attendance at any regular or special meeting (whether in-person or telephonic) of the Board and for meetings of the Audit, Compensation and Nominating and Corporate Governance Committees (formerly, \$1,500 per meeting).

Increased the annual cash fee paid to the chair of the Board s (i) Audit Committee from \$25,000 per year to \$35,000 per year, (ii) Compensation Committee from \$20,000 per year to \$35,000 per year, and (iii) Nominating and Corporate Governance Committee from \$10,000 per year to \$15,000 per year, which fees are payable quarterly in arrears on a pro rata basis.

An annual grant under the 2010 Plan of fully-vested shares of our Common Stock or fully-vested restricted stock units (RSUs) with a grant value of \$100,000 (an increase of \$25,000 as compared to the grant under the prior program). In light of the changes to the Board s governance structure that went into effect on January 1, 2014, pursuant to which the role of the Lead Director was eliminated and replaced with a non-executive Chairman of the Board, the Board approved the elimination of the additional annual cash fee of \$7,500 formerly payable to the Lead Director and the additional annual grant of fully-vested 7,500 shares of Restricted Stock or RSUs formerly granted to the Lead Director and replaced such cash and equity with an annual grant to the non-executive Chairman of fully-vested shares of our Common Stock or fully-vested RSUs with a grant date value of \$85,000.

Our Non-Employee Directors may also participate in our Fourth Amended and Restated 2003 Non-Employee Directors Deferred Compensation Plan (the Non-Employee Directors Plan), which allows participants to elect to defer receipt of 50% or 100% of their annual cash fees and to elect whether to receive their equity-based compensation in the form of fully-vested shares of our Common Stock or fully-vested RSUs.

We do not permit our Non-Employee Directors to sell or transfer their Restricted Shares until six months after their termination of service with us, subject to certain exceptions. In addition, the Non-Employee Directors are subject to a share retention/alignment requirement pursuant to which each Non-Employee Director is required to hold and maintain equity in MFA, which could include Common Stock, convertible (but not perpetual) preferred stock and/or RSUs under the Non-Employee Directors Plan (collectively, the Equivalent Shares), in an amount equal to no less than 37,500 Equivalent Shares. For Non-Employee Directors joining the Board on or after January 1, 2010, this retention requirement must be met within five years after becoming a director, and for Non-Employee Directors serving on the Board on or prior to December 31, 2009, this retention requirement was required to have been met by

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December 31, 2014. All of our directors (other than Richard J. Byrne and Laurie Goodman, each of whom was elected to the Board during 2014) have met this retention requirement.

The following table summarizes the compensation of our Non-Employee Directors for the year ended December 31, 2014.

2014 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Total (\$) ⁽³⁾
Stephen R. Blank	140,000	100,005	240,005
James A. Brodsky	114,000	100,005	214,005
Richard J. Byrne ⁽⁴⁾	97,000	100,005	197,005
Michael L. Dahir ⁽⁵⁾	116,500	75,006	191,506
Laurie Goodman ⁽⁶⁾	57,500	93,750	151,250
Alan L. Gosule	112,500	100,005	212,505
Robin Josephs	139,000	100,005	239,005
George H. Krauss	98,750	185,131	283,881

(1) Amounts in this column represent, as applicable, the annual board retainer fees, annual committee chair fees, meeting fees (the payment of which terminated June 30, 2014), committee membership fees (the payment of which commenced July 1, 2014) and Chairman of the Board fees (the payment of which terminated June 30, 2014) earned or paid to Non-Employee Directors for service in 2014.

(2) Amounts in this column represent the aggregate grant date fair value of such stock or RSU awards computed in accordance with FASB ASC Topic 718. During 2014, each non-employee director (other than Laurie Goodman and George H. Krauss) was granted 9,260 fully-vested shares of Common Stock or fully-vested RSUs on May 22, 2014 (based on a price per share of \$8.10, which was the closing price of the Common Stock on such day) and an additional 3,045 fully-vested shares of Common Stock on August 6, 2014 (based on a price per share of \$8.21, which was the closing price of the Common Stock on such day). In addition, during 2014, Mr. Krauss, our non-executive Chairman, was granted 16,760 fully-vested shares of Common Stock on May 22, 2014, and an additional 6,014 fully-vested shares of Common Stock on August 6, 2014. Also, during 2014, Ms. Goodman was granted 11,419 fully-vested shares of Common Stock on August 6, 2014.

(3) Total compensation for Non-Employee Directors does not include dividends paid in respect of the shares of Common Stock granted to each such person or dividend equivalents (which consist of a cash distribution equal to the cash dividend paid on a share of Common Stock) paid to Non-Employee Directors who elected to receive fully-vested RSUs rather than fully-vested shares of Common Stock. During 2014, Mr. Gosule received dividend equivalents that related to 1,250 of the 5,000 non-qualified stock options (NQSOs) held by him during a portion of the year, which resulted in a payment of \$750 to him. Mr. Gosule's NQSOs expired unexercised in August 2014.

(4) Mr. Byrne was elected to the Board on March 3, 2014.

(5) Mr. Dahir resigned from the Board on July 22, 2014.

(6) Ms. Goodman was elected to the Board effective July 1, 2014.

The following table summarizes certain additional information regarding amounts deferred by our Non-Employee Directors participating in the Non-Employee Directors Plan as of December 31, 2014.

Name	Total Amount Deferred ⁽¹⁾ (\$)	Distribution January 15, 2014 (\$)	Remaining Deferred Amount After 2014 Distribution ⁽²⁾ (\$)	Fair Market Value of Remaining Amount ⁽³⁾ (\$)
James A. Brodsky	71,864			204,767
George H. Krauss	309,952	119,046	190,906	241,094

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Amounts in this column represent total compensation deferred by the director and cash dividend equivalents credited to outstanding stock units from the inception of the individual director's elected participation in the Non-Employee Directors Plan, less any cash distributions made at the termination of any elected deferral and (1) payment period before distributions made in 2014. Amounts in this column represent the fair market value of the total compensation deferred and cash dividend equivalents credited to outstanding stock units based on the closing price of the Common Stock of \$7.06 per share as reported on the NYSE on December 31, 2013 (the last trading day of such year).

Amounts in this column represent total compensation deferred and cash dividend equivalents credited to (2) outstanding stock units under the Non-Employee Directors Plan during 2014 after the distributions made on January 15, 2014.

Amounts in this column represent fair market value of total compensation deferred and cash dividend equivalents (3) credited to outstanding stock units (based upon the closing price of the Common Stock of \$7.99 per share reported on the NYSE on December 31, 2014) under the Non-Employee Directors Plan at December 31, 2014.

Non-employee directors are also eligible to receive other grants of NQSOs, Common Stock and phantom shares under the 2010 Plan. We also reimburse all Non-Employee Directors for reasonable travel and other expenses incurred in connection with attending Board, committee and stockholder meetings and other Company-sponsored events and/or other activities in which they engage or participate on our behalf. In addition, we provide all non-employee directors with up to \$500,000 of accidental death and dismemberment insurance while traveling to or attending Board, committee and stockholder meetings and other Company-sponsored events. Directors who are employees of the Company (presently, only Mr. Gorin) are not entitled to receive additional compensation for serving on the Board.

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1. ELECTION OF DIRECTORS

Board of Directors

In accordance with our Charter and Bylaws, the Board is currently comprised of eight directors, Stephen R. Blank, James A. Brodsky, Richard J. Byrne, Laurie Goodman, William S. Gorin, Alan L. Gosule, Robin Josephs and George H. Krauss, and it is divided into three classes, with Mr. Blank, Mr. Gorin and Ms. Goodman constituting the Class I directors, Mr. Krauss and Ms. Josephs constituting the Class II directors and Messrs. Brodsky, Byrne and Gosule constituting the Class III directors.

One class of directors is elected at each annual meeting of our stockholders for a term of three years. Each director holds office until his or her successor has been duly elected and qualified or the director's earlier resignation, death or removal. The term of the Board's Class II directors expires at the Annual Meeting. The terms of the other two classes of directors expire at MFA's 2016 annual meeting of stockholders (Class III directors) and MFA's 2017 annual meeting of stockholders (Class I directors).

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, Mr. Krauss and Ms. Josephs have been nominated by the Board to stand for re-election as Class II directors by the stockholders at the Annual Meeting to serve until our 2018 annual meeting of stockholders and until their respective successors are duly elected and qualify.

If the candidacy of Mr. Krauss or Ms. Josephs should, for any reason, be withdrawn prior to the Annual Meeting, the proxies will be voted by the proxy holders in favor of such substituted candidate or candidates (if any) as shall be nominated by the Board.

The Board has no reason to believe that, if re-elected, Mr. Krauss and Ms. Josephs would be unable or unwilling to serve as Class II directors.

The Board has determined that all of our current directors are qualified to serve as directors of the Company. The biographies of each of the Board's nominees standing for re-election and our continuing directors set forth below contain information regarding each person's service as a director, business experience and education, director positions held currently or at any time during the last five years, information regarding certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Board and the Nominating and Corporate Governance Committee to determine that the person should serve as a director.

In addition to the specific information set forth in their respective biographies, we believe that each of our directors also possesses the tangible and intangible attributes and skills that are important to being an effective director on the Board, including experience in areas of expertise relevant and beneficial to our business and industry, a willingness and commitment to assume the responsibilities required of a director of the Company and the character and integrity we expect of directors of the Company.

Nominees for Re-Election as Class II Directors

The following information is furnished regarding the nominees for re-election as Class II directors by the holders of Common Stock.

Robin Josephs, 55, has served as a director of MFA since 2010. From 2005 to 2007, Ms. Josephs was a managing director of Starwood Capital Group L.P., a private equity firm specializing in real estate investments. From 1986 to 1996, Ms. Josephs was a senior executive with Goldman, Sachs & Co. serving in the real estate group of the investment banking division and, later, in the equity capital markets division. Ms. Josephs currently serves as a member of the board of directors of iStar Financial, where she is lead director and serves as a member of the compensation committee and as Chair of the nominating and governance committee, Plum Creek Timber Company, Inc., where she serves on the audit and compensation committees, and QuinStreet, where she serves on the audit and compensation committees. Ms. Josephs is a trustee of the University of Chicago Cancer Research Foundation. Ms. Josephs is a graduate of The Wharton School of the University of Pennsylvania and received a Master of Business Administration degree from Columbia University.

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We believe that Ms. Josephs' qualifications to serve on the Board include her significant knowledge of the specialty finance and real estate industries, her extensive experience in the investment banking industry, including her expertise in public and private real estate finance and equity capital markets, her substantial service on the boards and committees of other public companies, her experience with corporate governance, finance and other related matters.

George H. Krauss, 73, has served as a director of MFA since 1997. Mr. Krauss was named a Managing Director of The Burlington Capital Group LLC (Burlington) in 2010 and, prior thereto, had been a consultant to Burlington since 1997. From 1972 to 1997, Mr. Krauss practiced law with Kutak Rock LLP, serving as such firm's managing partner from 1983 to 1993 and, from 1997 to 2006, was Of Counsel to such firm. Mr. Krauss currently serves as a member of the board of managers of Burlington, which is the general partner of America First Tax Exempt Investors, LP. Mr. Krauss was a member of the boards of directors of Gateway, Inc., from 1991 to October 2007, West Corporation, from January 2001 to October 2006, America First Apartment Investors, Inc., from January 2003 to September 2007, and *info* GROUP, Inc., from December 2007 to July 2010. Mr. Krauss received a J.D. and a Master of Business Administration degree from the University of Nebraska.

