NEW YORK COMMUNITY BANCORP INC
Form 10-Q
November 09, 2015
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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, 2015

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1377322**
(State or other jurisdiction of incorporation or organization)	(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 X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (3§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer X 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 X

484,943,308
Number of shares of common stock outstanding at

November 5, 2015

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NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended September 30, 2015

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	September 30, 2015 (unaudited)	December 31, 2014
Assets:		
Cash and cash equivalents	$ 585,794	$ 564,150
Securities:		
Available-for-sale ($10,752 and $11,436 pledged, respectively)	162,326	173,783
Held-to-maturity ($4,503,995 and $4,584,886 pledged, respectively) (fair value of $6,812,774 and $7,085,971, respectively)	6,597,285	6,922,667
Total securities	6,759,611	7,096,450
Non-covered loans held for sale	380,613	379,399
Non-covered loans held for investment, net of deferred loan fees and costs	34,146,565	33,024,956
Less: Allowance for losses on non-covered loans	(146,045)	(139,857)
Non-covered loans held for investment, net	34,000,520	32,885,099
Covered loans	2,149,055	2,428,622
Less: Allowance for losses on covered loans	(37,632)	(45,481)
Covered loans, net	2,111,423	2,383,141
Total loans, net	36,492,556	35,647,639
Federal Home Loan Bank stock, at cost	538,473	515,327
Premises and equipment, net	327,523	319,002
FDIC loss share receivable	336,665	397,811
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	3,734	7,943
Mortgage servicing rights	236,218	227,297
Bank-owned life insurance	935,210	915,156
Other real estate owned (includes $29,113 and $32,048, respectively, covered by loss sharing agreements)	52,704	94,004
Other assets	340,863	338,307
Total assets	$49,045,482	$48,559,217
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	$12,702,596	$12,549,600
Savings accounts	7,506,031	7,051,622

Certificates of deposit	5,517,871	6,420,598
Non-interest-bearing accounts	2,553,673	2,306,914
Total deposits	28,280,171	28,328,734
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	10,529,244	10,183,132
Repurchase agreements	3,325,000	3,425,000
Fed funds purchased	511,000	260,000
Total wholesale borrowings	14,365,244	13,868,132
Junior subordinated debentures	358,541	358,355
Total borrowed funds	14,723,785	14,226,487
Other liabilities	214,689	222,181
Total liabilities	43,218,645	42,777,402
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; 444,343,024 and 442,659,460 shares issued, and 444,319,494 and 442,587,190 shares outstanding, respectively)	4,444	4,427
Paid-in capital in excess of par	5,386,863	5,369,623
Retained earnings	489,383	464,569
Treasury stock, at cost (23,530 and 72,270 shares, respectively)	(426)	(1,118)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of $1,130 and $2,022, respectively	1,560	2,990
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax of $3,411 and $3,444, respectively	(5,335)	(5,387)
Net unrealized loss on pension and post-retirement obligations, net of tax of $33,480 and $36,118, respectively	(49,652)	(53,289)
Total accumulated other comprehensive loss, net of tax	(53,427)	(55,686)
Total stockholders equity	5,826,837	5,781,815
Total liabilities and stockholders equity	$49,045,482	$48,559,217

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,	
	2015	2014	2015	2014
Interest Income:				
Mortgage and other loans	$357,916	$360,499	$1,080,419	$1,056,586
Securities and money market investments	58,634	66,572	186,664	203,678
Total interest income	416,550	427,071	1,267,083	1,260,264
Interest Expense:				
NOW and money market accounts	11,770	10,632	34,549	28,399
Savings accounts	12,739	9,741	37,997	24,473
Certificates of deposit	15,539	18,330	48,384	55,854
Borrowed funds	97,090	99,339	288,876	294,867
Total interest expense	137,138	138,042	409,806	403,593
Net interest income	279,412	289,029	857,277	856,671
Recovery of losses on non-covered loans	(512)	--	(3,254)	--
Recovery of losses on covered loans	(8,516)	(3,945)	(5,433)	(18,387)
Net interest income after recoveries of loan losses	288,440	292,974	865,964	875,058
Non-Interest Income:				
Mortgage banking income	7,474	16,606	41,848	46,507
Fee income	8,765	9,188	25,937	27,512
Bank-owned life insurance	7,117	6,888	20,595	20,530
Net gain on sales of securities	140	182	943	5,317
FDIC indemnification expense	(6,813)	(3,156)	(4,347)	(14,710)
Gain on Visa shares sold	--	--	--	3,856
Other income	20,904	11,578	66,746	42,102
Total non-interest income	37,587	41,286	151,722	131,114

