

December 12, 2017

VIA E-MAIL (IMshareholderproposals@sec.gov)

U.S. Securities and Exchange Commission
Division of Investment Management
Office of Disclosure and Review
100 F Street N.E.
Washington, DC 20549

Re: First Trust Mortgage Income Fund – Omission of Shareholder Proposal Submitted by
Richard Wachterman

Ladies and Gentlemen:

As counsel to First Trust Mortgage Income Fund, a Massachusetts business trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a closed-end management investment company (the “Fund”), we request confirmation that the Staff (the “Staff”) of the Securities and Exchange Commission (the “Commission”) will not recommend enforcement action pursuant to Rule 14a-8 promulgated under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), if the Fund omits from its proxy materials (the “Proxy Materials”) for its 2018 Annual Meeting of Shareholders (the “2018 Annual Meeting”) the non-binding proposal (the “Proposal”) and supporting statement described therein.

Background

On October 18, 2017, the Fund received a proposal and supporting statement from Richard Wachterman (the “Proponent”) for inclusion in the Proxy Materials for its 2018 Annual Meeting. Pursuant to Rule 14a-8(j), this letter is being filed with the Commission not less than 80 days before the Fund plans to file its definitive proxy statement. Also pursuant to Rule 14a-8(j), the Fund, by e-mail as requested by the Proponent and by certified mail, is contemporaneously advising the Proponent of the Fund’s intention to omit the Proposal from the Proxy Materials. The Proposal and supporting statement are attached hereto as Exhibit A.

The Proposal requests, in relevant part, that the Board of Trustees of the Fund (the “Board” or the “Trustees”) authorize a self-tender for all the outstanding common shares of the Fund (the “Common Shares”) at or within two percent (2%) of net asset value (“NAV”) and that, if more than fifty percent (50%) of the Fund’s outstanding Common Shares are tendered, the tender offer should be cancelled and the Fund should be liquidated or converted into an

exchange-traded fund (“ETF”) or an open-end mutual fund. The language of the proposal is as follows:

RESOLVED, that the shareholders of First Trust Mortgage Income Fund (“Fund”) request that the Board of Trustees authorize a self-tender offer for all outstanding common shares of the Fund at or within 2% of net asset value. If more than 50% of the Fund’s outstanding common shares are submitted for tender, the Board is requested to cancel the tender offer and take those steps that the Board is required to take to cause the Fund to be liquidated or converted to (or merged with) an exchange traded fund or an open-end mutual fund.

Reasons for Exclusion of the Proposal

The Fund believes that it may properly omit the Proposal from the Proxy Materials for the 2018 Annual Meeting for the following reasons:

- The Supporting Statement to the Proposal Contains Materially False or Misleading Statements Regarding the Context in Which the Proposal is Made, Including Statements that Impugn the Integrity of the Fund’s Trustees, Contrary to Rule 14a-9. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(3) because it contains false and misleading statements in violation of Rule 14a-9.
- The Proposal is Designed to Benefit the Proponent Rather Than Other Stockholders at Large. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(4) because it is designed to benefit the Proponent and does not further an interest shared by the Fund stockholders at large.
- The Proposal Deals With Matters Relating to the Fund’s Ordinary Business Operations. The Fund may exclude the Proposal pursuant to Rule 14a-8(i)(7) because it deals with matters relating to the Fund’s ordinary business operations.

I. The Proposal May Be Excluded Pursuant to Rule 14a-8(i)(3) Because the Supporting Statement Contains False or Misleading Statements Regarding the Context in Which the Proposal is Made, Including Statements that Impugn the Integrity of the Fund’s Trustees, Contrary to Rule 14a-9.

Rule 14a-8(i)(3) permits the exclusion of a shareholder proposal if the proposal or supporting statement is contrary to any of the Commission’s proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials.

