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Technical Director
File Reference No. 2011-200
Financial Accounting Standards Board
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Proposed Accounting Standards Updates: "Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements"

Dear Technical Director:

American Capital Mortgage Investment Corp. ("American Capital Mortgage") welcomes the opportunity to comment on the proposed Accounting Standards Update ("ASU") to amend Subtopic 946, *Financial Services—Investment Companies*. American Capital Mortgage is a mortgage real estate investment trust ("REIT") that invests primarily in agency and non-agency securities for which the principal and interest payments may or may not be guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity ("GSE"). As of December 31, 2011, American Capital Mortgage had an investment portfolio of \$1.8 billion. The Company is externally managed and advised by American Capital MTGE Management, LLC, an indirect subsidiary of a wholly-owned portfolio company of American Capital, Ltd.

American Capital Mortgage supports the Financial Accounting Standards Board's (the "Board") goal of improving and converging financial reporting by setting forth consistent criteria for determining whether an entity is an investment company. However, we believe certain aspects of the Board's proposed ASU require further clarification and consideration. The following are American Capital Mortgage's comments to the Board's specific questions to respondents on the proposed ASU.

Question 3: *The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?*

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American Capital Mortgage believes that, absent further clarification on how an entity should evaluate whether it meets the fair value management criterion, the removal of the scope exception in Topic 946 for REITs could result in inconsistent treatment and loss of comparability between mortgage REITs with substantially similar investment portfolios and business strategies.

For example, one mortgage REIT investing in only pass-through securities guaranteed by a U.S. Government agency or U.S. Government-sponsored entity ("agency securities") for which there is a liquid market may reach a conclusion that it manages its portfolio on a fair value basis (even though the criteria on how to evaluate that conclusion is not currently clearly defined). Alternatively, a similar mortgage REIT investing in agency securities or a combination of agency and non-agency mortgage-related securities (for which the market is less liquid) may reach a conclusion that it does not manage its portfolio on a fair value basis (but rather uses a long-term hold strategy where the fair value of the investments may not be a primary consideration). These different conclusions would result in greater diversity in practice for mortgage REIT's that have very similar businesses but may have different views on how they manage their respective portfolio of investments.

A mortgage REIT's principal objective is to provide risk-adjusted returns to its stockholders over the long-term through a combination of dividends and net asset value appreciation. The dividends of a mortgage REIT are comprised primarily of the net interest income on its leveraged investment portfolio and net realized capital gains. The current income yield and potential capital gain or loss of a mortgage REIT's investment portfolio are typically of equal importance to a portfolio manager of a mortgage REIT in evaluating its investment portfolio. Further, depending upon market factors, a portfolio manager may occasionally focus greater attention towards asset preservation based on current fair values or towards current income based on current asset yields in evaluating the performance of its investment portfolio.

To meet the criteria of an investment company under the proposed amendment to Topic 946, all of the investments must be managed and their performance evaluated on a fair value basis and the company's activities must demonstrate that fair value is the primary measurement attribute used to make a decision about the financial performance of those assets. American Capital Mortgage believes that absent further guidance on how an entity should evaluate the fair value management criterion, mortgage REITs may come to different conclusions for substantially similar businesses.

We appreciate the opportunity to share our comments with the Board. Please do not hesitate to contact us if you have any questions.

Sincerely,



Donald Holley
Vice President and Controller