Non-Interest Expense:

Operating expenses:				
Compensation and benefits	84,177	78,033	254,453	228,616
Occupancy and equipment	25,976	23,619	77,216	73,997
General and administrative	35,875	41,524	120,196	130,319
Total operating expenses	146,028	143,176	451,865	432,932
Amortization of core deposit intangibles	1,280	2,019	4,209	6,424
Total non-interest expense	147,308	145,195	456,074	439,356
Income before income taxes	178,719	189,065	561,612	566,816
Income tax expense	64,031	68,807	203,961	212,616
Net income	$114,688	$120,258	$ 357,651	$ 354,200
Other comprehensive income, net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of $759; $292; $892; and $3,696, respectively	(1,047)	(432)	(1,430)	5,453
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $11; $110; $33; and $132, respectively	18	166	52	200
Change in pension and post-retirement obligations, net of tax of $879; $357; $2,638; and $1,070, respectively	1,212	526	3,637	1,578
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $73 and $2,146, respectively	--	(109)	--	(3,171)
Total other comprehensive income, net of tax	183	151	2,259	4,060
Total comprehensive income, net of tax	$114,871	$120,409	$ 359,910	$ 358,260
Basic earnings per share	$0.26	$0.27	$0.80	$0.80
Diluted earnings per share	$0.26	$0.27	$0.80	$0.80

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	For the Nine Months Ended September 30, 2015
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 4,427
Shares issued for restricted stock awards (1,683,564 shares)	17
Balance at end of period	4,444
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,369,623
Shares issued for restricted stock awards, net of forfeitures	(7,709)
Compensation expense related to restricted stock awards	22,594
Tax effect of stock plans	2,355
Balance at end of period	5,386,863
Retained Earnings:	
Balance at beginning of year	464,569
Net income	357,651
Dividends paid on common stock ($0.75 per share)	(332,837)
Balance at end of period	489,383
Treasury Stock:	
Balance at beginning of year	(1,118)
Purchase of common stock (447,037 shares)	(6,999)
Shares issued for restricted stock awards (495,777 shares)	7,691
Balance at end of period	(426)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(55,686)
Other comprehensive income, net of tax	2,259

Balance at end of period	(53,427)
Total stockholders equity	$ 5,826,837

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities:		
Net income	$ 357,651	$ 354,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery of loan losses	(8,687)	(18,387)
Depreciation and amortization	23,339	20,656
Amortization of discounts and premiums, net	(5,157)	(6,094)
Amortization of core deposit intangibles	4,209	6,424
Net gain on sales of securities	(943)	(5,317)
Gain on sales of loans	(55,315)	(15,308)
Gain on Visa shares sold	--	(3,856)
Stock plan-related compensation	22,594	20,720
Deferred tax (benefit) expense	(14,068)	4,281
Changes in assets and liabilities:		
Decrease in other assets	70,915	90,509
Increase in other liabilities	11,072	4,771
Origination of loans held for sale	(3,847,702)	(2,214,983)
Proceeds from sales of loans originated for sale	3,715,652	2,256,216
Net cash provided by operating activities	273,560	493,832
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	331,663	558,888
Proceeds from repayment of securities available for sale	8,930	8,277
Proceeds from sales of securities held to maturity	19,730	--
Proceeds from sales of securities available for sale	256,900	254,491
Purchase of securities held to maturity	(20,021)	(150,338)
Purchase of securities available for sale	(256,500)	(216,000)
Proceeds from sale of Visa shares	--	3,856
Net (purchase) redemption of Federal Home Loan Bank stock	(23,146)	40,945
Net increase in loans	(2,211,774)	(2,531,383)
Proceeds from sales of loans	1,562,908	--
Purchase of premises and equipment, net	(31,860)	(47,930)
Net cash used in investing activities	(363,170)	(2,079,194)

