

NEW YORK COMMUNITY BANCORP INC  
Form 10-Q  
November 08, 2018  
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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, 2018**

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 incorporation or organization)  
**06-1377322** (I.R.S. Employer 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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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Large accelerated filer  
Non-Accelerated filer

Accelerated filer  
Smaller Reporting Company  
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

490,340,462  
Number of shares of common stock outstanding at

November 2, 2018

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**NEW YORK COMMUNITY BANCORP, INC.**

**FORM 10-Q**

**Quarter Ended September 30, 2018**

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**GLOSSARY**

**BASIS POINT**

Throughout this filing, the changes that occur in certain financial measures are reported in terms of basis points. Each basis point is equal to one hundredth of a percentage point, or 0.01%.

**BOOK VALUE PER COMMON SHARE**

Book value per common share refers to the amount of common stockholders' equity attributable to each outstanding share of common stock, and is calculated by dividing total stockholders' equity less preferred stock at the end of a period, by the number of shares outstanding at the same date.

**BROKERED DEPOSITS**

Refers to funds obtained, directly or indirectly, by or through deposit brokers that are then deposited into one or more deposit accounts.

**CHARGE-OFF**

Refers to the amount of a loan balance that has been written off against the allowance for loan losses.

**COMMERCIAL REAL ESTATE LOAN**

A mortgage loan secured by either an income-producing property owned by an investor and leased primarily for commercial purposes or, to a lesser extent, an owner-occupied building used for business purposes. The commercial real estate loans in our portfolio are typically secured by office buildings, retail shopping centers, and light industrial centers with multiple tenants, or mixed-use properties.

**COST OF FUNDS**

The interest expense associated with interest-bearing liabilities, typically expressed as a ratio of interest expense to the average balance of interest-bearing liabilities for a given period.

**CRE CONCENTRATION RATIO**

Refers to the sum of multi-family, non-owner occupied commercial real estate, and acquisition, development, and construction loans divided by total risk-based capital.

**DEBT SERVICE COVERAGE RATIO**

An indication of a borrower's ability to repay a loan, the debt service coverage ratio generally measures the cash flows available to a borrower over the course of a year as a percentage of the annual interest and principal payments owed during that time.

**DIVIDEND PAYOUT RATIO**

The percentage of our earnings that is paid out to shareholders in the form of dividends. It is determined by dividing the dividend paid per share during a period by our diluted earnings per share during the same period of time.

**EFFICIENCY RATIO**

Measures total operating expenses as a percentage of the sum of net interest income and non-interest income.

**GOODWILL**

Refers to the difference between the purchase price and the fair value of an acquired company's assets, net of the liabilities assumed. Goodwill is reflected as an asset on the balance sheet and is tested at least annually for impairment.

**GOVERNMENT-SPONSORED ENTERPRISES**

Refers to a group of financial services corporations that were created by the United States Congress to enhance the availability, and reduce the cost, of credit to certain targeted borrowing sectors, including home finance. The GSEs include, but are not limited to, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks.

**GSE OBLIGATIONS**

Refers to GSE mortgage-related securities (both certificates and collateralized mortgage obligations) and GSE debentures.

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**INTEREST RATE SENSITIVITY**

Refers to the likelihood that the interest earned on assets and the interest paid on liabilities will change as a result of fluctuations in market interest rates.

**INTEREST RATE SPREAD**

The difference between the yield earned on average interest-earning assets and the cost of average interest-bearing liabilities.

**LOAN-TO-VALUE RATIO**

Measures the balance of a loan as a percentage of the appraised value of the underlying property.

**MORTGAGE BANKING INCOME**

Refers to the income generated through our mortgage banking business, which is recorded in non-interest income. Mortgage banking income has two components: income generated from the origination of one-to-four family loans for sale (income from originations) and income generated by servicing such loans (servicing income).

**MULTI-FAMILY LOAN**

A mortgage loan secured by a rental or cooperative apartment building with more than four units.

**NET INTEREST INCOME**

The difference between the interest income generated by loans, securities and money market instruments, and the interest expense produced by deposits and borrowed funds.

**NET INTEREST MARGIN**

Measures net interest income as a percentage of average interest-earning assets.

**NON-ACCRUAL LOAN**

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when it is deemed to be impaired because we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. A loan generally is returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

**NON-PERFORMING LOANS AND ASSETS**

Non-performing loans consist of non-accrual loans and loans that are 90 days or more past due and still accruing interest. Non-performing assets consist of non-performing loans, OREO, and repossessed assets.

