

November 4, 2011

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE.
Washington, DC 20549-1090

Re: File Number S7-34-11

Dear Ms. Murphy,

Anworth began its operations and became a public company on March 17, 1998, at which time it also elected to be treated as a REIT.

1. We agree with the Commission's current interpretation of Section 3(c)(5)C relative to Agency Pass-Through certificates.

We believe that had Agency Pass-Through certificates existed in 1940, investors in these assets would have been explicitly included in Section 3(c)(5)C exemption of the Investment Company Act.

2. We believe that costs to the economy could be significant if the Commission materially changes its interpretation.

Stability of mortgage rates has been enhanced by the permanence of Mortgage REITs' obligation to invest in mortgage assets. Many other mortgage investors have not demonstrated a similar commitment.

The federal government's reforms of the GSEs are expected to materially impact the ability of the GSE's to own Agency Pass-Through certificates. Given that the GSEs were once by far the largest owner of these certificates, finding a non-government replacement owner will be a significant challenge for the federal government. Entities like mortgage REITs, with a commitment to permanent ownership, will therefore be needed to fulfill this role, which is important for maintaining affordability of and access to financing for the American homeowner.

Implementation of Dodd-Frank regulations is expected to also reduce commercial banks' willingness to acquire and own residential mortgages. This situation will also necessitate the federal government finding a replacement for these banks as owners of residential mortgage assets.

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3. We believe that Mortgage REIT investors benefit materially from the significant investor protection polices that are currently in place.

The high level of Mortgage REIT investor protection is largely the result of thorough disclosure of the risks inherent in these businesses which operate as reporting public companies regulated by Sarbanes-Oxley and other SEC and NYSE rules and regulations related specifically to public companies. Investors also benefit from the large amount of independent research written about Mortgage REITs.

We would direct the Commission to Anworth's Annual Report on Form 10-K, which is filed with the Commission. We think that the Commission would agree that our focus in this important communication with our shareholders, along with our Chairman's annual letter to the shareholders, is focused on educating investors about our business and the risks which we take.

However, if the Commission believes that it is appropriate, I am confident that Mortgage REITs would welcome more explicit guidance as to how their investor protection efforts to educate their shareholders about these risks associated with their investment can be improved.

In closing, we welcome the opportunity to respond the Commission's requests for additional clarification or information.

Sincerely,

Lloyd McAdams
Chairman and Chief Executive Officer