

NEW YORK COMMUNITY BANCORP INC
Form 10-Q
November 10, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2008

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

06-1377322
(I.R.S. Employer

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incorporation or organization)

Identification No.)

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

(Registrant's telephone number, including area code) (516) 683-4100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

344,184,079

Number of shares of common stock outstanding at

November 5, 2008

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Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF CONDITION**

(in thousands, except share data)

	September 30, 2008 (unaudited)	December 31, 2007
Assets:		
Cash and cash equivalents	\$ 276,430	\$ 335,743
Securities available for sale:		
Mortgage-related (\$847,715 and \$944,225 pledged, respectively)	858,011	973,324
Other (\$119,109 and \$140,032 pledged, respectively)	255,218	407,932
Total available-for-sale securities	1,113,229	1,381,256
Securities held to maturity:		
Mortgage-related (\$3,143,799 and \$2,414,157 pledged, respectively; fair value of \$3,164,477 and \$2,432,987, respectively)	3,207,230	2,479,483
Other (\$1,437,399 and \$1,477,966 pledged, respectively; fair value of \$1,718,026 and \$1,891,207, respectively)	1,766,636	1,883,162
Total held-to-maturity securities	4,973,866	4,362,645
Total securities	6,087,095	5,743,901
Loans, net of deferred loan fees and costs	21,511,809	20,363,248
Less: Allowance for loan losses	(92,129)	(92,794)
Loans, net	21,419,680	20,270,454
Federal Home Loan Bank of New York (FHLB-NY) stock, at cost	437,748	423,069
Premises and equipment, net	209,818	214,906
Goodwill	2,436,060	2,437,404
Core deposit intangibles, net	93,513	111,123
Bank-owned life insurance	684,829	664,431
Other assets	494,327	378,791
Total assets	\$32,139,500	\$30,579,822
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	\$ 3,338,306	\$ 2,456,756
Savings accounts	2,691,032	2,514,189
Certificates of deposit	7,017,496	6,913,036
Non-interest-bearing accounts	1,139,763	1,273,352
Total deposits	14,186,597	13,157,333
Official checks outstanding	29,019	18,749
Borrowed funds:		
FHLB-NY advances	7,940,182	7,782,390
Repurchase agreements	4,710,000	4,411,220
Junior subordinated debentures	484,304	484,843
Other borrowings	185,000	237,219

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Total borrowed funds	13,319,486	12,915,672
Mortgagors escrow	131,888	78,468
Other liabilities	209,279	227,287
Total liabilities	27,876,269	26,397,509
Stockholders' equity:		
Preferred stock at par \$0.01 (5,000,000 shares authorized; none issued)		
Common stock at par \$0.01 (600,000,000 shares authorized; 344,185,347 and 323,812,639 shares issued and outstanding at each of the respective dates)	3,442	3,238
Paid-in capital in excess of par	4,183,724	3,815,831
Retained earnings	106,955	390,757
Less: Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(2,268)	(3,085)
Common stock held by Supplemental Executive Retirement Plan (SERP)	(3,113)	(3,113)
Accumulated other comprehensive loss, net of tax	(25,509)	(21,315)
Total stockholders' equity	4,263,231	4,182,313
Commitments and contingencies		
Total liabilities and stockholders' equity	\$32,139,500	\$30,579,822

See accompanying notes to the unaudited consolidated financial statements.

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(in thousands, except per share data)

(unaudited)