**OREO AND OTHER REPOSSESSED ASSETS**

Includes assets owned by the Company which are acquired either through foreclosure or default.

### **RENT-REGULATED APARTMENTS**

In New York City, where the vast majority of the properties securing our multi-family loans are located, the amount of rent that tenants may be charged on the apartments in certain buildings is restricted under certain rent-control and rent-stabilization laws. Rent-control laws apply to apartments in buildings that were constructed prior to February 1947. An apartment is said to be rent-controlled if the tenant has been living continuously in the apartment for a period of time beginning prior to July 1971. When a rent-controlled apartment is vacated, it typically becomes rent-stabilized. Rent-stabilized apartments are generally located in buildings with six or more units that were built between February 1947 and January 1974. Rent-controlled and -stabilized (together, rent-regulated) apartments tend to be more affordable to live in because of the applicable regulations, and buildings with a preponderance of such rent-regulated apartments are therefore less likely to experience vacancies in times of economic adversity.

### **REPURCHASE AGREEMENTS**

Repurchase agreements are contracts for the sale of securities owned or borrowed by the Banks with an agreement to repurchase those securities at an agreed-upon price and date. The Banks' repurchase agreements are primarily collateralized by GSE obligations and other mortgage-related securities, and are entered into with either the FHLBs or various brokerage firms.



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**SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION**

A bank holding company with total consolidated assets that average more than \$250 billion over the four most recent quarters is designated a Systemically Important Financial Institution under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as revised by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018.

**WHOLESALE BORROWINGS**

Refers to advances drawn by the Banks against their respective lines of credit with the FHLBs, their repurchase agreements with the FHLBs and various brokerage firms, and federal funds purchased.

**YIELD**

The interest income associated with interest-earning assets, typically expressed as a ratio of interest income to the average balance of interest-earning assets for a given period.

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**LIST OF ABBREVIATIONS AND ACRONYMS**

ADC - Acquisition, development, and construction loan	FHLB-NY - Federal Home Loan Bank of New York
ALCO - Asset and Liability Management Committee	FOMC - Federal Open Market Committee
AMT - Alternative minimum tax	FRB - Federal Reserve Board
AmTrust - AmTrust Bank	FRB-NY - Federal Reserve Bank of New York
AOCL - Accumulated other comprehensive loss	Freddie Mac - Federal Home Loan Mortgage Corporation
ASC - Accounting Standards Codification	FTEs - Full-time equivalent employees
ASU - Accounting Standards Update	GAAP - U.S. generally accepted accounting principles
BOLI - Bank-owned life insurance	GNMA - Government National Mortgage Association
BP - Basis point(s)	GSEs - Government-sponsored enterprises
C&I - Commercial and industrial loan	HQLAs - High-quality liquid assets
CCAR - Comprehensive Capital Analysis and Review	LIBOR-London Interbank Offered Rate
CDs - Certificates of deposit	LCR - Liquidity coverage ratio
CFPB - Consumer Financial Protection Bureau	LSA - Loss Share Agreements
CMOs - Collateralized mortgage obligations	LTV - Loan-to-value ratio
CMT - Constant maturity treasury rate	MBS - Mortgage-backed securities
CPI - Consumer Price Index	MSRs - Mortgage servicing rights
CPR - Constant prepayment rate	NIM - Net interest margin
CRA - Community Reinvestment Act	NOL - Net operating loss
CRE - Commercial real estate loan	NPAs - Non-performing assets
Desert Hills - Desert Hills Bank	NPLs - Non-performing loans
DIF - Deposit Insurance Fund	NPV - Net Portfolio Value
DFA - Dodd-Frank Wall Street Reform and Consumer Protection Act	NYSDFS - New York State Department of Financial Services
DSCR - Debt service coverage ratio	NYSE - New York Stock Exchange
EPS - Earnings per common share	OCC - Office of the Comptroller of the Currency
ERM - Enterprise Risk Management	OFAC - Office of Foreign Assets Control
ESOP - Employee Stock Ownership Plan	OREO - Other real estate owned
Fannie Mae - Federal National Mortgage Association	OTTI - Other-than-temporary impairment
FASB - Financial Accounting Standards Board	SEC - U.S. Securities and Exchange Commission

FDI Act - Federal Deposit Insurance Act

SIFI - Systemically Important Financial Institution

FDIC - Federal Deposit Insurance Corporation

TDRs - Troubled debt restructurings

FHLB - Federal Home Loan Bank

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

(in thousands, except share data)