A. The Proposal Contains Materially False and Misleading Statements Regarding the Context in which the Proposal is Made

The supporting statement asserts that the Proposal is made in reaction to the transition of the portfolio management of the Fund to First Trust Advisors, L.P., the investment advisor to the Fund (“*First Trust*”), without obtaining a vote from shareholders, but it incorrectly portrays the motivation for the Proposal, and thus bases the Proposal upon materially false and misleading premises in violation of Rule 14a-9.

The supporting statement references the events of July 2016 when the sub-adviser to the Fund, who at that time managed the portfolio of the Fund, resigned and First Trust assumed the portfolio management of the Fund in addition to the other responsibilities it carried out in its role as investment advisor to the Fund. The supporting statement correctly states that a shareholder vote is required under Section 15(c) of the 1940 Act if the Fund were to enter into a sub-advisory agreement with a new sub-advisor but since First Trust was already serving as the investment advisor to the Fund under a duly approved investment advisory agreement, no approval was needed for First Trust to assume the portfolio management of the Fund. However, the supporting statement also misleadingly states that shareholders who purchased prior to July 2016 did not know who would be responsible for the management of the Fund’s portfolio after July 2016, that the Proposal is brought in reaction to First Trust taking over the portfolio management of the Fund and that by voting for the Proposal shareholders would be telling management that because they were deprived of the opportunity to vote on who would manage the Fund’s portfolio, they desire to be given the opportunity to liquidate their shares at close to NAV.

These statements are misleading. Although shareholders who purchased shares prior to July 2016 did not know the sub-adviser would resign, they knew that First Trust, as the investment advisor to the Fund and thereby directly responsible for the overall investment direction of the Fund, could take on management of the Fund’s portfolio at any time. The investment advisory agreement between First Trust and the Fund which gave First Trust the ability to manage the portfolio of the Fund was duly approved in accordance with the 1940 Act. It is therefore misleading to say that shareholders were unaware that First Trust could be responsible for the portfolio management of the Fund. First Trust’s assumption of the portfolio management of the Fund is in full accordance and compliance with the 1940 Act.

The ultimate recourse to a shareholder in this context is to sell its shares on the open market. The Fund’s shares are traded on the New York Stock Exchange.

B. The Proposal May Be Excluded Pursuant to Rule 14a-8(i)(3) Because It Contains Statements that Impugn the Integrity of the Fund’s Trustees.

The Note to Rule 14a-9 gives as an example of material that may be misleading for purposes of Rule 14a-9: material that “directly or indirectly impugns that character, integrity or personal reputation, or directly or indirectly make charges concerning improper, illegal or immoral conduct or associations, without factual foundation.”

The supporting statement contains such material. In the last paragraph of the supporting statement shareholders are told that by voting for the proposal they would: “be telling management that because they were deprived of the opportunity to vote on who would perform the portfolio management of the Fund’s portfolio, they desire to be given the opportunity to redeem their shares at close to net asset value.” This statement asserts that the Board has deprived shareholders of a legal right when such is not the case. This statement is an unwarranted assertion of improper conduct by the Board. No vote is required under applicable law when the investment adviser assumes the duties previously performed by the sub-adviser. To suggest that the Board deprived shareholders of their right to vote impugns the integrity of the Board. The supporting statement asserts improper conduct and infers illegal conduct by the Board. There is nothing improper or illegal under the 1940 Act in the assumption by First Trust of the sole investment advisory duties for the Fund. The statement included in the supporting statement is neither accurate nor supportable and Rule 14a-9 prohibits the inclusion of such statements in the Fund’s proxy statement because it impugns upon the integrity of the Board and accuses them of improper conduct with no factual foundation.

The Staff has granted no-action relief in the past where a statement impugned the character, integrity or personal reputation of a company’s directors and management without factual foundation. See *Phoenix Gold International, Inc.* (Nov. 21, 2000) and *ConocoPhillips* (Mar. 13, 2012). See also *Weyerhaeuser Co.* (Jan. 21, 2003) and *CBBT Bancorp, Inc.* (Apr. 20, 1999).

II. The Proposal May Be Excluded Pursuant to Rule 14a-8(i)(4) Because It is Designed to Benefit the Proponent Rather Than Other Stockholders at Large.