We believe that Mr. Krauss' qualifications to serve on the Board include his significant experience as a managing partner of a major law firm, his substantial service on the boards and committees of other public and private companies, his considerable legal and business experience in corporate, mergers and acquisitions and regulatory matters and his significant exposure to our business and industry through his years of service on the Board.

THE BOARD RECOMMENDS A VOTE FOR THE RE-ELECTION OF MR. KRAUSS AND MS. JOSEPHS AS CLASS II DIRECTORS.

Continuing Class I Directors

The following information is furnished regarding our Class I directors (who will continue to serve on the Board until our 2017 Annual Meeting of Stockholders and until their respective successors are duly elected and qualify).

Stephen R. Blank, 69, has served as a director of MFA since 2002. From 1998 to 2014, Mr. Blank was a Senior Resident Fellow, Finance, at the Urban Land Institute (ULI), a non-profit education and research institute which studies land use and real estate development policy. Prior to joining ULI, Mr. Blank served from 1993 to 1998 as Managing Director Real Estate Investment Banking of CIBC Oppenheimer Corp. From 1989 to 1993, Mr. Blank was Managing Director of the Real Estate Corporate Finance Department of Cushman & Wakefield, Inc. From 1979 to 1989, Mr. Blank served as Managing Director Real Estate Investment Banking of Kidder, Peabody & Co. From 1973 to 1979, Mr. Blank was employed by Bache & Co., Incorporated, as Vice President, Direct Investment Group. Mr. Blank currently serves as a member of the board of directors of Home Properties, Inc., where he is chair of the audit committee and a member of the nominating and governance committee, and as Chair of the board of trustees of Ramco-Gershenson Properties Trust, where he is a member of the compensation committee. From May 1999 to February 2007, Mr. Blank was a member of the board of directors of BNP Residential Trust, Inc. Mr. Blank is a graduate of Syracuse University and received a Master of Business Administration degree in Finance from Adelphi University.

We believe that Mr. Blank's qualifications to serve on the Board include his extensive knowledge of the real estate industry as evidenced by his former position at ULI, his experience in the investment banking industry, including his expertise in public and private real estate finance, his substantial service on the boards and committees of other public and private companies and his regular attendance of director continuing education programs.

Laurie Goodman, 59, has served as a director of MFA since July 2014. She is presently the Center Director of the Housing Finance Policy Center at the Urban Institute, a Washington, D.C.-based nonprofit organization dedicated to elevating the debate on social and economic policy. Ms. Goodman joined the Urban Institute in late 2013 from Amherst Securities Group, L.P., a boutique broker dealer specializing in

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securitized products, where she had been a Senior Managing Director since late 2008 leading a group known for its analysis of housing policy issues. Prior to her tenure at Amherst Securities, Ms. Goodman was head of Global Fixed Income Research and Manager of U.S. Securitized Products Research at UBS and its predecessor firms from July 1993 through November 2008. Prior to her tenure with UBS, Ms. Goodman spent ten years in senior fixed income research positions at Citicorp, Goldman Sachs, and Merrill Lynch. She was also a mortgage portfolio manager and a Senior Economist at the Federal Reserve Bank of New York. Ms. Goodman has a B.A. in mathematics from the University of Pennsylvania and a M.A. and Ph.D. in economics from Stanford University. She has published more than 200 articles in professional and academic journals and co-authored and co-edited five books. Ms. Goodman was inducted into the Fixed Income Analysts Hall of Fame in 2009.

We believe that Mr. Goodman's qualifications to serve on the Board include her extensive knowledge of mortgage finance, housing policy issues, the fixed income capital markets and, in particular, the mortgage-backed securities markets.

William S. Gorin, 56, has served as a director of MFA since 2010 and has been Chief Executive Officer of MFA since January 1, 2014. From 2008 to 2013, he served as our President. From 1997 to 2008, he served as our Executive Vice President and, from 2001 to September 2010, as our Chief Financial Officer. During his tenure with MFA, he has also served as our Treasurer and our Secretary. From 1989 to 1997, he held various positions with PaineWebber Incorporated/Kidder, Peabody & Co. Incorporated, serving as a First Vice President in the Research Department. Prior to that position, Mr. Gorin was Senior Vice President in the Special Products Group. From 1982 to 1988, Mr. Gorin was employed by Shearson Lehman Hutton, Inc./E.F. Hutton & Company Inc. in various positions in corporate finance and direct investments. Mr. Gorin is a graduate of Brandeis University and received a Master of Business Administration degree from Stanford University.

We believe that Mr. Gorin's qualifications to serve on the Board include his position as our President, his extensive knowledge of mortgage-backed securities and capital markets, his substantial knowledge of our business operations and investment strategies and his overall experience in the investment banking industry, including his expertise in corporate finance.

Continuing Class III Directors

The following information is furnished regarding our Class III directors (who will continue to serve on the Board until our 2016 Annual Meeting of Stockholders and until their respective successors are duly elected and qualify).

James A. Brodsky, 69, has served as a director of MFA since 2004. Mr. Brodsky is a partner in, and a founding member of, the law firm of Weiner Brodsky Kider PC in Washington, D.C., and has practiced law with that firm and its predecessor since 1977. Mr. Brodsky provides legal advice and business counsel to publicly-traded and privately-held national and regional residential mortgage lenders on secondary mortgage market transactions (including those involving Fannie Mae, Freddie Mac and Ginnie Mae), mergers and acquisitions, asset purchases and sales, mortgage compliance issues and strategic business initiatives. Prior to 1977, Mr. Brodsky was a Deputy Assistant Secretary with the U.S. Department of Housing and Urban Development. He also currently serves as General Counsel of the National Reverse Mortgage Lenders Association. Mr. Brodsky also is a director of the Community Preservation and Development Corporation, a not-for-profit real estate developer of multiple affordable housing communities in the mid-Atlantic region, where he serves as a member of its governance and real estate development committees. Mr. Brodsky is also a former Chairman of the Board of each of the Montgomery County Maryland Housing Opportunities Commission and the Montgomery Housing Partnership. Mr. Brodsky is a graduate of Cornell University and received a J.D. from Georgetown University Law Center and a Master of Science in

Electrical Engineering from Columbia University.

We believe that Mr. Brodsky's qualifications to serve on the Board include his significant experience as a lawyer and founding member of a national law firm specializing in residential mortgage finance, his extensive knowledge of the origination and servicing of, and the regulatory aspects relating to, residential

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mortgage loans, his experience with the federal executive branch agencies that regulate and directly affect the residential mortgage sector and his general experience with corporate governance, finance and other related matters.

Richard J. Byrne, 54, has served as a director of MFA since March 2014. Mr. Byrne has been President of Benefit Street Partners LLC, the credit investment arm of Providence Equity Partners, a global private equity firm, since April 2013. Prior thereto, Mr. Byrne served as Chief Executive Officer of Deutsche Bank Securities, Inc. from 2008 to March 2013. Prior to serving as CEO of Deutsche Bank Securities, Inc., Mr. Byrne was Co-Head of Global Capital Markets at Deutsche Bank. Prior to Deutsche Bank, Mr. Byrne was Co-Head of Global Leveraged Finance and Head of Global Credit Research at Merrill Lynch. Mr. Byrne also serves as a director of Griffin-Benefit Street Partners BDC Corp. Mr. Byrne earned a Master of Business Administration from the Kellogg School of Management at Northwestern University and his B.A. from Binghamton University.

We believe that Mr. Byrne's qualifications to serve on the Board include his extensive experience in the investment banking industry, including his expertise in corporate finance and his substantial knowledge of the public and private capital markets and his executive management experience in the financial services industry.

Alan L. Gosule, 74, has served as a director of MFA since 2001. Mr. Gosule is a partner in the law firm of Clifford Chance US LLP (Clifford Chance) in New York, New York, and has practiced law with such firm and its predecessor since 1991. From 2002 to August 2005, he served as the Regional Head of Clifford Chance's Real Estate Department for the Americas and, prior to 2002, was the Regional Head of such firm's Tax, Pension and Employment Department for the Americas. Prior to 1991, Mr. Gosule practiced law with the firm of Gaston & Snow, where he was a member of such firm's management committee and the Chair of the tax department. Mr. Gosule currently serves as a member of the board of directors of Home Properties, Inc., where he is a member of the audit and real estate investment committees and chair of the corporate governance/nominating committee and F.L. Putnam Investment Management Company. Mr. Gosule is a graduate of Boston University and received a J.D. from Boston University Law School and an L.L.M. in Taxation from Georgetown Law School.

We believe that Mr. Gosule's qualifications to serve on the Board include his significant experience as a lawyer and partner of a major international law firm, his extensive knowledge of tax law and related matters, including real estate investment trusts, and his considerable experience in advising, and his service on the boards and committees of, other public and private companies.

In accordance with our Charter and Bylaws, vacancies occurring on the Board as a result of death, resignation, retirement, disqualification, removal from office or other cause may be filled by a majority vote of the remaining directors in office.

There is no familial relationship among any of the members of our Board or executive officers, except that William S. Gorin, our CEO and a director, and Ronald A. Freyberg, an Executive Vice President of MFA, are brothers-in-law.

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2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On March 4, 2015, the Audit Committee of the Board appointed KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015.

The Board is asking stockholders to ratify the Audit Committee's appointment of KPMG LLP for 2015. In the event that stockholders fail to ratify the appointment, the Audit Committee will consider it a direction to consider other accounting firms for the subsequent year. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests.

KPMG LLP first audited our financial statements beginning with the year ended December 31, 2011. The Audit Committee appointed KPMG LLP as our independent registered public accounting firm on May 27, 2011, upon its dismissal of Ernst & Young LLP, which had served as the Company's independent auditors since 2003.

One or more representatives of KPMG LLP are expected to be present at the Annual Meeting and will be provided with an opportunity to make a statement if so desired and to respond to appropriate inquiries from stockholders.

Independent Registered Public Accounting Firm Fees

The following table summarizes the aggregate fees (including related expenses) billed to us for professional services provided by KPMG LLP and Ernst & Young LLP in respect of the fiscal years ended December 31, 2014 and 2013.

	Fiscal Year Ended December 31,	
	2014	2013
Audit Fees ⁽¹⁾	\$ 947,635	\$ 811,000
Audit-Related Fees ⁽²⁾		
Tax Fees ⁽³⁾	52,030	117,867
All Other Fees ⁽⁴⁾	1,650	1,796
Total	\$ 1,001,315	\$ 930,663

2014 and 2013 Audit Fees include: (i) the audit of the consolidated financial statements included in our Annual Report on Form 10-K and services attendant to, or required by, statute or regulation; (ii) reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q; and (iii) comfort letters, consents and other services related to the SEC and other regulatory filings and communications. Audit Fees for 2014 and 2013 also include the audit of the effectiveness of our internal control over financial reporting, as required by (1) Section 404 of the Sarbanes-Oxley Act of 2002. Of the amount shown for 2013, (i) Ernst & Young LLP billed the Company \$54,000 for comfort letters, consents and other services related to SEC and other regulatory filings and (ii) KPMG LLP billed the Company an aggregate of \$757,000 for professional services rendered for the audit of the consolidated financial statements for the fiscal year ended December 31, 2013, and for the reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q filed during the year.