Cash Flows from Financing Activities:		
Net (decrease) increase in deposits	(48,563)	2,646,779
Net decrease in short-term borrowed funds	(202,300)	(703,100)
Net increase (decrease) in long-term borrowed funds	699,598	(4,990)
Tax effect of stock plans	2,355	2,569
Cash dividends paid on common stock	(332,837)	(331,627)
Treasury stock purchases	(6,999)	(6,343)
Net cash received from stock option exercises	--	61
Net cash provided by financing activities	111,254	1,603,349
Net increase in cash and cash equivalents	21,644	17,987
Cash and cash equivalents at beginning of period	564,150	644,550
Cash and cash equivalents at end of period	$ 585,794	$ 662,537
Supplemental information:		
Cash paid for interest	$ 413,029	$413,102
Cash paid for income taxes	187,663	176,654
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	$ 40,680	$107,936
Transfer of loans from held for investment to held for sale	1,541,192	398,715
Transfer of loans from held for sale to held for investment	153,578	--
Shares issued for restricted stock awards	7,709	--

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

Formerly known as Queens County Bancorp, Inc., New York Community Bancorp, Inc. (on a stand-alone basis, the Parent Company or, collectively with its subsidiaries, the Company) was organized under Delaware law on July 20, 1993 and is the holding company for New York Community Bank and New York Commercial Bank (hereinafter referred to as the Community Bank and the Commercial Bank, respectively, and collectively as the Banks). In addition, for the purpose of these Consolidated Financial Statements, the Community Bank and the Commercial Bank refer not only to the respective banks but also to their respective subsidiaries.

The Community Bank is the primary banking subsidiary of the Company. Founded on April 14, 1859 and formerly known as Queens County Savings Bank, the Community Bank converted from a state-chartered mutual savings bank to the capital stock form of ownership on November 23, 1993, at which date the Company issued its initial offering of common stock (par value: $0.01 per share) at a price of $25.00 per share. The Commercial Bank was established on December 30, 2005.

Reflecting nine stock splits between September 30, 1994 and February 17, 2004, the Company s initial offering price adjusts to $0.93 per share. All share and per share data presented in this report reflect the impact of the stock splits.

The Company changed its name to New York Community Bancorp, Inc. on November 21, 2000 in anticipation of completing the first of eight business combinations that expanded its footprint well beyond Queens County to encompass all five boroughs of New York City, Long Island, and Westchester County in New York, and seven counties in the northern and central parts of New Jersey. The Company expanded beyond this region to south Florida, northeast Ohio, and central Arizona through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of AmTrust Bank (AmTrust) in December 2009, and extended its Arizona franchise through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of Desert Hills Bank (Desert Hills) in March 2010. On June 28, 2012, the Company completed its 11th transaction when it assumed certain deposits of Aurora Bank FSB.

Reflecting its growth through acquisitions, the Community Bank currently operates 239 branches, four of which operate directly under the Community Bank name. The remaining 235 Community Bank branches operate through seven divisional banks: Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, and Roosevelt Savings Bank in New York; Garden State Community Bank in New Jersey; AmTrust Bank in Florida and Arizona; and Ohio Savings Bank in Ohio.

The Commercial Bank currently operates 30 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island (all in New York), including 18 branches that operate under the name Atlantic Bank.

On September 17, 2015, the Company submitted an application to the FDIC and the New York State Department of Financial Services (the NYSDFS) requesting approval to merge the Commercial Bank with and into the Community Bank. The merger of the Company s two bank subsidiaries is not expected to impact either bank s customers or employees, given that all of their respective branches operate on the same systems and, with few exceptions, offer the same products and services.

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company and its wholly-owned subsidiaries follow in preparing and presenting their consolidated financial statements, which conform to U.S. generally accepted accounting principles (GAAP) and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowances for loan losses; the valuation of mortgage servicing rights (MSRs); the evaluation of goodwill for impairment; the evaluation of other-than-temporary impairment (OTTI) on securities; and the evaluation of the need for a valuation allowance on the Company s deferred tax assets.

The accompanying consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated in consolidation. The Company currently has certain unconsolidated subsidiaries in the form of wholly-owned statutory business trusts, which were formed to issue guaranteed capital debentures (capital securities). Please see Note 7, Borrowed Funds, for additional information regarding these trusts.