Rule 14a-8(i)(4) permits the exclusion of a shareholder proposal if the proposal is designed to benefit the proponent or further the proponent’s personal interest which is not shared by the shareholders at large. The Proposal will benefit the Proponent as a short-term shareholder seeking short-term profit at the expense of long-term shareholders at large by allowing short-term shareholders to exit the fund at roughly NAV while increasing costs to long-term shareholders. If the Fund makes the proposed tender offer, the long-term investors who do not tender their shares will bear the significant expenses associated with the tender offer as well as potential tax burdens associated with the liquidation of part of the Fund’s portfolio. Remaining shareholders will also bear ongoing expenses of the Fund, and because the expenses would be spread over a smaller asset base, the expenses are likely to increase to the remaining shareholders. Shareholders who are truly unhappy with the portfolio management of the Fund by First Trust have a simple and effective remedy - they can sell their shares on the open market. As the Proposal would benefit the Proponent but would not further the interests of shareholders at large, the Fund seeks to exclude the Proposal.

III. The Proposal Deals With Matters Relating to the Fund’s Ordinary Business Operations.

Rule 14a-8(i)(7) permits the exclusion of a shareholder proposal if the proposal deals with matters relating to the Fund’s ordinary business operations. The Commission has stated that “proposals that raise matters that are ‘fundamental to management’s ability to run a company on a day-to-day basis’ may be excluded unless the proposal focuses on policy issues that are sufficiently significant because they transcend ordinary business and would be appropriate for a shareholder vote.”¹ The supporting statement addresses matters of fundamental management that are unrelated to the remedy, a tender offer.

As previously mentioned, the Proposal correctly states that, had the Fund changed its sub-adviser, it would need to seek shareholder approval. However, as has been mentioned previously and as stated in the supporting statement, there is no requirement for shareholder approval when an investment advisor assumes the duties previously performed by a sub-adviser. Congress and the Commission could have required shareholder approval when an investment advisor assumes the duties of a sub-advisor, similar to when approving a new investment advisory agreement, but they did not. Unlike the approval of a new investment advisory or sub-advisory agreement, the investment advisor’s assumption of the duties of a sub-advisor is fundamental to the advisor’s ability to manage the Fund’s portfolio and is not significant enough to transcend ordinary business. Since the supporting statement addresses a matter relating to the Fund’s ordinary business operations that is wholly unrelated to the remedy sought in the Proposal, the Fund seeks to exclude the non-binding Proposal.

In summary, the Proponent’s Proposal and the supporting statement are wholly unrelated to each other and the supporting statement infers improper conduct where none exists. For these reasons, the Proposal can be omitted from the Proxy Materials.

IV. Request

While we recognize that the Staff, on occasion, will permit proponents to revise their proposals to correct errors that are “minor in nature and do not alter the substance of the proposal;” the Fund believes, for the reasons previously stated, that if the Proponent is allowed to revise its non-binding Proposal, the staff would be permitting the alteration of the substance of the Proposal, in contradiction of the Staff’s long-standing practice. *See Staff Legal Bulletin* No. 14B (CF) (2004).

If you have any questions or require any additional information, please do not hesitate to contact the undersigned at 312-845-2978 or Bill Hermann at 312-845-3895. If the Staff is unable to agree with our conclusion without additional information or discussions, we respectfully request the opportunity to confer with members of the Staff prior to issuance of any written response to this letter.

¹ Staff Legal Bulletin No 14I (Nov. 1, 2017).

Sincerely,

CHAPMAN AND CUTLER LLP

/s/ Jonathan A. Koff

By: Jonathan A. Koff, Esq.