(2) There were no Audit-Related Fees incurred in 2014 and 2013.

(3) 2014 and 2013 Tax Fees include tax compliance, tax planning, tax advisory and related tax services provided by Ernst & Young LLP.

(4) During 2014 and 2013, the Company paid KPMG LLP \$1,650 and \$1,796, respectively, for a subscription to certain GAAP technical reference materials. Except as described in the previous sentence and in the table and notes above, there were no other professional services rendered by KPMG LLP in 2014 and 2013.

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All audit and other services provided to us were reviewed and pre-approved by the Audit Committee, which concluded that the provision of such services by KPMG LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2015.

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The following table sets forth certain information with respect to each of our executive officers at December 31, 2014.

The Board appoints or annually reaffirms the appointment of all of our executive officers:

Officer	Age	Position Held
William S. Gorin	56	Chief Executive Officer and Director
Craig L. Knutson	55	President and Chief Operating Officer
Ronald A. Freydborg	54	Executive Vice President
Stephen D. Yarad	45	Chief Financial Officer
Elwin Ford	53	Senior Vice President
Kathleen A. Hanrahan	49	Senior Vice President and Chief Accounting Officer
Peter G. Kollydas	50	Senior Vice President
Gudmundur Kristjansson	35	Senior Vice President
Terence B. Meyers	60	Senior Vice President Tax
Matthew Ottinger	57	Senior Vice President and Controller
Harold E. Schwartz	50	Senior Vice President, General Counsel and Secretary
Shira E. Siry	41	Senior Vice President and Assistant Secretary
Bryan Wulfsohn	31	Senior Vice President
Sunil Yadav	45	Senior Vice President

Biographical information on Mr. Gorin is provided in Election of Directors of this Proxy Statement.

Craig L. Knutson serves as our President and Chief Operating Officer, the positions to which he was elected effective January 1, 2014. Mr. Knutson served as our Executive Vice President from 2008 to 2013. From 2004 to 2007, Mr. Knutson served as Senior Executive Vice President of CBA Commercial, LLC, an acquirer and securitizer of small balance commercial mortgages. From 2001 to 2004, Mr. Knutson served as President and Chief Operating Officer of ARIASYS Inc., a software development company specializing in custom solutions for small to midsize businesses. From 1986 to 1999, Mr. Knutson held various progressive positions in the mortgage trading and mortgage finance departments of First Boston Corporation (later Credit Suisse), Smith Barney and Morgan Stanley. From 1981 to 1984, Mr. Knutson served as an Analyst and then Associate in the Investment Banking Department of E.F. Hutton & Company Inc. Mr. Knutson holds a Master of Business Administration degree from Harvard University and a Bachelor of Arts degree (magna cum laude) in Economics and French from Hamilton College.

Ronald A. Freydborg serves as our Executive Vice President. Mr. Freydborg joined MFA in 1997. From 1995 to 1997, Mr. Freydborg served as a Vice President of Pentalpha Capital, in Greenwich, Connecticut, where he was a fixed-income quantitative analysis and structuring specialist. From 1988 to 1995, Mr. Freydborg held various positions with J.P. Morgan & Co. From 1994 to 1995, he was in J.P. Morgan's Global Markets Group, where he was involved in commercial mortgage-backed securitization and sale of distressed commercial real estate, including structuring, due diligence and marketing. From 1985 to 1988, Mr. Freydborg was employed by Citicorp. Mr. Freydborg holds a Master of Business Administration degree in Finance from George Washington University and a Bachelor of Arts degree from Muhlenberg College.

Stephen D. Yarad serves as our Chief Financial Officer. Mr. Yarad joined MFA in 2010. Prior to joining MFA, Mr. Yarad was a partner in the financial services audit practice of KPMG LLP, having been admitted to the partnership of the firm in 2005. He commenced his career with KPMG LLP in Australia in 1991 and held various progressive positions before relocating to the United States at the end of 2001. In addition to being a Chartered Accountant and

Associate Member of the Institute of Chartered Accountants in Australia, he is also a Certified Public Accountant licensed in New York and New Jersey. Mr. Yarad

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holds a Bachelor of Commerce (Accounting and Finance) with merit from the University of New South Wales (Sydney, Australia) and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Elwin Ford serves as Senior Vice President. Mr. Ford joined MFA in 2011 as First Vice President. From 2010 to 2011 Mr. Ford served as a consultant/project manager to MFA in connection with the implementation of a financial database and reporting platform. From 2004 to 2010, Mr. Ford served as a Principal of Kaxbrel Consulting and Services LLC, a technology consulting and project management firm providing services primarily to clients in the financial services industry. Mr. Ford served in the United States Army from 1983 to 1986 and holds a Bachelor of Science degree in Accounting/Computer Science from LeMoyne College.

Kathleen A. Hanrahan serves as Senior Vice President and Chief Accounting Officer. Ms. Hanrahan joined MFA in 2008 as Senior Vice President Finance and was appointed Chief Accounting Officer effective October 2011. From 2007 to 2008, Ms. Hanrahan was Vice President Financial Reporting with Arbor Commercial Mortgage LLC. From 1997 to 2006, she held progressive positions, was the First Vice President of Financial Reporting and served on the Disclosure, Corporate Benefits and Sarbanes-Oxley Committees for Independence Community Bank Corp. From 1992 to 1997, Ms. Hanrahan held various positions with North Side Savings Bank and was Controller from 1996 to 1997. Ms. Hanrahan began her career in public accounting in 1987 with KPMG Peat Marwick (predecessor to KPMG LLP). Ms. Hanrahan is a Certified Public Accountant and has a Bachelor of Business Administration degree in Public Accounting from Pace University.

Peter G. Kollydas serves as Senior Vice President. Mr. Kollydas joined MFA in 2014. From 2013 to 2014, Mr. Kollydas served as a Senior Vice President at Walter Investments in its capital markets group. From 2010 to 2013, Mr. Kollydas served as Senior Vice President at Ally Bank in its capital markets group. Mr. Kollydas holds a Bachelor of Business Administration degree in finance from Pace University.

Gudmundur Kristjansson serves as Senior Vice President. Mr. Kristjansson joined MFA in 2007. From 2005 to 2007, Mr. Kristjansson served as an Associate in Trading and Analytics at Performance Trust Capital Partners where he focused on fixed income strategy and research as well as developing fixed income analytics. Mr. Kristjansson holds a Masters of Engineering degree in Operations Research from Cornell University and a Bachelor of Science degree in Mechanical and Industrial Engineering from the University of Iceland (Reykjavik).

Terence B. Meyers serves as Senior Vice President and Director of Tax. Mr. Meyers joined MFA in May 2013. Prior to joining MFA, Mr. Meyers was most recently a Director in the financial services tax practice of Deloitte Tax, LLP, where he held various positions from 1983 to 2013. While at Deloitte Tax, Mr. Meyers provided advice to clients regarding the tax and accounting treatment of mortgage loans, mortgage-backed securities and other debt instruments, mortgage banking activities and asset securitization, derivative and hedging transactions. Mr. Meyers is a Certified Public Accountant and holds a Master of Business Administration in Taxation and a Bachelor of Science in Accounting from St. John's University College of Business Administration. Mr. Meyers also has a J.D. from St. John's University School of Law.

Matthew Ottinger serves as Senior Vice President and Controller. Mr. Ottinger joined MFA in 2001. From 2000 to 2001, Mr. Ottinger served as Assistant Vice President at Carver Federal Savings Bank where he was the head of Banking Operations and Control Department, responsible for all retail banking general ledger reconciliations. Mr. Ottinger began his career at Jamaica Savings Bank and served as Assistant Vice President in the accounting department from 1996 to 2001, in charge of internal financial reporting for the bank and its 26 subsidiaries. Mr. Ottinger has a Bachelor of Science degree from Adelphi University.

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Harold E. Schwartz serves as our Senior Vice President, General Counsel and Secretary. Mr. Schwartz joined MFA in August 2011. From 2001 to July 2011, Mr. Schwartz served as a Vice President and Senior Counsel for American Express Company, where he specialized in corporate, securities, corporate governance and mergers and acquisitions matters. From 1996 to 2000, Mr. Schwartz served as Senior Vice President, General Counsel and Secretary of Caribiner International, Inc., a business communications services and audio visual equipment rental company. Mr. Schwartz began his career working for the law firm of Schulte Roth & Zabel LLP, where he was an associate in the firm's corporate department. Mr. Schwartz has a J.D. from Georgetown University and an A.B. from Duke University.

Shira E. Siry serves as Senior Vice President and Assistant Secretary. Ms. Siry joined MFA in 2002. From 1998 to 2002, Ms. Siry was the Corporate Tax and Insurance Manager with O'Connor Capital Partners. Ms. Siry began her career in public accounting in 1996 with Price Waterhouse LLP (predecessor to PricewaterhouseCoopers LLP), where she specialized in corporate tax transactions involving REITs and other real estate companies. Ms. Siry has a Bachelor of Arts degree from Ithaca College.

Bryan Wulfsohn serves as Senior Vice President. Mr. Wulfsohn joined MFA in 2010. From 2008 to 2010, Mr. Wulfsohn served as a Senior Financial Analyst at Inland Western Real Estate Trust, Inc., where he focused on corporate strategy. From 2005 to 2007, Mr. Wulfsohn served as an associate in the capital markets group at CBA Commercial, LLC, an acquirer and securitizer of small balance commercial mortgages. Mr. Wulfsohn holds a Bachelor of Arts degree in finance and accounting from Franklin and Marshall College, and he is a CFA charterholder.

Sunil Yadav serves as Senior Vice President. Mr. Yadav joined MFA in 2008. From 2005 to 2007, Mr. Yadav served as a residential mortgage-backed securities trading strategist at Banc of America Securities. From 1998 to 2003, Mr. Yadav was employed as an engineer at Fermi National Accelerator Laboratory (Fermilab). From 1996 to 1998, Mr. Yadav served as a post-doctoral research scholar at the California Institute of Technology. Mr. Yadav holds a Master of Business Administration degree from The Wharton School of the University of Pennsylvania. Mr. Yadav also holds a master's and Ph.D. in mechanical engineering from The Johns Hopkins University and an undergraduate degree in mechanical engineering from the Indian Institute of Technology (Kanpur, India).

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis (CD&A)

Introduction

The following section discusses the key features of our executive compensation program and the approach taken by the Compensation Committee of the Board in setting and determining compensation for 2014 for:

William S. Gorin, our Chief Executive Officer;
Craig L. Knutson, our President and Chief Operating Officer;
Sunil Yadav, one of our Senior Vice Presidents;
Gudmundur Kristjansson, one of our Senior Vice Presidents; and
Stephen D. Yarad, our Chief Financial Officer (collectively, our Named Executive Officers).

The Compensation Committee oversees the design and administration of our compensation programs and makes decisions relating to the compensation of our Named Executive Officers. The Compensation Committee intends that the compensation paid to the Named Executive Officers be consistent with our overall compensation philosophy and competitive with market practices.

The sections that follow describe:

The Compensation Committee's process for reviewing the components of the compensation of the Named Executive Officers.

The reasons for paying each element of compensation to the Named Executives Officers and methodology for competitive benchmarking, including the use of peer groups.

The performance measures used for performance-based compensation and factors taken into account in the Compensation Committee's determination that those measures are appropriate.