	For the		For the	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Interest Income:				
Mortgage and other loans	\$ 316,780	\$ 302,665	\$ 940,164	\$ 914,601
Securities	81,467	81,833	250,974	225,840
Money market investments	152	12,726	2,885	27,193
Total interest income	398,399	397,224	1,194,023	1,167,634
Interest Expense:				
NOW and money market accounts	13,346	24,067	40,658	73,215
Savings accounts	5,789	7,195	17,609	20,206
Certificates of deposit	67,274	78,589	209,647	229,151
Borrowed funds	130,086	132,495	452,142	382,847
Mortgagors escrow	25	26	79	93
Total interest expense	216,520	242,372	720,135	705,512
Net interest income	181,879	154,852	473,888	462,122
Provision for loan losses	400		2,100	
Net interest income after provision for loan losses	181,479	154,852	471,788	462,122
Non-interest (Loss) Income:				
Fee income	10,402	10,624	31,196	31,124
Bank-owned life insurance	7,021	6,999	20,900	19,364
Net (loss) gain on sale of securities		(7,307)	568	1,888
Loss on other-than-temporary impairment of securities	(44,160)		(93,755)	(56,958)
Gain (loss) on debt repurchases			926	(1,848)
Gain on sale of bank-owned property		64,879		64,879
Other	7,405	9,247	26,671	26,145
Total non-interest (loss) income	(19,332)	84,442	(13,494)	84,594
Non-interest Expense:				
Operating expenses:				
Compensation and benefits	42,769	40,599	129,175	117,728
Occupancy and equipment	17,585	16,739	52,507	49,333
General and administrative	18,224	15,462	58,214	50,679
Total operating expenses	78,578	72,800	239,896	217,740
Debt repositioning charge			285,369	3,190
Amortization of core deposit intangibles	5,757	5,855	17,610	16,680

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Total non-interest expense	84,335	78,655	542,875	237,610
Income (loss) before income taxes	77,812	160,639	(84,581)	309,106
Income tax expense (benefit)	19,748	49,730	(60,233)	97,404
Net Income (Loss)	\$ 58,064	\$ 110,909	\$ (24,348)	\$ 211,702
Other comprehensive income (loss), net of tax:				
Change in net unrealized losses on securities	(8,363)	12,557	(4,396)	38,810
Change in pension and post-retirement obligations	51	212	202	634
Total comprehensive income (loss), net of tax	\$ 49,752	\$ 123,678	\$ (28,542)	\$ 251,146
Basic earnings (loss) per share	\$0.17	\$0.36	\$(0.07)	\$0.69
Diluted earnings (loss) per share	\$0.17	\$0.35	\$(0.07)	\$0.69

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

(in thousands, except share data)

(unaudited)

	Nine Months Ended September 30, 2008
Common Stock (Par Value: \$0.01):	
Balance at beginning of year	\$ 3,238
Shares issued in stock offering (17,871,000)	179
Shares issued for exercise of stock options (1,410,458)	14
Shares issued for restricted stock awards (1,091,250)	11
Balance at end of period	3,442
Paid-in Capital in Excess of Par:	
Balance at beginning of year	3,815,831
Allocation of ESOP stock	3,774
Restricted stock activity	5,842
Exercise of stock options	15,658
Tax effect of stock plans	3,645
Common shares issued in stock offering	338,974
Balance at end of period	4,183,724
Retained Earnings:	
Balance at beginning of year	390,757
Net loss	(24,348)
Dividends paid on common stock (\$0.75 per share)	(247,706)
Effect of adopting Emerging Issues Task Force Issue No. 06-4	(12,709)
Effect of accounting change regarding pension plan measurement date pursuant to Financial Accounting Standards Board Statement No. 158	961
Balance at end of period	106,955
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (114,148 shares)	(2,187)
Exercise of stock options (114,148 shares)	2,187
Balance at end of period	
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	(3,085)
Earned portion of ESOP	817
Balance at end of period	(2,268)
Common Stock Held by SERP:	
Balance at beginning of year	(3,113)

Balance at end of period	(3,113)
Accumulated Other Comprehensive Loss, Net of Tax:	
Balance at beginning of year	(21,315)
Change in net unrealized loss on securities available for sale, net of tax of \$40,224	(62,074)
Less: Reclassification adjustment for net gain on sale of securities and loss on other-than-temporary impairment of securities, net of tax of \$(37,040)	56,147
Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of \$(996)	1,531
Change in pension and post-retirement obligations, net of tax of \$(131)	202
Balance at end of period	(25,509)
Total stockholders' equity at end of period	\$4,263,231