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Note 2. Computation of Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if outstanding in-the-money stock options were exercised and converted into common stock.

Unvested stock-based compensation awards containing non-forfeitable rights to dividends are considered participating securities, and therefore are included in the two-class method for calculating EPS. Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The Company grants restricted stock to certain employees under its stock-based compensation plans. Recipients receive cash dividends during the vesting periods of these awards, including on the unvested portion of such awards. Since these dividends are non-forfeitable, the unvested awards are considered participating securities and therefore have earnings allocated to them.

The following table presents the Company s computation of basic and diluted EPS for the periods indicated:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands, except share and per share data)	**2015**	**2014**	**2015**	**2014**
Net income	$114,688	$120,258	$357,651	$354,200
Less: Dividends paid on and earnings allocated to participating securities	(834)	(851)	(2,594)	(2,500)
Earnings applicable to common stock	$113,854	$119,407	$355,057	$351,700
Weighted average common shares outstanding	442,707,699	441,127,550	442,475,699	440,953,121
Basic earnings per common share	$0.26	$0.27	$0.80	$0.80
Earnings applicable to common stock	$113,854	$119,407	$355,057	$351,700
Weighted average common shares outstanding	442,707,699	441,127,550	442,475,699	440,953,121
Potential dilutive common shares (1)	--	--	--	--
Total shares for diluted earnings per share computation	442,707,699	441,127,550	442,475,699	440,953,121
Diluted earnings per common share and common share equivalents	$0.26	$0.27	$0.80	$0.80

(1) Options to purchase 58,560 shares of the Company s common stock that were outstanding in the three and nine months ended September 30, 2014, at a weighted average exercise price of $18.04, were excluded from the respective computations of diluted EPS because their inclusion also would have had an antidilutive effect.

Note 3. Reclassifications Out of Accumulated Other Comprehensive Loss (AOCL)

(in thousands)	For the Nine Months Ended September 30, 2015	
Details about Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss (1)	Affected Line Item in the Consolidated Statement of Income and Comprehensive Income
Amortization of defined benefit pension plan items:		
Past service liability	$ 187	Included in the computation of net periodic (credit) expense (2)
Actuarial losses	(6,443)	Included in the computation of net periodic (credit) expense (2)
	(6,256)	Total before tax
	2,631	Tax benefit
Total reclassifications for the period	$ (3,625)	

(1) Amounts in parentheses indicate expense items.

(2) Please see Note 9, Pension and Other Post-Retirement Benefits, for additional information.

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Note 4. Securities

The following table summarizes the Company s portfolio of securities available for sale at September 30, 2015:

	September 30, 2015			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE[1] certificates	$ 13,203	$ 1,107	$ --	$ 14,310
Total mortgage-related securities	$ 13,203	$ 1,107	$ --	$ 14,310
Other Securities:				
Municipal bonds	$ 848	$ 76	$ --	$ 924
Capital trust notes	9,441	--	2,692	6,749
Preferred stock	118,205	4,664	1,088	121,781
Mutual funds and common stock [2]	17,939	652	29	18,562
Total other securities	$ 146,433	$ 5,392	$ 3,809	$ 148,016
Total securities available for sale	$ 159,636	$ 6,499	$ 3,809	$ 162,326

(1) Government-sponsored enterprise.

(2) Primarily consists of mutual funds that are Community Reinvestment Act-qualified investments.

The following table summarizes the Company s portfolio of securities available for sale at December 31, 2014:

	December 31, 2014			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 18,350	$ 1,350	$ --	$ 19,700
Total mortgage-related securities	$ 18,350	$ 1,350	$ --	$ 19,700
Other Securities:				
Municipal bonds	$ 841	$ 101	$ --	$ 942
Capital trust notes	13,431	31	1,980	11,482
Preferred stock	118,205	5,246	440	123,011
Mutual funds and common stock	17,943	748	43	18,648

Total other securities	$ 150,420	$ 6,126	$ 2,463	$ 154,083
Total securities available for sale	$ 168,770	$ 7,476	$ 2,463	$ 173,783

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The following tables summarize the Company s portfolio of securities held to maturity at September 30, 2015 and December 31, 2014:

	September 30, 2015				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 2,351,901	$ 2,351,901	$ 118,056	$ 761	$ 2,469,196
GSE CMOs	1,404,435	1,404,435	76,786	--	1,481,221
Total mortgage-related securities	$ 3,756,336	$ 3,756,336	$ 194,842	$ 761	$ 3,950,417
Other Securities:					
GSE debentures	$ 2,624,600	$ 2,624,600	$ 27,247	$ 4,489	$ 2,647,358
Corporate bonds	73,645	73,645	10,793	--	84,438
Municipal bonds	77,140	77,140	145	1,039	76,246
Capital trust notes	74,311	65,564	4,039	15,288	54,315
Total other securities	$ 2,849,696	$ 2,840,949	$ 42,224	$ 20,816	$ 2,862,357
Total securities held to maturity (1)	$ 6,606,032	$ 6,597,285	$ 237,066	$ 21,577	$ 6,812,774

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At September 30, 2015, the non-credit portion of OTTI recorded in AOCL was $8.7 million (before tax).

	December 31, 2014				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 2,468,791	$ 2,468,791	$ 106,414	$ 3,838	$ 2,571,367
GSE CMOs	1,610,243	1,610,243	65,075	711	1,674,607
Total mortgage-related securities	$ 4,079,034	$ 4,079,034	$ 171,489	$ 4,549	$ 4,245,974
Other Securities:					

GSE debentures	$ 2,635,989	$ 2,635,989	$ 24,173	$ 32,920	$ 2,627,242
Corporate bonds	73,317	73,317	12,113	--	85,430
Municipal bonds	58,682	58,682	--	1,027	57,655
Capital trust notes	84,476	75,645	5,193	11,168	69,670
Total other securities	$ 2,852,464	$ 2,843,633	$ 41,479	$ 45,115	$ 2,839,997
Total securities held to maturity (1)	$ 6,931,498	$ 6,922,667	$ 212,968	$ 49,664	$ 7,085,971

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At December 31, 2014, the non-credit portion of OTTI recorded in AOCL was $8.8 million (before tax).

At September 30, 2015 and December 31, 2014, respectively, the Company had $538.5 million and $515.3 million of Federal Home Loan Bank (FHLB) stock, at cost, primarily consisting of stock in the FHLB-New York (the FHLB-NY). The Company is required to maintain an investment in FHLB-NY stock in order to have access to the funding it provides.

The following table summarizes the gross proceeds, gross realized gains, and gross realized losses from the sale of available-for-sale securities during the nine months ended September 30, 2015 and 2014:

	For the Nine Months Ended September 30,	
(in thousands)	**2015**	**2014**
Gross proceeds	$256,900	$254,491
Gross realized gains	400	5,317
Gross realized losses	--	--

In addition, during the nine months ended September 30, 2015, the Company sold held-to-maturity securities with gross proceeds of $19.7 million and gross realized gains of $543,000, all of which were securities on which the Company had collected a substantial portion (at least 85%) of the initial principal balance. No comparable sales occurred in the first nine months of 2014.

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In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2015. For credit-impaired debt securities, OTTI recognized in earnings after that date is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired (subsequent credit impairment).

(in thousands)		For the Nine Months Ended September 30, 2015
Beginning credit loss amount as of December 31, 2014		$199,008
Add:	Initial other-than-temporary credit losses	--
	Subsequent other-than-temporary credit losses	--
	Amount previously recognized in AOCL	--
Less:	Realized losses for securities sold	--
	Securities intended or required to be sold	--
	Increases in expected cash flows on debt securities	--
Ending credit loss amount as of September 30, 2015		$199,008

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The following table summarizes the carrying amounts and estimated fair values of held-to-maturity mortgage-backed securities and debt securities, and the amortized costs and estimated fair values of available-for-sale securities, at September 30, 2015, by contractual maturity.