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	(unaudited)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,731,754	\$ 2,528,169
<b>Securities:</b>		
Debt securities available-for-sale (\$835,130 and \$1,263,227 pledged, respectively)	4,764,283	3,531,427
Equity investments with readily determinable fair values, at fair value	31,724	--
Total securities	4,796,007	3,531,427
Loans held for sale	--	35,258
Loans held for investment, net of deferred loan fees and costs	39,838,271	38,387,971
Less: Allowance for loan losses	(159,655)	(158,046)
Loans held for investment, net	39,678,616	38,229,925
Total loans, net	39,678,616	38,265,183
Federal Home Loan Bank stock, at cost	654,939	603,819
Premises and equipment, net	352,518	368,655
Goodwill	2,436,131	2,436,131
Mortgage servicing rights (\$0 and \$2,729 measured at fair value, respectively)	1,254	6,100
Bank-owned life insurance	975,831	967,173
Other real estate owned and other repossessed assets	13,765	16,400
Other assets	605,839	401,138
Total assets	\$ 51,246,654	\$ 49,124,195
<b>Liabilities and Stockholders Equity:</b>		
<b>Deposits:</b>		
Interest-bearing checking and money market accounts	\$ 11,559,687	\$ 12,936,301
Savings accounts	4,826,845	5,210,001
Certificates of deposit	11,409,974	8,643,646
Non-interest-bearing accounts	2,522,778	2,312,215
Total deposits	30,319,284	29,102,163

Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	13,281,000	12,104,500
Repurchase agreements	200,000	450,000
Total wholesale borrowings	13,481,000	12,554,500
Junior subordinated debentures	359,422	359,179
Total borrowed funds	13,840,422	12,913,679
Other liabilities	292,933	312,977
Total liabilities	44,452,639	42,328,819
Stockholders' equity:		
Preferred stock at par \$0.01 (5,000,000 shares authorized): Series A (515,000 shares issued and outstanding)	502,840	502,840
Common stock at par \$0.01 (900,000,000 shares authorized; 490,439,070 and 489,072,101 shares issued; and 490,341,864 and 488,490,352 shares outstanding, respectively)	4,904	4,891
Paid-in capital in excess of par	6,091,749	6,072,559
Retained earnings	286,763	237,868
Treasury stock, at cost (97,206 and 581,749 shares, respectively)	(1,177)	(7,615)
Accumulated other comprehensive loss, net of tax:		
Net unrealized (loss) gain on securities available for sale, net of tax of \$12,495 and \$(27,961), respectively	(29,859)	39,188
Net unrealized loss on the non-credit portion of OTTI losses on securities, net of tax of \$2,517 and \$3,338, respectively	(6,042)	(5,221)
Net unrealized loss on pension and post-retirement obligations, net of tax of \$20,510 and \$32,121, respectively	(55,163)	(49,134)
Total accumulated other comprehensive loss, net of tax	(91,064)	(15,167)
Total stockholders' equity	6,794,015	6,795,376
Total liabilities and stockholders' equity	\$ 51,246,654	\$ 49,124,195

See accompanying notes to the consolidated financial statements.

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## NEW YORK COMMUNITY BANCORP, INC.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Interest Income:</b>				
Mortgage and other loans	\$368,264	\$350,990	\$1,092,637	\$1,070,722
Securities and money market investments	56,880	42,685	154,164	121,147
Total interest income	425,144	393,675	1,246,801	1,191,869
<b>Interest Expense:</b>				
Interest-bearing checking and money market accounts	44,497	27,620	119,246	71,413
Savings accounts	7,325	7,109	21,176	21,069
Certificates of deposit	51,249	27,649	121,298	73,786
Borrowed funds	72,567	54,954	201,322	166,572
Total interest expense	175,638	117,332	463,042	332,840
Net interest income	249,506	276,343	783,759	859,029
Provision for losses on non-covered loans	1,201	44,585	15,486	58,017
Recovery of losses on covered loans	--	--	--	(23,701)
Net interest income after provision for (recovery of) loan losses	248,305	231,758	768,273	824,713
<b>Non-Interest Income:</b>				
Fee income	7,237	7,972	22,056	23,983
Bank-owned life insurance	7,302	8,314	20,424	21,170
Mortgage banking income	--	1,486	--	19,446
Net (loss) gain on securities	(41)	--	(810)	28,915
FDIC indemnification expense	--	--	--	(18,961)
Gain on sale of covered loans and mortgage banking operations	--	82,026	--	82,026
Other	8,424	9,130	26,815	34,958
Total non-interest income	22,922	108,928	68,485	191,537

**Non-Interest Expense:**