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net (loss) income	\$ (24,348)	\$ 211,702
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Provision for loan losses	2,100	
Depreciation and amortization	14,794	13,922
Accretion of discounts, net	(6,172)	(1,403)
Net change in net deferred loan origination costs and fees	4,307	(56)
Amortization of core deposit intangibles	17,610	16,680
Net gain on sale of securities	(568)	(1,888)
Gain on sale of bank-owned property		(64,879)
Net gain on sale of loans	(236)	(705)
Stock plan-related compensation	10,444	7,109
Loss on other-than-temporary impairment of securities	93,755	56,958
Changes in assets and liabilities:		
(Increase) decrease in deferred tax asset, net	(30,471)	31,878
(Increase) decrease in other assets	(102,080)	16,604
Increase in official checks outstanding	10,270	2,057
(Decrease) increase in other liabilities	(26,768)	10,092
Origination of loans held for sale	(36,675)	(66,181)
Proceeds from sale of loans originated for sale	35,559	62,792
Net cash (used in) provided by operating activities	(38,479)	294,682
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	1,602,816	259,667
Proceeds from repayment of securities available for sale	169,067	238,275
Proceeds from sale of securities available for sale	11,438	1,959,994
Purchase of securities held to maturity	(2,140,804)	(1,691,663)
Purchase of securities available for sale	(12,320)	(517,954)
Net (purchase) redemption of FHLB-NY stock	(14,679)	53,077
Net proceeds from sale of bank-owned property		99,608
Net (increase) decrease in loans	(1,200,576)	1,165,218
Purchase of loans	(45,500)	
Proceeds from sale of loans	25,035	755,948
Purchase of premises and equipment, net	(9,706)	(7,298)
Net cash acquired in acquisitions		138,781
Net cash (used in) provided by investing activities	(1,615,229)	2,453,653
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	1,029,264	(1,045,370)
Net increase in short-term borrowings	1,320,000	
Net decrease in long-term borrowings	(916,186)	(495,862)

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Net increase in mortgages escrow	53,420	33,092
Tax effect of stock plans	3,645	(2,355)
Proceeds from issuance of common stock	339,152	
Cash dividends paid on common stock	(247,706)	(229,642)
Treasury stock purchases	(2,187)	(95)
Net cash received from stock option exercises	14,993	40,765
Cash in lieu of fractional shares		(5)
Net cash provided by (used in) financing activities	1,594,395	(1,699,472)
Net (decrease) increase in cash and cash equivalents	(59,313)	1,048,863
Cash and cash equivalents at beginning of period	335,743	230,759
Cash and cash equivalents at end of period	\$ 276,430	\$1,279,622
Supplemental information:		
Cash paid for:		
Interest	\$ 739,427	\$ 707,694
Income taxes	14,566	41,578
Non-cash investing activities:		
Mortgage loans securitized and transferred to mortgage-related securities held to maturity, net	\$ 71,307	\$ 593,816
Transfer to other real estate owned from loans	205	706
See accompanying notes to the unaudited consolidated financial statements.		

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The accompanying unaudited consolidated financial statements include the accounts of New York Community Bancorp, Inc. and subsidiaries (the Company), including its two principal banking subsidiaries, New York Community Bank (the Community Bank) and New York Commercial Bank (the Commercial Bank). The unaudited consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary to present a fair statement of the results for the periods presented. There are no other adjustments reflected in the accompanying consolidated financial statements. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results of operations that may be expected for all of 2008.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC).

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company balances and transactions have been eliminated. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2007 Annual Report on Form 10-K.

Note 2. Stock-based Compensation

At September 30, 2008, the Company had 7,139,259 shares available for grant as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan). Under the 2006 Stock Incentive Plan, the Company granted 1,136,400 shares of restricted stock in the nine months ended September 30, 2008, with an average fair value of \$16.00 per share on the date of grant and a vesting period of five years. The nine-month amount includes 20,000 shares that were granted in the third quarter and had an average fair value of \$15.98 per share on the date of grant. Compensation and benefits expense related to restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled \$2.1 million and \$1.3 million, respectively, in the three months ended September 30, 2008 and 2007, and \$5.9 million and \$2.4 million, respectively, in the nine months ended at those dates.