	At September 30, 2015								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield (1)	Other Debt Securities (2)	Average Yield	Fair Value
Held-to-Maturity Securities:									
Due within one year	$ --	--%	$ --	--%	$ --	--%	$ --	--%	$
Due from one to five years	2,749	3.39	59,927	4.17	543	2.96	--	--	67,793
Due from five to ten years	3,268,114	3.26	2,564,673	2.70	--	--	64,009	4.68	6,101,352
Due after ten years	485,473	3.05	--	--	76,597	2.91	75,200	5.06	643,629
Total securities held to maturity	$ 3,756,336	3.23%	$ 2,624,600	2.73%	$ 77,140	2.91%	$ 139,209	4.89%	$ 6,812,774
Available-for-Sale Securities: (3)									
Due within one year	$ --	--%	$ --	--%	$ 125	6.45%	$ --	--%	$ 126
Due from one to five years	2,549	6.57	--	--	582	6.49	--	--	3,244
Due from five to ten years	618	4.38	--	--	141	6.66	--	--	816
Due after ten years	10,036	4.70	--	--	--	--	9,441	4.26	17,797
Total securities available for sale	$ 13,203	5.05%	$ --	--%	$ 848	6.51%	$ 9,441	4.26%	$ 21,983

(1) Not presented on a tax-equivalent basis.
(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $62,000 of pooled trust preferred securities held to maturity, all of which are due after ten years. The remaining capital trust notes consist of single-issue trust preferred securities.
(3) As equity securities have no contractual maturity, they have been excluded from this table.

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The following table presents held-to-maturity securities and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of September 30, 2015:

At September 30, 2015	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Mortgage-Backed Securities and Debt Securities:						
GSE debentures	$ 558,816	$ 355	$ 1,194,688	$ 4,134	$ 1,753,504	$ 4,489
GSE certificates	159,903	541	11,852	220	171,755	761
Municipal bonds	42,324	1,039	--	--	42,324	1,039
Capital trust notes	24,622	379	21,295	14,909	45,917	15,288
Total temporarily impaired held-to-maturity mortgage-backed securities and debt securities	$ 785,665	$ 2,314	$ 1,227,835	$ 19,263	$ 2,013,500	$ 21,577
Temporarily Impaired Available-for-Sale Securities:						
Capital trust notes	$ 1,970	$ 30	$ 4,779	$ 2,662	$ 6,749	$ 2,692
Equity securities	40,238	1,117	--	--	40,238	1,117
Total temporarily impaired available-for-sale securities	$ 42,208	$ 1,147	$ 4,779	$ 2,662	$ 46,987	$ 3,809

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The following table presents held-to-maturity securities and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2014:

At December 31, 2014	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Mortgage-Backed Securities and Debt Securities:						
GSE debentures	$ --	$ --	$ 2,204,399	$ 32,920	$ 2,204,399	$ 32,920
GSE certificates	--	--	242,909	3,838	242,909	3,838
GSE CMOs	--	--	72,209	711	72,209	711
Municipal bonds	13,735	195	43,058	832	56,793	1,027
Capital trust notes	--	--	25,019	11,168	25,019	11,168
Total temporarily impaired held-to-maturity mortgage-backed securities and debt securities	$ 13,735	$ 195	$ 2,587,594	$ 49,469	$ 2,601,329	$ 49,664
Temporarily Impaired Available-for-Sale Securities:						
Capital trust notes	$ --	$ --	$ 5,451	$ 1,980	$ 5,451	$ 1,980
Equity securities	53,721	364	15,174	119	68,895	483
Total temporarily impaired available-for-sale securities	$ 53,721	$ 364	$ 20,625	$ 2,099	$ 74,346	$ 2,463

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An OTTI loss on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security, or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security, it must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss occurs, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recorded in AOCL. Financial Accounting Standards Board (FASB) guidance also requires additional disclosures regarding the calculation of credit losses, as well as factors considered by the investor in reaching a conclusion that an investment is not other-than-temporarily impaired.

Securities in unrealized loss positions are analyzed as part of the Company s ongoing assessment of OTTI. When the Company intends to sell such securities, the Company recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities. When the Company does not intend to sell equity or debt securities in an unrealized loss position, potential OTTI is considered based on a variety of factors, including the length of time and extent to which the fair value has been less than the cost; adverse conditions specifically related to the industry, the geographic area, or financial condition of the issuer, or the underlying collateral of a security; the payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, the Company estimates cash flows over the remaining life of the underlying collateral to assess whether credit losses exist and, where applicable, to determine if any adverse changes in cash flows have occurred. The Company s cash flow estimates take into account expectations of relevant market and economic data as of the end of the reporting period. As of September 30, 2015, the Company did not intend to sell its securities with an unrealized loss position, and it was more likely than not that the Company would not be required to sell these securities before recovery of their amortized cost basis. The Company believes that the securities with an unrealized loss position were not other-than-temporarily impaired as of September 30, 2015.