Enclosures

cc: W. Scott Jardine
Richard Wachterman

EXHIBIT A

October 18, 2017

To: First Trust Mortgage Income Fund (the "Fund")

Attn: Secretary of Fund, W. Scott Jardine 120 East Liberty Drive, Suite 400
Wheaton, Illinois 60187

Shareholder Proposal Notice

The undersigned, a shareholder of the Fund ("Shareholder"), hereby notifies the Fund that he intends to make the below described shareholder proposal at the upcoming Annual Meeting of Shareholders. I have directed ETrade Securities to advise you that I have continuously held at least \$2,000 of shares of the Fund for at least thirteen months as of October 20, 2017 (the day you are scheduled to receive this notice). This notice is made pursuant to SEC rule 240.14a-8. I request that you communicate with me by email regarding this Notice.

Proposal – Request to Board of Trustees for Tender Offer

- (i) The description of and text of the proposal to be presented.

RESOLVED, that the shareholders of First Trust Mortgage Income Fund ("Fund") request that the Board of Trustees authorize a self-tender offer for all outstanding common shares of the Fund at or within 2% of net asset value. If more than 50% of the Fund's outstanding common shares are submitted for tender, the Board is requested to cancel the tender offer and take those steps that the Board is required to take to cause the Fund to be liquidated or converted to (or merged with) an exchange traded fund or an open-end mutual fund.

- (ii) A brief written statement of the reasons why Shareholder favors the proposal.

In 2005, when the Fund was formed, the prospectus stated that First Trust Advisors, L.P. ("FT"), the investment adviser of the Fund, was "responsible for selecting and supervising the [s]ub-[a]dviser." The sub-adviser was responsible for the day-to-day management of the Fund's portfolio. From the formation of the Fund in 2005, until July 2016, FT's role was the selection and supervision of the sub-adviser, and the sub-adviser's role was the day-to-day management of the Fund's portfolio. The prospectus did not disclose the possibility that at some time in the future, FT might assume the day-to-day management of the Fund's portfolio.

In 2011, the sub-adviser resigned, and the Board appointed a new sub-adviser to be responsible for the day-to-day management of the Fund's portfolio. The responsibility of FT, as the investment adviser, continued to be to select and supervise the sub-adviser. The new sub-adviser's appointment was required to be voted upon by shareholders and the appointment was approved by the shareholders.

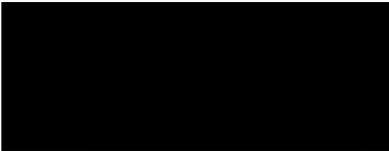
In July of 2016, the sub-adviser resigned. Rather than select a new sub-adviser and have that selection voted upon by shareholders, the Board of Trustees of the Fund approved the transition of the day-to-day management of the portfolio to FT. Although the law requires a shareholder vote when a Fund changes its sub-adviser, a shareholder vote was not required, as here, when an investment adviser assumes the duties previously performed by a sub-adviser.

While the law does not require it, shareholders deserved to vote on this change. It is elementary that a prospective investor should know, prior to investing, who will be responsible for the day-to-day management of the Fund's portfolio. From the Fund's inception in 2005 until July 2016, all prospective Fund shareholders had the opportunity to know who would be responsible for the day-to-day management of the Fund's portfolio (i.e. the sub-adviser) before purchasing shares of the Fund, or had the opportunity to vote when that entity changed. But Fund shareholders who purchased shares prior to July 2016, did not know who would be responsible for the day-to-day management of the Fund's portfolio after July 2016 or to vote on approval of that entity.

If this proposal is approved, shareholders of the Fund will be telling management that because they were deprived of the opportunity to vote on who would perform the day-to-day management of the Fund's portfolio, they desire to be given the opportunity to redeem their shares at close to net asset value.

- (iii) Shareholder's name and address, phone number and email address.

Richard Wachterman



As of October 18, 2017, Shareholder beneficially owned [REDACTED] shares of the Fund.

Shareholder intends to appear in person or by proxy at the shareholder meeting to act on the matter proposed.

By my signature below I verify that I intend to hold at least \$2,000 of Fund shares through the date of the upcoming annual meeting of shareholders.

Submitted,

A handwritten signature in blue ink that reads "Richard Wachterman".

Richard Wachterman