Summary

It is the Compensation Committee's role to review the Company's executive compensation plans and programs and, after taking into account the outcome of the most recent stockholder advisory vote on executive compensation, makes compensation decisions it believes are appropriate. Among other things, below is a summary of certain of the determinations made by the Compensation Committee with respect to 2014 compensation matters, and in particular with respect to Mr. Gorin and Mr. Knutson, our two most senior and highly-compensated employees. These items are discussed further within this CD&A and in the executive compensation tables and notes to the tables and other narratives regarding compensation matters, all of which follow.

New Employment Agreements for Messrs. Gorin and Knutson. As previously reported, in January 2014, we entered into new employment agreements with Mr. Gorin and Mr. Knutson in connection with Mr. Gorin's promotion to Chief Executive Officer and Mr. Knutson's promotion to President and Chief Operating Officer.

MFA's 2014 financial performance was strong. MFA's financial performance in 2014 was strong, as reflected by the following:

• MFA's total stockholder return (TSR) for the 2014 compensation performance period (December 1, 2013 to November 30, 2014) was approximately 27.4%.

• MFA's TSR for the year ended December 31, 2014 was 25.0%.

TSR is a commonly used measurement of the total return on an investment in common stock over a designated time period and includes both stock price appreciation and dividends paid.

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We maintained a relatively constant yield on interest earning assets (ranging from a low of 4.12% in the third quarter to a high of 4.32% in the first quarter) and net interest rate spread (ranging from a low of 2.30% in the third quarter to a high of 2.44% in the first quarter) throughout the year.

◦ We achieved our performance using a low level of leverage relative to other residential mortgage REITs.

MFA's 2014 financial performance also compares favorably to that of our compensation peer group. The table below compares MFA's TSR for the 2014 compensation period (December 1, 2013 to November 30, 2014) to the 14 other publicly-traded companies in our compensation peer group, each of which is internally-managed and most of which have businesses focusing on the investment in and financing and servicing of residential mortgage assets, including residential mortgage-backed securities and residential whole loans and residential finance-related assets.

In accordance with pay-for-performance principles, 2014 annual bonus compensation for Mr. Gorin and Mr. Knutson was primarily determined by MFA's 2014 financial performance. For 2014, Mr. Gorin earned aggregate annual bonus compensation of approximately \$3.35 million and Mr. Knutson earned aggregate annual bonus compensation of approximately \$2.68 million. In the case of each executive, approximately 83% of his annual bonus compensation (\$2.79 million in the case of Mr. Gorin and \$2.23 million in the case of Mr. Knutson) was formulaically determined based directly on MFA's 2014 performance, as described further on page 36 of this Proxy Statement. ***A portion of 2014 bonus compensation for Mr. Gorin and Mr. Knutson, as well as each of the other Named Executive Officers, was paid in the form of equity awards with a mandatory three-year holding period after grant.*** For 2014, consistent with Mr. Gorin's and Mr. Knutson's respective employment agreements, the Compensation Committee used a methodology for making annual bonus payments to them that resulted in a portion of their respective annual bonuses being paid in cash, with the remaining portion being paid in the form of fully-vested shares of our Common Stock with a mandatory three-year holding period after grant.

Consistent with Mr. Gorin's and Mr. Knutson's respective employment agreements, any annual bonus amount that exceeds their base salary is paid 50% in cash and 50% in the form of fully-vested shares of Common Stock that are subject to a three-year holding period after grant. Under this methodology, as the amount of the annual bonuses earned by

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Mr. Gorin and Mr. Knutson increase above their respective base salaries, a greater portion of their total annual bonus is invested in the prospective financial performance of MFA, which the Compensation Committee believes results in an appropriate long-term alignment of executive and stockholder interests.

The table on page 37 of this Proxy Statement sets forth the portions of each executive's total 2014 annual bonuses that were paid in cash and fully-vested shares of our Common Stock with a mandatory three-year holding period from the date of grant.

Performance-based equity awards were used in 2014 for each of the Named Executive Officers. Of the long-term equity-based incentive awards granted to each of the Named Executive Officers, 50% were performance-based awards that will cliff vest after three years based on the extent to which TSR from January 1, 2014 to December 31, 2016, is greater than a simple 8% per annum, with the number of awards to ultimately vest ranging from zero to two times a target number. The performance-based equity awards granted to each of the Named Executive Officers are further described on pages 38 to 39 of this Proxy Statement under the heading 2014 Long-Term Equity-Based Incentive Awards.

MFA's performance-based compensation philosophy resulted in the Named Executive Officers receiving a combination of different types of compensation, which are intended to promote the achievement of both short-term and long-term business objectives. The chart below illustrates how total 2014 compensation received by Mr. Gorin and Mr. Knutson in the aggregate (as reported in the Summary Compensation Table on page 44 of this Proxy Statement) was allocated among base salary, formulaically-determined bonus (ROAE Bonus), discretionary bonus (IRM Bonus), time-based restricted stock units and performance-based restricted stock units.

Consideration of 2014 Advisory Vote on Executive Compensation

At our Annual Meeting of Stockholders held in May 2014, approximately 92% of the votes cast with respect to the say-on-pay proposal voted to approve our executive compensation for 2013. The Compensation Committee has considered the results of the 2014 say-on-pay vote and believes that the significant support of MFA stockholders in this vote reflects support for MFA's approach to executive compensation and the changes implemented in connection with the management succession at the end of 2013. The Compensation Committee will continue to consider the outcome of future Say-on-Pay votes and other stockholder input, as well as available market data, in making future decisions regarding executive compensation.

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Compensation Philosophy and Objectives

Through our executive compensation programs, we seek to retain, motivate and attract top quality senior executives who are committed to our core values of excellence and integrity. The Compensation Committee's fundamental philosophy is to closely align these compensation programs with the achievement of annual and long-term performance goals tied to our financial success and the creation of stockholder value.

The Compensation Committee's objectives in developing and administering the executive compensation programs are to:

Retain, motivate and attract a highly-skilled senior executive team that will contribute to the successful performance of the Company;

Align the interests of the senior executive team with the interests of our stockholders by motivating executives to increase long-term stockholder value consistent with appropriate levels of leverage and risk;

Provide compensation opportunities that are competitive within industry standards thereby reflecting the value of the executive's particular position in the marketplace;

Support a culture committed to paying for performance where compensation is commensurate with the level of risk-adjusted returns that are achieved; and

Maintain a high degree of flexibility and discretion to allow us to recognize the unique characteristics of our operations and strategy and our prevailing business environment, as well as changing labor market dynamics.

The Compensation Committee periodically reviews and evaluates executive officer compensation levels and our compensation program. It is the Compensation Committee's view that compensation decisions are complex and best made after a deliberative review of Company and individual performance, as well as industry compensation levels. Consistent with this view, the Compensation Committee annually assesses our performance within the context of the industry's overall performance and internal performance standards and evaluates individual executive officer performance relative to the performance expectations for their respective position, role and responsibilities within MFA.

Compensation Benchmarking/Use of Peer Groups

The Compensation Committee benchmarks from time to time the compensation levels and practices relating to our Named Executive Officers and other executive officers against industry-based compensation levels and practices. In this regard, during 2013 the Compensation Committee, with the assistance of its independent compensation consultant, FTI Consulting, Inc. (FTI Consulting), undertook a benchmarking analysis with respect to the compensation levels and practices of its Named Executive Officers. While it is the Compensation Committee's goal to provide compensation opportunities that reflect Company and individual performance and that are competitive within industry standards, the Compensation Committee has not established, nor does it seek to establish, a specific target market percentile for executive officer pay levels, as pay practices and compensation levels among participants in our industry can vary significantly from one year to the next such that the use of a specific target market position would not necessarily reflect the Compensation Committee's assessment of performance as the primary driver of pay levels.

During each of the past two years, the Compensation Committee, with the assistance of FTI Consulting, has undertaken a broad review of MFA's peer group methodology. The Compensation Committee has engaged in these reviews in part because during the past several years it has become more difficult to develop a peer group for executive compensation purposes in the residential mortgage REIT sector because a large number of companies in the sector are, or have become, externally advised. As a result, these companies have few, if any, employees that are compensated directly and/or fully by the REIT. Rather, such persons' compensation is paid by the external manager of

the REIT, and as a result, the

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REIT itself is required to disclose little to no compensation information regarding its executives. Furthermore, the Compensation Committee believes that any peer group for compensation purposes that is comprised solely of internally-advised residential mortgage REITs would be too small a group to provide meaningful comparative information. Because of the limited compensation information available for mortgage REITs, the Compensation Committee has, in consultation with FTI Consulting, developed a peer group, which extends beyond mortgage REITs. This peer group also includes a number of other real estate-focused finance companies in both the residential and commercial sectors, the executives of which are required to have similar skills and experience as the executives of MFA, including the evaluation of interest rate risk, credit risk and allocation of capital (which are skills required in connection with the evaluation of Agency and Non-Agency residential mortgage-backed securities, as well as other residential mortgage assets). In addition, the peer group includes companies that have, in prior years, been identified by the proxy advisory firms as comparable to MFA in their evaluation of MFA in connection with developing their annual Say-on-Pay vote recommendation. In considering the peer group analysis provided by FTI Consulting, the Compensation Committee recognized that the peer group did not include externally-managed mortgage REITs because comprehensive compensation data for their executives are generally not publicly available. In addition, the Compensation Committee did not include generally higher paying private equity firms and hedge funds with which MFA must compete for executive talent. These organizations were not included in the peer group because they have different business economics and pay models than MFA and due to the fact that data regarding their compensation of executives also is generally not publicly available.

With the above in mind the Compensation Committee, at its meeting held in September 2014, identified the following companies against which Company performance would be compared and compensation practices would be reviewed:

American Capital, Ltd.	Ocwen Financial Corp.
Capstead Mortgage Corporation	PennyMac Financial Services, Inc.
CYS Investments, Inc.	Radian Group, Inc.
Highwoods Properties, Inc.	Redwood Trust, Inc.
iStar Financial, Inc.	TFS Financial Corporation
MGIC Investment Corporation	Virtus Investment Partners, Inc.
Nationstar Mortgage Holdings, Inc.	Walter Investment Management Corp.

The group of companies identified above that the Compensation Committee used in 2014 reflects certain changes compared to the group that the Compensation Committee used for 2013. In particular, the following companies, which were included in the peer group used by the Compensation Committee for analyzing 2013 executive compensation, were not included in the peer group set forth above: Arlington Asset Investment Corp., Dynex Capital, Inc., New York Mortgage Trust, Inc., NewStar Financial, Inc., Northstar Realty Finance Corporation and RAIT Financial Trust. These companies were not included in the 2014 peer group due to, among other things, the significant disparity in market capitalizations as compared to MFA's and/or changes in their businesses so as to make them less comparable to the business of the Company.

Additionally, based on the Compensation Committee's peer group review performed during 2014, the Compensation Committee determined that it would no longer utilize a second peer group consisting of both internally-managed and externally-managed mortgage REITs solely for performance evaluation purposes, but rather would only utilize one peer group for both purposes to enhance the clarity and transparency of its compensation decision-making process.