Other factors considered in determining whether or not an impairment is temporary include the severity of the impairment; the cause of the impairment; the near-term prospects of the issuer; and the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums).

Management s assertion regarding its intent not to sell, or that it is not more likely than not that the Company will be required to sell a security before its anticipated recovery, is based on a number of factors, including a quantitative estimate of the expected recovery period (which may extend to maturity), and management s intended strategy with respect to the identified security or portfolio. If management does have the intent to sell, or believes it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the unrealized loss is charged directly to earnings in the Consolidated Statement of Income and Comprehensive Income.

The unrealized losses on the Company s GSE mortgage-related securities, GSE municipal bonds, and GSE debentures at September 30, 2015 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. It is expected that these securities will not be settled at a price that is less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other than temporarily impaired at September 30, 2015.

The Company reviews quarterly financial information related to its investments in municipal bonds and capital trust notes, as well as other information that is released by each of the issuers of such bonds and notes, to determine their continued creditworthiness. The contractual terms of these investments do not permit settling the securities at prices that are less than the amortized costs of the investments; therefore, the Company expects that these investments will not be settled at prices that are less than their amortized costs. The Company continues to monitor these investments and currently estimates that the present value of expected cash flows is not less than the amortized cost of the securities. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, it did not consider these investments to be other than temporarily impaired at September 30, 2015. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows from these securities and potential OTTI losses in the future. Future events that could trigger material unrecoverable declines in the fair values of the Company s investments, and thus result in potential OTTI losses, include, but are not limited to, government intervention; deteriorating asset quality and credit metrics; significantly higher levels of default and loan loss provisions; losses in value on the underlying collateral; deteriorating credit enhancement; net operating losses; and illiquidity in the financial markets.

At September 30, 2015, the Company s equity securities portfolio consisted of perpetual preferred stock, common stock, and mutual funds. The Company considers a decline in the fair value of available-for-sale equity securities to be other than temporary if the Company does not expect to recover the entire amortized cost basis of the security. The unrealized losses on the Company s equity securities at September 30, 2015, were primarily caused by market volatility. The Company evaluated

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the near-term prospects of a recovery of fair value for this security, together with the severity and duration of impairment to date. Based on this evaluation, and its ability and intent to hold this investment for a reasonably sufficient period of time to realize a near-term forecasted recovery of fair value, the Company did not consider this investment to be other than temporarily impaired at September 30, 2015. Nonetheless, it is possible that this equity security will perform worse than is currently expected, which could lead to adverse changes in its fair value, or the failure of the security to fully recover in value as presently forecasted by management. This potentially would cause the Company to record an OTTI loss in a future period. Events that could trigger a material decline in the fair value of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolio of the issuer in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuer.

The investment securities designated as having a continuous loss position for twelve months or more at September 30, 2015 consisted of seven agency debt securities, five capital trust notes, and three agency mortgage-backed securities. At December 31, 2014, the investment securities designated as having a continuous loss position for twelve months or more consisted of 16 agency mortgage-backed securities, 17 GSE debt securities, three GSE CMOs, five capital trust notes, two GSE municipal bonds, and one preferred stock security. At September 30, 2015 and December 31, 2014, the combined market value of the respective securities represented unrealized losses of $21.9 million and $51.6 million. At September 30, 2015, the fair value of securities having a continuous loss position for twelve months or more was 1.7% below the collective amortized cost of $1.3 billion. At December 31, 2014, the fair value of such securities was 1.9% below the collective amortized cost of $2.7 billion.

Note 5. Loans

The following table sets forth the composition of the loan portfolio at September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
(dollars in thousands)	Amount	Percent of Non-Covered Loans Held for Investment	Amount	Percent of Non-Covered Loans Held for Investment
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$ 24,635,567	72.19%	$ 23,831,846	72.21%
Commercial real estate	7,642,994	22.40	7,634,320	23.13
Acquisition, development, and construction	294,768	0.86	258,116	0.78
One-to-four family	102,317	0.30	138,915	0.42
Total mortgage loans held for investment	$ 32,675,646	95.75	31,863,197	