A summary of activity with regard to restricted stock awards in the nine months ended September 30, 2008 is presented in the following table:

	For the Nine Months Ended September 30, 2008	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2008	757,991	\$17.64
Granted	1,136,400	16.00
Vested	(277,200)	17.64
Forfeited	(49,150)	15.79
Unvested at September 30, 2008	1,568,041	16.51

As of September 30, 2008, unrecognized compensation cost relating to unvested restricted stock totaled \$21.5 million. This amount will be recognized over a remaining weighted average period of 3.5 years.

In addition, the Company had ten stock option plans at September 30, 2008: the 1993 and 1997 New York Community Bancorp, Inc. Stock Option Plans; the 1993 and 1996 Haven Bancorp, Inc. Stock Option Plans; the 1998 Richmond County Financial Corp. Stock Compensation Plan; the Roslyn Bancorp, Inc. 1997 and 2001 Stock-based Incentive Plans; the 1998 Long Island Financial

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Corp. Stock Option Plan; and the 2003 and 2004 Synergy Financial Group, Inc. Stock Option Plans (all ten plans collectively referred to as the Stock Option Plans). All stock options granted under the Stock Option Plans expire ten years from the date of grant.

In connection with its adoption of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payments, on January 1, 2006, and using the modified prospective approach, the Company recognizes compensation and benefits expense related to share-based payments at fair value on the grant date, and recognizes such expense in the financial statements over the vesting period during which the employee provides service in exchange for the award. However, as there were no unvested options at any time during the three and nine months ended September 30, 2008 or the twelve months ended December 31, 2007, the Company did not record any compensation and benefits expense relating to stock options during these periods.

At the present time, the Company issues new shares of common stock at market value to satisfy the exercise of stock options. On occasion, the Company will utilize common stock held in Treasury to satisfy the exercise of options, in which case the difference between the average cost of Treasury shares and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on the date of exercise. At September 30, 2008, there were 13,740,575 stock options outstanding. The number of shares available for future issuance under the Stock Option Plans was 146,312 at September 30, 2008.

The status of the Company's Stock Option Plans at September 30, 2008 and the changes that occurred during the nine months ended at that date are summarized in the following table:

	For the Nine Months Ended September 30, 2008	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding and exercisable at January 1, 2008	15,763,696	\$15.05
Exercised	(1,917,980)	11.84
Forfeited	(105,141)	16.19
Stock options outstanding and exercisable at September 30, 2008	13,740,575	15.49

Total stock options outstanding and exercisable at September 30, 2008 had a weighted average remaining contractual life of 3.43 years, a weighted average exercise price of \$15.49 per share, and an aggregate intrinsic value of \$18.2 million. The intrinsic values of options exercised during the nine months ended September 30, 2008 and 2007 were \$14.0 million and \$7.8 million, respectively.

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The following table summarizes the amortized cost and estimated fair market values of the Company's held-to-maturity securities at the dates indicated:

(in thousands)	September 30, 2008		December 31, 2007	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Mortgage-related securities:				
GSE ⁽¹⁾ certificates	\$ 299,165	\$ 303,038	\$ 250,510	\$ 258,244
GSE CMOs ⁽²⁾	2,901,561	2,854,935	2,222,355	2,168,125
Other mortgage-related securities	6,504	6,504	6,618	6,618
Total mortgage-related securities	\$3,207,230	\$3,164,477	\$2,479,483	\$2,432,987
Other securities:				
GSE debentures	\$1,389,478	\$1,402,425	\$1,530,414	\$1,537,827
Corporate bonds	156,791	136,848	165,992	170,675
Capital trust notes	220,367	178,753	186,756	182,705
Total other securities	\$1,766,636	\$1,718,026	\$1,883,162	\$1,891,207
Total securities held to maturity	\$4,973,866	\$4,882,503	\$4,362,645	\$4,324,194