Components of Compensation

The Compensation Committee believes that it is important to create compensation programs that appropriately balance short-term, cash-based compensation with long-term, equity-based compensation. Our executive officer compensation program includes the following primary components:

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Base salaries paid in cash, which are based on the scope of the executive's role, the responsibilities associated with the position and the individual's performance in that role, as well as competitive market practices;

Annual bonus awards, which are generally paid as a combination of cash and shares of our Common Stock that either vest over a multi-year period or are fully-vested but subject to a multi-year prohibition on transfer and are intended to motivate and reward our short-term financial and operational performance, as well as short-term individual performance; and

Long-term incentive awards (LTIA), which are designed to support our objectives of aligning the interests of executive officers with those of our stockholders, promote value creation and long-term performance and retain executive officers.

In addition to the primary components of the executive officer compensation program, we maintain our Senior Officers Deferred Bonus Plan (the Senior Officers Plan). The Senior Officers Plan (a description of which can be found on pages [40](#) and [49](#) of this Proxy Statement), permits our executive officers to defer, at their election, up to 100% of their annual bonus compensation in the form of deferred stock units. The performance of the deferred stock units is tied to the performance of our Common Stock.

Other than the opportunity to participate in the Senior Officers Plan, we do not provide perquisites or other benefits to our Named Executive Officers beyond those provided to all of our other salaried employees.

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As indicated above, the compensation of our Named Executive Officers is comprised of three principal elements, summarized in the following chart:

Element	Key Features	Purpose
	-	-
Base Salary	Levels set periodically based on scope of the executive's role, responsibilities of the position, individual performance and competitive market practices	Provides a base level of guaranteed compensation
	-	-
	Annual discretionary increases may be considered based on performance and other factors	-
	-	-
Annual Incentives	For 2014, for Messrs. Gorin and Knutson, per terms of their employment agreements, portion of annual bonus based on the achievement of specified return on common equity targets and portion based on the Compensation Committee's discretionary assessment of Company and individual performance	Provides an incentive to achieve annual financial and individual performance goals
	-	-
	For 2014, for Messrs. Yadav, Kristjansson and Yarad, based on a discretionary determination of performance	Portion delivered in shares of Common Stock to ensure that annual performance is sustained over time and further align interests with stockholders
	-	-
	For Messrs. Yadav and Kristjansson, the Compensation Committee was guided by similar methodology as used for Messrs. Gorin and Knutson	-
	-	-
	For 2014, delivered in a mix of cash and Common Stock that is restricted from transfer for three-year period	-
Long-Term Incentive Awards	-	-
	Grants of stock-based awards with	Provide long-term incentives tied

multi-year vesting requirements

to TSR

-

-

Available types of awards include restricted stock units, stock options, shares of Common Stock, and other stock-based awards

Further aligns interests with stockholders and encourages retention of key executives

-

Vesting may be time-based or performance-based

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The following discussion provides additional explanation about each of these elements.

Base Salary. We provide the Named Executive Officers with annual base salaries to provide them with a base level of guaranteed compensation for their services provided during the term of their employment. From time to time, the Compensation Committee reviews market analyses and considers the advice of its independent compensation consultant, FTI Consulting, in setting base salaries.

Consistent with the Compensation Committee's overall philosophy, the compensation program for the Named Executive Officers is expected to continue to emphasize incentive compensation over base salary (other than in the case of Mr. Yarad, who does not have management responsibility for investment strategy, asset selection or other top line functions). However, the Compensation Committee does not have a pre-set mix or target of base salary to incentive compensation awards for the Named Executive Officers.

Annual Incentives. For 2014, we had the following types of annual incentive programs for our Named Executive Officers:

Pursuant to the terms of their employment agreements, a portion of Messrs. Gorin's and Knutson's annual incentive award was formulaically-determined based on the level of Adjusted ROAE (as described on page 31 of this Proxy Statement) and a lesser portion of their annual incentive award was determined based on the discretion of the Compensation Committee. As described below, each component of Messrs. Gorin's and Knutson's annual incentive award has a target level and the actual amount of the award could be higher or lower than the target.

Messrs. Yadav, Kristjansson and Yarad were eligible for a discretionary annual incentive award based on a subjective assessment by the Compensation Committee, in consultation with Mr. Gorin and Mr. Knutson, of MFA's annual performance and the annual performance of each individual executive.

For Messrs. Yadav, Kristjansson and Yarad, no pre-set target level for their annual incentive award was established. The Compensation Committee believes that a discretionary incentive opportunity for these Named Executive Officers provides it with flexibility in assessing and rewarding individual performance and individual contributions in light of prevailing market conditions. Nonetheless, in determining the annual incentive award for Messrs. Yadav and Kristjansson 2014, the Compensation Committee used as a guide an approach and methodology similar to that used to determine the annual incentive awards for Messrs. Gorin and Knutson.

Annual Incentive Award for Messrs. Gorin and Knutson

Pursuant to the terms of the employment agreements that we entered into with each of Mr. Gorin and Mr. Knutson in January 2014, each such executive is eligible to receive an annual performance-based bonus based on the Company's and each executive's individual performance during the 12-month periods beginning on each of December 1, 2013, 2014 and 2015 and ending on November 30 of the next succeeding year (each 12-month period being a Performance Period). Under the terms of his respective employment agreement, Mr. Gorin's target annual bonus (the Overall Target Bonus) during each Performance Period is approximately 2.81 times his then-current annual base salary (*i.e.*, \$2,250,000 based on his current base salary of \$800,000), and Mr. Knutson's Overall Target Bonus during each Performance Period is approximately 2.57 times his then-current annual base salary (*i.e.*, \$1,800,000 based on his current base salary of \$700,000).

The executives' employment agreements provide that each executive's annual bonus is comprised of two components:

the major portion of the bonus is payable based on MFA's return on average total common stockholders' equity (as adjusted as described below) during the applicable Performance Period (hereinafter referred to as the ROAE Bonus); and

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a lesser portion of the bonus is payable based on the executive's individual performance and the Company's risk management (hereinafter referred to as the IRM Bonus).

ROAE Bonus

With respect to the ROAE Bonus, for each Performance Period, the target amount of the ROAE Bonus (the Target ROAE Bonus) for each of Mr. Gorin and Mr. Knutson is equal to 75% of his Overall Target Bonus. Based on his current Overall Target Bonus, Mr. Gorin's Target ROAE Bonus is \$1,687,500, and Mr. Knutson's Target ROAE Bonus is \$1,350,000. The employment agreements provide that each executive is eligible to receive from zero to 200% of his respective Target ROAE Bonus.

Calculation of ROAE. The determination of the ROAE Bonus is based on a methodology that is set forth in each of Mr. Gorin's and Mr. Knutson's employment agreements and reflects certain adjustments to GAAP net income and GAAP stockholders' equity. For purposes of determining the ROAE Bonus, return on average stockholders' equity is calculated by dividing (i) our net income for the applicable Performance Period as determined in accordance with GAAP (but excluding non-cash, non-operating expense items such as depreciation and amortization expense) by (ii) our average total stockholders' equity (based on stockholders' equity as of the last day of each month during the Performance Period) as determined in accordance with GAAP (but excluding accumulated other comprehensive income or loss, stockholders' equity attributable to preferred stock and such other items as may be determined by the Compensation Committee of the Board). We refer to such calculation in this proxy statement as our Adjusted ROAE.

The actual amount of ROAE Bonus to be paid to each of Mr. Gorin and Mr. Knutson is based on our Adjusted ROAE for the applicable Performance Period relative to a target (the ROAE Target) that is the greater of (A) the sum of (i) the average weekly interest rate on the 2-year U.S. Treasury note (the 2-Year Treasury Rate) and (ii) 400 basis points or (B) 8%; provided that the ROAE Target shall not exceed 10%.

The incremental premium of 4% above the 2-Year Treasury Rate was determined by the Compensation Committee after a review of various factors, including market rates for real estate-related debt obligations and MFA's business model.

The use of a 4% incremental premium was intended to provide executives with an incentive to achieve attractive investment returns for MFA (and align the interests of executives and stockholders in seeking this level of return), without exposing MFA to inappropriate risk.

To the extent that our Adjusted ROAE for a Performance Period is (x) less than the ROAE Target for such Performance Period and (y) less than or equal to the 2-Year Treasury Rate during such Performance Period, then no ROAE Bonus will be paid to the executive (the Zero Bonus Factor). To the extent that MFA's ROAE for a Performance Period is 16% or greater, then the executive will be paid two (2) times his Target ROAE Bonus. To the extent that MFA's Adjusted ROAE for a Performance Period is greater than the Zero Bonus Factor but less than 16%, then the executive will, based on a formula more particularly described in each of their employment agreements, be paid a multiple of between zero and two (2) times his Target ROAE Bonus, with the executive being paid the Target ROAE Bonus to the extent that MFA's Adjusted ROAE for a Performance Period equals the ROAE Target for such Performance Period.

Determination of ROAE Target Hurdles under ROAE Bonus. In connection with the management succession planning process to prepare for the then-expected retirement of our former CEO and the promotions of Mr. Gorin and Mr. Knutson to their current positions effective January 1, 2014, during the latter half of 2013, the Compensation Committee undertook a review of our compensation program. In connection with such review the Compensation Committee reviewed, among other matters, the continued appropriateness of the use of return on common equity as a principal financial metric upon which to evaluate Company performance and, in turn, on which to determine the size of the annual bonuses for our two most senior executives. As part of such review, the Compensation Committee

reviewed the then-existing annual bonus structure for Mr. Gorin (at the time, our President) and our then-CEO, which was based on discretionary allocations from a bonus pool the amount of which was determined based on our level of our return on common equity for the applicable 12-month period (with such amount subject to up

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to a 30% upward or downward adjustment in the discretion of the Compensation Committee). In consultation with FTI Consulting, the Compensation Committee concluded that return on common equity continued to be an appropriate measure to evaluate annual Company performance and serve as the basis for determining Mr. Gorin's and Mr. Knutson's annual bonus (but with the adjustments to the calculation of such measure as described above). As a company whose primary source of earnings is income from real estate-related debt investments, the Compensation Committee believes that return on common equity generally provides an appropriate measurement of our financial performance. Because the calculation of ROAE for purposes of determining the ROAE Bonus excludes the effect of unrealized market valuation adjustments of our investment assets (which is reflected in stockholders' equity through changes in accumulated other comprehensive income (loss)), it reflects the return on the amount of equity capital we have invested in our real estate-related debt investments.

As part of its review, the Compensation Committee (in consultation with, and taking into account input from, management, FTI Consulting and the Board of Directors) undertook an evaluation of the methodology that would be used in determining the company performance component of annual bonuses for Messrs. Gorin and Knutson. This included a review of the amount of the bonus pool used in 2013 and prior years for our then two most senior executives at given levels of return on common equity during an applicable performance period. The Compensation Committee also reviewed the amount of the annual bonus payments that were discretionarily allocated to such executives by the Compensation Committee in recent years against available market data to assist it in establishing appropriate payout levels. The Compensation Committee also considered the appropriateness, in light of the information that it reviewed as well as general trends in the structure and design of annual incentive awards, of using a process for determining individual bonus levels that was wholly discretionary (as had been used for 2013 and prior years) rather than one that took a more formulaic approach.

As a result of its review, the Compensation Committee decided to design an annual bonus process that would, in large part, use a formulaic approach with a methodology based on the greater of (i) an absolute minimum return and (ii) a risk-free interest rate plus an appropriate incremental premium. This decision was premised in large part on the nature of MFA's business model, which has had a sole focus on investing in residential mortgage-related debt instruments.

