March 8, 2019

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Via email: director@fasb.org

Re: Proposed Accounting Standards Update: Targeted Transition Relief for Topic 326, Financial Instruments – Credit Losses, File Reference No. 2019-100

This letter represents the comments of certain publicly-held mortgage real estate investment trusts (REITs). The four companies represented by this letter represent REITs with total invested assets of more than $88 billion. These REITs primarily invest in mortgage-backed securities, including troubled and delinquent debt instruments, and may also invest in loans and other real-estate related financing arrangements. These companies prepare financial statements and other filings in accordance with regulations provided by the SEC for large accelerated filers.

We appreciate the opportunity to provide comments to the Financial Accounting Standards Board (the “FASB” or the “Board”) on the Proposed Accounting Standards Update (“ASU”), Targeted Transition Relief for Topic 326, Financial Instruments – Credit Losses (“the Proposal” or the “Proposed ASU”). **We believe that the Proposal improves ASU 2016-13. However, we believe the Proposal should be expanded to provide an option to irrevocably elect the fair value option in Subtopic 825-10 for all financial instruments within the scope of ASU 2016-13, including available-for-sale debt securities and held-to-maturity debt securities.**

A transition option to elect the fair value option would provide the same relief for available-for-sale debt securities and held-to-maturity debt securities as the Board is seeking to provide to other similar financial assets within the scope of the Topic 326. We believe that the benefits of expanding the Proposed ASU include the potential for greater comparability and consistency of accounting applied to similar financial instruments that are in the scope of Topic 326, which should result in greater understandability of financial statements for users. In addition, an expanded Proposal should allow preparers to achieve operational efficiencies, as it provides opportunities to rationalize and simplify the number of accounting methodologies applied to similar financial instruments, as well as potentially provide relief from the need to gather and analyze data to calculate credit loss reserves and develop financial statement disclosures required under ASU 2016-13. We believe that greater comparability and reduced complexity are consistent with the FASB’s objectives in providing preparers with a fair value option election.
**Question 1:** Do you agree with the amendment in this proposed Update to provide entities with an option to irrevocably elect the fair value option in Subtopic 825-10 for eligible instruments that are within the scope of Subtopic 326-20, except for held-to-maturity debt securities, upon adoption? If not, please explain your reasoning.

**Response:**

We do not agree that available-for-sale and held-to-maturity debt securities should be excluded from the scope of the Proposed ASU. As discussed above, we believe that providing an option to irrevocably elect the fair value option for all existing financial instruments within the scope of ASU 2016-13, including available-for-sale and held-to-maturity debt securities, should result in improved comparability, consistency and understandability for financial statement users. In addition, we believe that providing the ability to make such an election will provide potential operational efficiencies for those entities currently maintaining different measurement methodologies for similar financial instruments purchased at different points in time, but for which different accounting designations were made. In particular, we agree with the conclusions of the Board in BC 6 of the Proposal that the amendments in the Proposal would benefit financial statement users by increasing comparability. However, we believe that excluding held-to-maturity and available-for-sale securities from the proposed amendments will limit the Board’s ability to achieve this objective, as the accounting applied to similar financial instruments will continue to be based on historical accounting designations. Further, we are concerned that the complexity of trying to explain to users that certain financial instruments are accounted for under the Proposed ASU, while certain other similar financial instruments are accounted for under a different accounting methodology, simply due to their historical accounting designation (i.e. available-for-sale or held-to-maturity) will result in confusion among financial statement users. Expanding the Proposal to irrevocably elect the fair value option to all existing financial instruments within the scope of Topic 326 should give preparers the ability to simplify the presentation of similar financial instruments to financial statement users.

**Question 2:** Do you agree with the proposed amendment that would require that the irrevocable election of the fair value option be applied on an instrument-by-instrument basis? If no, please explain your reasoning and provide an alternative.

**Response:**

We agree with the proposed amendment that would require the irrevocable election of the fair value option be applied on an instrument-by-instrument basis. This is consistent with current guidance in ASC 825-10-25. Furthermore, we believe that companies that elect the fair value option in accordance with the Proposal should be required to comply with the guidance in ASC 825-10-50-25 that requires companies to disclose management’s reasons for electing or partially electing the fair value option.
**Question 3:** For entities that have not elected Topic 326, should the effective date and transition requirements of the proposed amendments align with the effective date and transition requirements of the amendments in Update 2016-13? If not, please explain your reasoning and provide an alternative.

**Response:**

We agree that the effective date and transition requirements of the proposed amendments should align with the effective date and transition requirements of the amendments in Update 2016-13. We further note that we would not require additional time to implement Update 2016-13 if the transition guidance is expanded to include available-for-sale and held-to-maturity debt securities.

**Question 4:** For entities that have early adopted Topic 326, what should be the effective date and transition requirements for the proposed amendments?

**Response:**

We respectfully defer this question to those entities that have early adopted Topic 326.

**Question 5:** Would additional disclosures be needed for the proposed amendments, beyond the disclosure requirement in Topic 250, Accounting Changes and Error Corrections, and Subtopics 802-10 and 825-10?

**Response:**

We believe that the existing disclosure requirements in Topic 250 combined with the existing disclosure requirements in Topic 820 – Fair Value Measurements and Disclosures provide an appropriate disclosure framework for disclosing to users the impact of the proposed amendments.

**Question 6:** Do you support the Board’s decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income and instead apply the measurement guidance in Subtopic 326-20? If not, please explain your reasoning about why the measurement guidance in Subtopic 326-20 is preferable for the types of financial assets for which an entity would elect to discontinue fair value measurements.

**Response:**

We do not agree with the Board’s decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income and instead apply the measurement guidance in Subtopic 326-20. We believe that entities that wish to apply the guidance within the Proposed ASU should also have the option to apply the
guidance to all similar financial instruments, including those for which the fair value option may have previously been elected. Again, this will allow preparers to apply consistent accounting to similar financial instruments held on adoption of ASU 2016-13, which we believe will result in increased comparability and understandability of a Company’s financial statements for the users post adoption.

We appreciate the opportunity to provide comments on the Proposed ASU and hope the Board will consider our recommendations as they deliberate a final standard. Should you have any questions, please feel free to contact any of the representatives below.
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