(1) Government-sponsored enterprises

(2) Collateralized mortgage obligations

The following table summarizes the amortized cost and estimated fair market values of the Company's available-for-sale securities at the dates indicated:

(in thousands)	September 30, 2008		December 31, 2007	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Mortgage-related securities:				
GSE certificates	\$ 186,350	\$ 188,397	\$ 217,855	\$ 221,835
GSE CMOs	536,291	535,548	599,936	599,022
Private label CMOs	142,395	134,066	155,213	152,467
Total mortgage-related securities	\$ 865,036	\$858,011	\$ 973,004	\$ 973,324
Other securities:				
GSE debentures	\$ 98,273	\$ 104,142	\$ 178,389	\$ 187,924
U.S. Treasury obligations	1,100	1,105	1,098	1,112
Corporate bonds	44,812	37,120	55,818	48,926
State, county, and municipal	6,528	6,335	6,526	6,451
Capital trust notes	40,902	41,996	71,149	66,960
Preferred stock	31,400	22,315	59,900	51,088
Other equity securities	48,000	42,205	48,537	45,471

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Total other securities	\$ 271,015	\$ 255,218	\$ 421,417	\$ 407,932
Total securities available for sale	\$1,136,051	\$1,113,229	\$1,394,421	\$1,381,256

In preparing the financial statements for the current third quarter, the Company determined to record a \$44.2 million loss on the other-than-temporary impairment (OTTI) of certain securities. The OTTI represented the excess of amortized cost over fair value at September 30, 2008. Management s decision to recognize this OTTI was based on the significant decline in the market value of these securities, and the unlikelihood of recovering the unrealized losses within a reasonable period of time. Included in the \$44.2 million loss were \$13.0 million of Lehman Brothers Holdings, Inc. (Lehman Brothers) perpetual preferred stock; \$22.0 million of Lehman Brothers corporate bonds; \$3.7 million of Freddie Mac preferred stock; \$3.8 million of capital trust notes, including income notes; and \$1.7 million of other equity securities. At September 30, 2008, the Lehman Brothers corporate bonds had a remaining market value of \$3.0 million and the other equity securities had a remaining market value of \$2.0 million. The unrealized mark-to-market loss on the other-than-temporarily impaired securities had previously been reflected as a reduction to stockholders equity through accumulated other comprehensive loss.

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The Company also determined to record a loss on the OTTI of certain securities in preparing the financial statements for the second quarter of 2008. The second quarter OTTI loss totaled \$49.6 million and represented the excess of amortized cost over fair value at June 30, 2008. As in the third quarter of the year, management's decision to recognize this OTTI was based on the significant decline in the market value of these securities, and the unlikelihood of recovering the unrealized loss within a reasonable period of time.

It is currently management's expectation that the remaining unrealized losses on securities at September 30, 2008 will be recovered within a reasonable period of time through a typical interest rate cycle; that the Company has the intent and ability to retain these securities until their market value recovers; and that the debt securities will be repaid in accordance with their terms.

Note 4. Loans, net

The following table provides a summary of the Company's loan portfolio at the dates indicated:

(dollars in thousands)	September 30, 2008		December 31, 2007	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans:				
Multi-family	\$15,181,879	70.55%	\$14,052,298	69.00%
Commercial real estate	4,260,784	19.80	3,828,334	18.80
Construction	846,792	3.93	1,138,851	5.59
1-4 family	270,188	1.26	380,824	1.87
Total mortgage loans	20,559,643	95.54	19,400,307	95.26
Net deferred loan origination fees	(1,578)		(1,512)	
Unearned discount	(4,275)			
Mortgage loans, net	20,553,790		19,398,795	
Other loans:				
Commercial and industrial	786,101		705,810	
Consumer	170,992		255,055	
Leases, net of unearned income	1,644		4,340	
Total other loans	958,737	4.46		