Returns that MFA can earn on new real estate-related debt investments are, to a certain extent, correlated with the market-driven interest rates for these and other types of debt instruments (which rates depend, among other factors, on the perceived risk of these investments). These market-driven interest rates are typically analyzed as the risk-free interest rate for investment in U.S. Treasury obligations (or other debt backed by the full faith and credit of the U.S.) with a comparable duration plus an incremental risk premium above the risk-free rate. The decision to use a threshold based on a risk-free interest rate plus an incremental premium was also premised on the fact that our Board and management believe that investors focused on investing in companies like MFA also often compare return on equity to risk-free rates of return in evaluating MFA's financial performance. In the case of the Company, the Board determined to use a two-year risk-free interest rate (i.e., the 2-Year Treasury Rate) because it generally corresponds to the weighted average duration of investments historically made by MFA.

The Compensation Committee believes that setting a target Adjusted ROAE performance threshold at an appropriate level as the greater of (i) an absolute minimum return (i.e., 8%) or (ii) above the risk-free interest rate (by adding the incremental premium of 4% to the risk-free interest rate (i.e., the 2-Year Treasury Rate)) establishes an incentive for executives to achieve attractive financial performance for MFA (and aligns the interests of executives and stockholders in seeking this level of financial performance), without exposing MFA to inappropriate risk. The Compensation Committee structured the ROAE Target so that it would be flexible and could vary from year to year depending on the prevailing interest rate environment. At the same time, the Compensation Committee believed that it was appropriate to establish a minimum ROAE Target (8%) that management could reasonably strive to achieve even in an environment characterized by a prolonged period of extremely low interest rates (such as that which has been experienced during the last several years) without taking on inappropriate leverage or interest rate risk to receive a

target payout. The Compensation Committee also believed it was appropriate to establish

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a maximum ROAE Target (10%), which the Compensation Committee believed was an acceptable level of Adjusted ROAE even in an environment with higher yielding investments and higher interest rates than those of the past several years. In addition, the Compensation Committee recognized that if interest rates rise, then, in general, the target level of Adjusted ROAE for which management should strive should increase to reflect higher overall yields that could be achieved on investments at the same level of risk. Overall, the Compensation Committee believes that the use of a performance target that will likely vary from year to year under the methodology described above provides a self-adjusting mechanism that acts to modify compensation incentives annually in a manner consistent with MFA's business model.

Following the Compensation Committee's review, MFA entered into employment agreements with Messrs. Gorin and Knutson in January 2014, which agreements embodied the results of its review. Applying the methodology described above used to determine the ROAE Bonus, the following data points were used in determining Mr. Gorin's and Mr. Knutson's ROAE Bonuses for 2014:

The ROAE Target (i.e., the level of company financial performance at which the target ROAE Bonus would be earned) for 2014 would be 8%, which was determined based on the greater of (i) the 2-Year Treasury Rate of 0.4365% plus an incremental premium of 4% (i.e., 4.4365%) or (ii) 8%, with a maximum ROAE Target of 10%.
 The risk-free rate represented the average weekly interest rate during the performance period from December 1, 2013 through November 30, 2014, on two-year U.S. Treasury obligations, which was 0.4365%.

No ROAE Bonus would be earned if ROAE (as calculated under the terms of Mr. Gorin's and Mr. Knutson's employment agreements) was less than the two-year Treasury Rate *and* less than the ROAE Target for the year (i.e., the Zero Bonus Factor).

The use of the Zero Bonus Factor for 2014 represents a determination that 2014 financial performance, as measured by Adjusted ROAE, needed to exceed 0.4365% in order to make the payment of any level of Adjusted ROAE Bonus for 2014.

ROAE Bonuses for 2014 in excess of the executives' respective target level ROAE Bonus would not be earned unless ROAE was above the 2014 ROAE Target of 8%.

As described above, Messrs. Gorin and Knutson are subject to a maximum ROAE Bonus for Adjusted ROAE that is 16% or greater.

As a result of the Compensation Committee's decisions, including those described above, the ROAE Bonus formula used in 2014 for Messrs. Gorin and Knutson was as follows:

For Adjusted ROAE of less than or equal to the Zero Bonus Factor (i.e., 0.4365%), no ROAE Bonus would be earned;
 For Adjusted ROAE between the Zero Bonus Factor and 8%, the ROAE Bonus would be pro-rated between 0% and 100% of the target ROAE Bonus;

For Adjusted ROAE in excess of 8.0%, subject to the maximum ROAE Bonus for Messrs. Gorin and Knutson of two times the executive's Target ROAE Bonus:

if Adjusted ROAE was less than or equal to 16%, the ROAE bonus would be increased by a pro-rated amount above the target ROAE bonus (based on a straight-line, mathematical interpolation) such that total ROAE bonus for Messrs. Gorin and Knutson would be two times the Target ROAE Bonus when ROAE is 16%.

Using a formula for 2014 that would result in a pro-rated portion of the ROAE bonus being earned for Adjusted ROAE between the ROAE Target and the Zero Bonus Factor was determined as appropriate to reward some levels of financial performance below the target level; and continuing to maintain a formula that resulted in an ROAE Bonus in excess of target for Adjusted ROAE above 8% was determined as appropriate to reward financial performance that exceeded the target range.

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IRM Bonus

Following its 2013 evaluation of our executive compensation program, the Compensation Committee continued to believe that it was important for it to retain a discretionary component of the annual incentive award process in order to be able to factor non-objective and non-quantifiable measures into the bonus decision-making process for our two most senior executives. With this in mind under the terms of Mr. Gorin's and Mr. Knutson's respective employment agreement, for each Performance Period, the target amount of the IRM Bonus (the Target IRM Bonus) of each executive is equal to 25% of such executive's Overall Target Bonus. Based on his current Overall Target Bonus, Mr.

Gorin's Target IRM Bonus is \$562,500, and Mr. Knutson's Target IRM Bonus is \$450,000. The executives' employment agreements provide that each executive will be eligible to receive from zero to 200% of his respective Target IRM Bonus.

The actual amount of the IRM Bonus to be paid to the executive is determined by the Compensation Committee in its discretion based upon factors it deems relevant and appropriate, including, without limitation, MFA's leverage strategy relative to other similarly situated companies as well as relative to its own business plan, MFA's total stockholder return (both on an absolute basis, as well as relative to relevant indices and other similarly situated companies), overall management of risk and asset selection in generating our returns and the executive's individual performance.

Components of Annual Incentive Awards to Messrs. Gorin and Knutson

Under the terms of Mr. Gorin's and Mr. Knutson's employment agreements, payment of each executive's annual bonus is made in cash up to an amount of his then-current base salary. To the extent that the amount of the executive's annual bonus is greater than his then-current annual base salary, 50% of such excess amount is paid in cash and 50% is paid in the form of fully-vested shares of Common Stock that are generally restricted from sale or transfer for the three-year period following their grant.

Long-Term Incentive Awards (LTIA)s. Under our 2010 Plan the Compensation Committee has available to it a portfolio of equity compensation vehicles, including shares of Common Stock, restricted stock units (RSUs), dividend equivalent rights, stock options and other stock-based awards. The Compensation Committee has used this incentive compensation program periodically in the past to award Named Executive Officers with long-term incentives, including in connection with entering into or extending the term of employment agreements or other employment arrangements. The Compensation Committee makes these awards in its discretion without any pre-set target levels; however, in determining LTIA)s, the Compensation Committee may consider the advice of its compensation consultant.

LTIA)s to Messrs. Gorin and Knutson

Under the terms of their respective employment agreements Mr. Gorin is entitled to annual grants of RSUs, consisting of 82,500 time-based RSUs (TRSU)s) and a target amount of 82,500 performance-based RSUs (PRSU)s) and Mr. Knutson is entitled to receive 70,000 TRSU)s and a target amount of 70,000 PRSU)s, in each of 2014, 2015 and 2016.

TRSU)s. Subject to exceptions in certain circumstances described below in Potential Payments and Other Benefits upon Termination of Employment or Change in Control, found on pages 53 to 56 of this Proxy Statement, each grant of TRSU)s to be granted to Messrs. Gorin and Knutson will vest on the third December 31st to occur following the date of grant, subject to the executive's continued employment with the Company. In addition, subject to exceptions in certain circumstances, unvested TRSU)s will be forfeited as of the date of the executive's termination of employment with the Company. Upon vesting, each executive will receive one share of our Common Stock for each TRSU that vests. To the extent that dividends are paid on our Common Stock during the period in which the TRSU)s are outstanding, each executive will receive a dividend equivalent in the form of a cash payment in respect of the outstanding TRSU)s.

PRSUs. Subject to exceptions in certain circumstances described below in Potential Payments and Other Benefits upon Termination of Employment or Change in Control, each grant of PRSUs to be granted to Messrs. Gorin and Knutson will vest on the last day of the applicable three-year performance period,

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subject to the achievement of the TSR objective described below and the executive's continued employment with the Company. The actual number of PRSUs that will be earned and that will vest will be based on the level of our cumulative total stockholder return (*i.e.*, share price appreciation or depreciation, as the case may be, plus dividends divided by initial share price) relative to an 8% per annum simple TSR for the three-year performance period beginning on January 1 of the year of grant (*e.g.*, the performance period for the PRSUs granted in 2014 is January 1st, 2014 through December 31, 2016). To determine the actual number of PRSUs that will be earned and will vest, the target amount of each grant of PRSUs (82,500 in the case of Mr. Gorin; 70,000 in the case of Mr. Knutson) will be adjusted up or down at the end of the applicable three-year performance period based on the Company's cumulative TSR relative to an 8% per annum simple TSR objective from 0% of the target amount (reflecting 0% per annum TSR during the performance period) to 200% of the target amount (reflecting 16% per annum (or higher) TSR during the performance period), with 100% of the target amount being earned and vesting if TSR of 8% per annum is achieved during the performance period. PRSUs that do not vest at the end of an applicable performance period will be forfeited. Upon vesting, the executive will receive one share of the Company's common stock for each PRSU that vests.

Dividend equivalents are not paid in respect of the PRSUs during the performance period. Rather, dividend equivalents accrue with respect to the PRSUs during the performance period, and to the extent that the underlying PRSUs vest, an amount equal to the accrued dividend equivalents related to the vested PRSUs will be paid to the executive in the form of additional shares of our Common Stock based on the closing price of the Common Stock on the vesting date.

Forfeiture of Certain Previously-Granted PRSUs and TRSUs

As we first reported in January 2014, in connection with the negotiation of their new employment agreements, Mr. Gorin forfeited an aggregate 50,250 unvested PRSUs and Mr. Knutson forfeited an aggregate 33,516 unvested PRSUs, in each case granted to the executive in each of July 2011, 2012 and 2013 under the terms of his prior employment agreement. Such PRSUs were scheduled to vest in June 2014, June 2015 and June 2016, subject to MFA's achieving a TSR of at least 10% during the 12-month period prior to vesting. In addition, Mr. Gorin agreed to forego grants of 25,000 PRSUs and 12,500 TRSUs and Mr. Knutson agreed to forego grants of 16,675 PRSUs and 8,325 TRSUs, which were to have been granted to each executive in July 2014 under the terms of his prior employment agreement. For each executive, the foregone PRSUs and TRSUs would have vested on a pro rata basis in each of June 2015, 2016 and 2017, subject, in the case of the PRSUs, to MFA's achieving a TSR of at least 10% during the 12-month period prior to vesting. Each executive also agreed to forfeit his right to receive any further dividend equivalent payments in connection with such forfeited and foregone PRSUs and TRSUs.

