

FIRST BANCORP /PR/
Form 8-K
August 25, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): August 23, 2005
FIRST BANCORP
(Exact Name of Registrant as Specified in Charter)**

PUERTO RICO

001-14793

66-0561882

(State or Other
Jurisdiction of
Incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

**1519 Ponce De Leon
San Juan, Puerto Rico 00908-0146
(Address of Principal Executive Offices)
(787) 729-8200**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events.

On August 23, 2005, First BanCorp (the Company) received a letter from the United States Securities and Exchange Commission (the SEC) in which the SEC indicated that it was conducting an informal inquiry into the Company. The inquiry pertains, among other things, to the accounting for mortgage loans purchased by the Company from two other financial institutions during the calendar years 2000 through 2004. The Company intends to fully cooperate with the SEC.

The Company has previously disclosed that the Audit Committee (the Committee) of the Company had determined that it should undertake a review of purchases of mortgage loans originated by other financial institutions. This disclosure was made by the Company in its Form 12b-25 filed with the SEC on August 10, 2005. In this filing, the Company announced that it would be unable to file its Form 10-Q for the quarter ended June 30, 2005 on a timely basis.

The Committee has retained the law firms Clifford Chance U.S. LLP and Martinez Odell & Calabria to assist the Committee in its review. Forensic accountants FTI Consulting Inc. have also been retained to assist in the review.

The Committee is reviewing the terms of these transactions and the accounting for these transactions. The accounting issues being reviewed include the following:

- Whether the Company should have recorded any such transactions as loans made by the Company to the sellers of the mortgage loans, rather than as purchases of mortgage loans under SFAS No. 140.
- Whether any of the transactions resulted in derivatives requiring the application of SFAS No.133.

The Committee is also evaluating the impact of these issues on the Company's internal controls and procedures, including its internal control over financial reporting.

Although the Committee is reviewing the issues described in this Form 8-K, it is possible that the Committee may also determine it is appropriate to review other issues.

The issues being reviewed by the Committee could potentially affect the Company's financial statements for the years 2000 through 2004 and the first two quarters of 2005. The Committee has not yet made any determinations with respect to the potential impact of these issues on the Company's prior financial statements. As indicated above, the Company was the purchaser of mortgage loans in these transactions. The income recorded by the Company in connection with these transactions was interest income on the mortgage loans purchased by the Company. The Company did not record any interest only strips as a result of these transactions.

At the present time, the Company is uncertain when the Committee's review will be completed and when the Company will be able to file its Form 10-Q for the quarter ended June 30, 2005.

Safe Harbor Statement

This Form 8-K contains forward-looking statements made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by their use of words, such as estimate, expect, intend and other words and terms of similar meaning, in connection with any discussion of the Company's financial statements, business, financial condition, results of operations or liquidity. Factors that could affect the Company's forward-looking statements include, among other things: the effects of the outcome of the review discussed above on the Company's financial statements for the years ended December 31, 2000 through 2005, and the quarterly financial statements for the quarters ended March 31, 2005 and June 30, 2005; negative reactions from the Company's stockholders, creditors or customers to the results of the review or further delay in providing financial information caused by the review; the impact and result of any litigation (including private litigation), any action by the New York Stock Exchange, or of any investigation by the Securities and Exchange Commission or any investigation by any other governmental agency related to the Company; the Company's ability to successfully implement internal controls and procedures that remediate any weakness that is identified to ensure timely, effective and accurate financial reporting; changes in economic conditions; and other risks detailed from time to time in the Company's SEC reports, including its Annual Report on Form 10-K, for the fiscal year ended December 31, 2004.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. Several factors, including those identified above, could cause actual events to differ materially from the forward-looking statements.

The Company does not undertake any obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

A copy of the press release disclosing the matters set forth herein is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

As described in Item 9.01 of this Report, the following Exhibit is furnished as part of this Current Report on Form 8-K.

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Press release of the Company dated August 25, 2005. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST BANCORP

By: /s/ Annie Astor-Carbonell

Name: Annie Astor-Carbonell

Title: Senior Executive Vice President and
Chief Financial Officer

Dated: August 25, 2005

Exhibit Index

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