The Compensation Committee believes that the lengthening of the vesting period for the TRSUs and PRSUs granted pursuant to the terms of Messrs. Gorin's and Knutson's new employment agreements (and, in particular, the lengthening of the performance period for the PRSUs from one to three years) creates a stronger link between the interests of our executive officers with those of our stockholders by having a significant portion of our executive officers' compensation tied to value creation over a longer-term period. In addition, the Compensation Committee believes that the reduction of the TSR hurdle for the PRSUs from 10% over a one-year period to an average of a simple 8% per annum over a three-year period, which, as described above, would result in the target number of PRSUs to vest, continues to be an appropriately rigorous objective and one that can be achieved over the three-year performance period without management undertaking inappropriate amounts of leverage and interest rate risk in light of the prevailing interest rate environment and prevailing yields on residential mortgage assets. The structure of the new PRSU grants associated with and the forfeiture by each executive of the right to receive dividend equivalents associated with unvested PRSUs also helps to achieve the Compensation Committee's objective of eliminating dividend equivalents on unvested performance-based equity awards.

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2014 Compensation Decisions. The following discussion addresses the actions taken by the Compensation Committee during 2014 regarding the base salary, annual incentives and long-term equity awards for the Named Executive Officers.

Base Salary

The Compensation Committee believes that the annual base salary paid in 2014 to each of the Named Executive Officers appropriately reflected the scope of the role and responsibilities of the applicable position, individual performance and experience and competitive market practices. The annual base salary for each of the Named Executive Officers during 2014 was as follows:

Executive	2014 Base Salary
William S. Gorin	\$ 800,000
Craig L. Knutson	\$ 700,000
Sunil Yadav	\$ 300,000
Gudmundur Kristjansson	\$ 280,000
Stephen D. Yarad	\$ 450,000

In connection with his promotion to President and Chief Operating Officer, Mr. Knutson's base salary was increased from \$450,000 per annum to \$700,000 per annum effective January 1, 2014, based on a review of relevant market data and consideration of competitive factors. In addition, in connection with his promotion to Senior Vice President, effective January 1, 2014, Mr. Kristjansson's base salary was increased from \$240,000 per annum to \$280,000 per annum for the year.

Annual Incentives

Messrs. Gorin and Knutson. Annual incentive awards earned by Messrs. Gorin and Knutson consisted of both the formulaic ROAE Bonus and the discretionary IRM Bonus. A discussion of the Compensation Committee's determination of each of these components is set forth below.

ROAE Bonus. Under the ROAE Bonus methodology set forth in Messrs. Gorin's and Knutson's respective employment agreements, which is described on pages 31 to 33 of this Proxy Statement, Adjusted ROAE for the 2014 performance period (December 1, 2013 to November 30, 2014) was approximately 13.2179%*, which was above the ROAE Target of 8% for 2014.

The ROAE Bonus component of Messrs. Gorin and Knutson's annual bonus for 2014 was determined by applying the Adjusted ROAE of 13.2179% to the previously established bonus formula, with the result that each executive earned a ROAE Bonus that was above their target amount for the ROAE Bonus. The target amount of this component of annual bonus, the percentage of that target amount earned and the total amount of the 2014 ROAE Bonuses earned by each executive is set forth in the table below:

Executive	Target ROAE Bonus (\$)	% of ROAE Bonus Earned	2014 ROAE Bonus Earned (\$) ⁽¹⁾
Mr. Gorin	\$ 1,687,500	165.22 %	\$ 2,788,151
Mr. Knutson	\$ 1,350,000	165.22 %	\$ 2,230,521

- (1) A portion of each executive's 2014 annual bonus was paid in the form of fully-vested shares of our Common Stock with a mandatory three-year holding period from the date of their grant. See page 37 of this Proxy Statement. IRM Bonus. The actual amount of the IRM Bonus paid to each executive was determined by the Compensation Committee in its discretion based upon its review of MFA's leverage strategy relative to other similarly situated companies as well as relative to its own business plan, MFA's total stockholder

The calculation of return on average total common stockholders' equity for purposes of determining Adjusted ROAE reflects the exclusion principally of approximately \$793.1 million of accumulated other comprehensive income *(unrealized mark-to-market gains and/or losses) from the calculation of average GAAP total common stockholders' equity for the performance period. Return on average total common stockholders' equity on a GAAP basis for the period from December 1, 2013 to November 30, 2014, was approximately 9.73%.

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return (both on an absolute basis, as well as relative to relevant indices and other similarly situated companies), overall management of risk and asset selection in generating our returns and the executive's individual performance. In considering these factors, the Compensation Committee did not assign specific weightings to each, but instead considered them together as part of a comprehensive review.

Based on the above-described review, the Compensation Committee determined the IRM Bonuses for each executive for 2014. The target amount of this component of annual bonus, the percentage of that target amount earned and the total amount of the 2014 IRM Bonuses earned by each executive is set forth in the table below:

Executive	Target IRM Bonus (\$)	% of IRM Bonus Earned	2014 IRM Bonus Earned (\$) ⁽¹⁾
Mr. Gorin	\$ 562,500	100.00 %	\$ 562,500
Mr. Knutson	\$ 450,000	100.00 %	\$ 450,000

(1) A portion of each executive's 2014 annual bonus was paid in the form of a grant of fully-vested shares of our Common Stock with a mandatory three-year holding period from the date of their grant. See below.

In determining the amount of Mr. Gorin's and Mr. Knutson's IRM Bonuses, the Compensation Committee took into account the executives' collective achievement during the course of the year in delivering consistent and attractive returns on MFA's portfolio of assets while effectively managing the risks relating to our portfolio of mortgage-related assets, including maintaining a low level of leverage relative to other residential mortgage REITs, maintaining a low level of duration (which is a measure of interest rate sensitivity) for our overall portfolio and maintaining a consistent and appropriate level of liquidity to meet our cash needs. The Compensation Committee also noted Messrs. Gorin's and Knutson's leadership in evaluating and expanding the types of assets in which MFA invests, including mortgage-back securities backed by re-performing and non-performing loans (RPL/NPL RMBS) and residential whole loans. On an individual basis, the Compensation Committee took into account Mr. Gorin's achievements during his initial year as CEO, including maintaining and building on the Company's relationships with counterparties, industry groups and other constituencies important to our business success, as well as fostering an inclusive corporate culture throughout the organization. With respect to Mr. Knutson, the Compensation Committee took into account his leadership in the selection and successful management of our credit sensitive assets, including our Non-Agency RMBS, RPL/NPL RMBS and residential whole loans, as well as leadership in overseeing certain of the staff functions within the Company.

Determination of Form of Payment of 2014 Annual Bonuses for Messrs. Gorin and Knutson. As indicated on page 34 of this Proxy Statement, Messrs. Gorin's and Knutson's employment agreements provide that any annual incentive awards in excess of their current base salaries would be paid 50% in cash and 50% in fully vested shares of Common Stock with a mandatory three-year holding period. The table below sets forth the application of this formula to the 2014 annual bonus amounts for Messrs. Gorin and Knutson and shows the portion of each executive's total 2014 annual bonus that was paid in cash and in the form of Common Stock.

Executive	Total 2014 Bonus Earned (\$)	Portion of 2014 Bonus Paid in Cash (\$/%)	Portion of 2014 Bonus Paid in Common Stock (\$/%) ⁽¹⁾
Mr. Gorin	\$ 3,350,651	\$ 2,075,326/61.9 %	\$ 1,275,325/38.1 %
Mr. Knutson	\$ 2,680,521	\$ 1,690,261/63.1 %	\$ 990,260/36.9 %

(1) As noted above, these shares of Common Stock were fully vested upon grant, but subject to a mandatory three-year holding period.

Messrs. Yadav and Kristjansson. Pursuant to the terms of their respective employment agreements, Messrs. Yadav and Kristjansson are eligible to receive an annual performance bonus in such amount as

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approved by the Compensation Committee in its discretion. For 2014, the Compensation Committee, with the input of Mr. Gorin and Mr. Knutson, awarded the following bonuses to each of Mr. Yadav and Mr. Kristjansson:

Executive	Total 2014 Bonus Earned (\$)	Amount of 2014 Bonus Paid in Cash (\$)	Amount of 2014 Bonus Paid in Common Stock ⁽¹⁾ (\$)
Mr. Yadav	801,977	561,384	240,593
Mr. Kristjansson	618,059	432,641	185,418

(1) Shares of Common Stock were fully-vested upon grant, but subject to a mandatory three-year holding period.

Although the amounts of Messrs. Yadav's and Kristjansson's respective annual bonuses were determined in the discretion of the Compensation Committee, in determining the level of their bonuses, the Compensation Committee used a framework for its decisions that was similar to the methodology that it used to determine the annual bonus amount for Messrs. Gorin and Knutson. In order to guide its decision making, the Compensation Committee, with the input of Messrs. Gorin and Knutson, assumed a target overall bonus for Mr. Yadav of \$650,000 and target overall bonus for Mr. Kristjansson of \$500,000, which amounts were comparable to each executive's respective bonus that was awarded to him for 2013. The Compensation Committee then employed an illustrative scenario in which 50% of each executive's target would be tied to Adjusted ROAE for the performance period from December 1, 2013 to November 30, 2014 (using the same methodology as used to calculate Messrs. Gorin's and Knutson's ROAE Bonus, which is described above) with the balance of each executive's target tied to an assessment of the executive's individual performance and overall company performance. As this approach was a framework for its decision making, the Compensation Committee then used its judgment and discretion to adjust the outcomes to arrive at the actual amount of each executive's bonus.

The Compensation Committee believed that using this approach as a guide for its 2014 bonus decisions for Messrs.

Yadav and Kristjansson was appropriate in light of their key roles in the asset selection and management of our Non-Agency and Agency RMBS portfolios, which are the principal portfolios that drive our earnings and returns, as well as, in the case of Mr. Kristjansson, his key role in the management of our overall interest-rate risk.

Mr. Yarad. Mr. Yarad is eligible to receive an annual performance bonus in such amount as approved by the Compensation Committee after receiving the input of our CEO. Annual incentive compensation for Mr. Yarad is based upon subjective assessments and evaluation of MFA's annual performance and his individual performance. After receiving the input of Mr. Gorin, the Compensation Committee approved an annual incentive bonus of \$280,000 for 2014, of which \$224,000 was paid in cash and \$56,000 was paid in the form of fully-vested shares of our Common Stock that are subject to a mandatory three-year holding period. The decision to increase Mr. Yarad's bonus as compared to that which he was awarded for 2013 was made based on, among other things, his efforts in directing the activities performed by our finance and accounting staff in support of our business activities, including his contributions in establishing the accounting, financial reporting and internal control framework for our investments in residential whole loans and the reorganization of our operating structure to facilitate such investments, as well as overall company performance.

2014 Long-Term Equity-Based Incentive Awards

Under the terms of their employment agreement, Messrs. Gorin and Knutson were granted RSUs, consisting of 82,500 time-based RSUs (TRSUs) and a target amount of 82,500 performance-based RSUs (PRSUs) and 70,000 TRSUs and

a target amount of 70,000 PRSUs, respectively, in January 2014. In addition, in order to further align the interests of the other Named Executive Officers and foster their retention, the Compensation Committee also made awards of TRSUs and PRSUs to Messrs. Yadav, Kristjansson and Yarad.

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The TRSUs will cliff vest on December 31, 2016, subject solely to continued employment. Upon vesting, the executive will receive one share of our Common Stock for each TRSU that vests. To the extent that dividends are paid on our Common Stock during the period in which the TRSUs are outstanding, each executive will receive a dividend equivalent in respect of the outstanding TRSUs in the form of a cash payment.

The PRSUs will cliff vest on December 31, 2016 subject to the achievement of the average TSR objective described below and the executive's continued employment with the Company. The actual number of PRSUs that will be earned and will vest will be based on the level of the Company's cumulative total stockholder return (*i.e.*, share price appreciation or depreciation, as the case may be, plus dividends divided by initial share price) relative to an 8% per annum simple TSR for the three-year performance period beginning on January 1, 2014 and ending on December 31, 2016. To determine the actual number of PRSUs that will be earned and will vest, the target amount of each grant of PRSUs will be adjusted up or down at the end of the applicable three-year performance period based on the Company's cumulative TSR relative to an 8% per annum simple TSR objective from 0% of the target amount (reflecting 0% per annum TSR during the performance period) to 200% of the target amount (reflecting 16% per annum (or higher) TSR during the performance period), with 100% of the target amount being earned and vesting if TSR of 8% per annum is achieved during the performance period. PRSUs that do not vest at the end of the performance period will be forfeited. Upon vesting, the executive will receive one share of the Company's Common Stock for each PRSU that vests.

Dividend equivalents will not be paid in respect of the PRSUs during the performance period. Rather, dividend equivalents will accrue with respect to the PRSUs during the performance period, and to the extent that the underlying PRSUs vest, an amount equal to the accrued dividend equivalents related to the vested PRSUs will be paid to the executive in the form of additional shares of Common Stock based on the closing price of the Common Stock on the vesting date.

The number and grant date fair value of TRSUs and PRSUs comprising the 2014 long-term equity-based awards granted to each of the Named Executive Officers are set forth in the table below:

Executive	TRSUs		PRSUs	
	#	Aggregate Grant Date Fair Value ⁽¹⁾ \$	#	Aggregate Grant Date Fair Value ⁽¹⁾ \$
Mr. Gorin	82,500	\$ 593,101	82,500	\$ 484,523
Mr. Knutson	70,000	\$ 503,237	70,000	\$ 411,110
Mr. Yadav	17,500	\$ 125,809	17,500	\$ 102,778
Mr. Kristjansson	17,500	\$ 125,809	17,500	\$ 102,778
Mr. Yarad	10,000	\$ 71,891	10,000	\$ 58,730

⁽¹⁾ Determined at the time the grant was made in accordance with FASB Accounting Standards Codification Topic 718.

In addition to his TRSUs and PRSU grants, in connection with his promotion to CEO, Mr. Gorin was granted 70,621 RSUs (with an aggregate grant date fair value of \$507,765), which were fully-vested at the time of grant. These RSUs settle in the form of one share of Common Stock for each RSU in January 2017. These RSUs pay dividend equivalents in the form of cash payments during the period in which they are outstanding.

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Other Elements of Compensation. The following briefly summarizes the other elements of compensation that we provide to our Named Executive Officers beyond salary, annual incentives and long-term equity awards.

Deferred Compensation and Retirement Benefits. In 2002, the Board adopted the Senior Officers Plan, which gives executive officers the ability to elect to defer up to 100% of their annual cash incentive compensation. Amounts deferred under this plan are subject to a five-year deferral period and can be paid in a lump sum or in installment payments at the termination of the deferral period. The Senior Officers Plan is intended to provide executive officers with an opportunity to defer certain compensation. Amounts deferred under the plan are considered to be converted into stock units of MFA, which do not represent our capital stock, but rather the right to receive a cash payment equal to the fair market value of an equivalent number of shares of Common Stock. Deferred amounts, together with any cash dividend equivalents credited to outstanding stock units, increase or decrease in value as would an equivalent number of shares of Common Stock and are settled in cash at the termination of the deferral period, based on the value of the stock units at that time. Prior to the time that the deferred accounts are settled, participants are unsecured creditors of MFA.

The Named Executive Officers are also eligible to participate in our tax qualified retirement savings plan (the 401(k) Plan) under which all full time employees, subject to certain restrictions, are able to contribute compensation up to the limit prescribed by the Internal Revenue Service on a before tax basis. We match 100% of the first 3% of eligible compensation deferred by our employees and 50% of the next 2%, subject to a maximum (\$10,400 for 2014) as provided by Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code). We have elected to operate this plan under applicable safe harbor provisions of the Code, whereby, among other things, we must make contributions for all participating employees, and all matches contributed by us vest immediately.

No Perquisites and Other Benefits. The Compensation Committee provides no perquisites and other benefits to the Named Executive Officers. We do not provide a perquisite allowance to the Named Executive Officers, nor do we reimburse the Named Executive Officers for automobiles, clubs, financial planning, tax preparation or items of a similar nature. The Compensation Committee periodically reviews the appropriateness of perquisites in light of market practices, an individual executive's particular facts and circumstances and within the context of the total compensation program. No actions were taken during 2014 regarding perquisites.

The Named Executive Officers are eligible to participate in our employee health and welfare benefit programs that are generally available to all employees. Further, in accordance with the Code of Conduct, we do not make any loans to, or guarantee any personal loans of the Named Executive Officers.

Other Features of Our Executive Compensation Program

Use of Employment Agreements. We have historically used written employment agreements with certain of our executive officers to evidence our mutual understanding regarding the key terms of employment, including the employment term, level of base salary, other elements of compensation, reasons for termination of employment before the end of the term, severance payments and post-employment covenants. At present, we have written employment agreements with four executive officers (Messrs. Gorin, Knutson, Yadav and Kristjansson); however, only Messrs. Gorin's and Knutson's employment agreements have terms that extend beyond one year. The Compensation Committee believes that the use of employment agreements for each of Messrs. Gorin, Knutson, Yadav and Kristjansson helps the Company to retain key personnel responsible for the execution of MFA's strategies and the management of its operations and provides certain protections for MFA in the form of covenants restricting post-termination employment and solicitation of our employees. Although the Compensation Committee has used written employment agreements to provide the Company and certain of its executives with certainty regarding the terms of employment and to

encourage stability of key management, the Compensation Committee periodically discusses their merit in achieving these objectives and may, in its discretion, determine not to use written employment agreements in the future for certain or all of our employees. For additional details regarding the employment agreements of Messrs. Gorin, Knutson, Yadav

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and Kristjansson, including the circumstances in which severance is payable and the amount of such severance benefits, see Employment Contracts on pages 49 to 53 and Potential Payments upon Termination of Employment or Change in Control on pages 53 to 56 of this Proxy Statement.

The Compensation Committee believes that the written employment agreements have been responsibly structured, including as follows:

Employment terms of reasonable length;
Severance arrangements individually tailored for each executive depending on his role and for the applicable termination scenario; and
No single trigger or modified single trigger vesting of severance benefits and/or outstanding equity awards upon a change in control of the Company.

No tax gross-up payments, and a cutback of any golden parachute payments in case of a change in control to the extent necessary to avoid any golden parachute excise taxes.

Clawback Policy. We have a policy pursuant to which we seek to recover, to the extent practicable and as may be permitted by applicable law, incentive compensation payments that were paid or awarded to our executive officers and certain other members of management when:

the payment of such compensation was based on the achievement of financial results that were subsequently the subject of a material restatement; and

in the Board's view, the employee engaged in fraud or misconduct that caused or partially caused the need for the restatement, and a smaller amount would have been paid to the employee based on our restated financial results.

Further, Dodd-Frank, which was signed into law in 2010, requires the SEC to promulgate rules to add additional clawback requirements, and we will, when such rules are finalized, take appropriate steps to implement the final requirements under this legislation.

We also have included in Messrs. Gorin's and Knutson's respective employment agreements, as well as in the RSU award agreements relating to awards made to certain employees (including Messrs. Yadav, Kristjansson and Yarad) in January 2014 and January 2015, provisions requiring the forfeiture of unvested awards and permitting the recoupment of the after-tax value of vested awards in the event that that employee breaches certain covenants regarding, among other matters, confidentiality of Company information and solicitation of employees for a period of time after termination of employment.

Stock Retention and Ownership Requirements. Equity awards received by certain of our Named Executive Officers are subject to a stock retention and ownership policy intended to further encourage significant long-term share ownership. Messrs. Gorin and Knutson are not permitted to sell or otherwise transfer shares received from equity awards granted pursuant to their employment agreements during the executive's employment or for a period of six months following the termination of the executive's employment, unless the value of the executive's stock holdings in us exceeds a specified multiple of the executive's annual base compensation (five times in the case of Mr. Gorin; four times in the case of Mr. Knutson). In addition, the shares of Common Stock granted as a component of each Named Executive Officer's annual incentive compensation for 2014 is prohibited from being sold or otherwise transferred for a period of three years from the date of grant.

Anti-Hedging Policy. Our Insider Trading Policy prohibits our employees from engaging in short sales or in transactions in puts, calls or other derivative securities on an exchange or in any other organized market. In addition, we prohibit our employees from engaging in other forms of hedging transactions, such as zero cost collars and forward sale contracts.

Advice from Independent Compensation Consultant. Periodically since 2005, the Compensation Committee has retained an independent compensation consultant to assist the Compensation Committee in reviewing the competitiveness of its executive compensation program, considering the overall design of

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the compensation program and providing compensation advice independent of company management. During 2013 and 2014 the Compensation Committee directly retained FTI Consulting, a nationally-recognized compensation consulting firm, in this role. FTI Consulting meets, from time to time, with the Compensation Committee and provides assistance to the Compensation Committee with respect to various matters, including the following: (i) a benchmarking review of peer company executive compensation; (ii) the awards of annual incentive compensation; (iii) evaluating the elements and design of various aspects of our compensation program in light of current executive compensation practices for companies in our industry and public companies more generally; and (iv) assisting in the development of an appropriate peer group. FTI Consulting also provided advice to the Compensation Committee regarding the (a) structure and design of the employment arrangements with Messrs. Knutson and Gorin, which were entered into in January 2014, and (b) the structure and design of a new LTIA program for our executive officers for 2014 and thereafter.

Under the terms of its engagement, FTI Consulting does not provide any other services to us, except as may be pre-approved by the Chair of the Compensation Committee.

Compensation Committee Conflicts of Interest Analysis. The Compensation Committee assessed the independence of FTI Consulting pursuant to the factors set forth in its Charter and Rule 10c-1(b)(4) under the Securities Exchange Act of 1934, as amended. Based on this assessment, the Compensation Committee concluded that FTI Consulting's work for the Board of Directors did not raise any conflicts of interest.

Use of Tally Sheets. The Compensation Committee periodically examines the components of our compensation programs offered to the Named Executive Officers, including, among other things, base salary, annual incentives, equity and long-term compensation, dividend and dividend equivalent payments, the dollar value (and the cost to us) of any perquisites and other personal benefits, the earnings and accumulated payout obligations under the Senior Officers Plan and the actual projected payout obligations under several potential severance and change in control scenarios. In connection with such review, a compensation tally sheet setting forth these components of our executive compensation program typically is prepared with respect to our most senior executives and reviewed by the
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