NEW YORK COMMUNITY BANCORP INC
Form 10-Q
November 07, 2014
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, 2014

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 (§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

442,647,425

Number of shares of common stock outstanding at

November 3, 2014

NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended September 30, 2014

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	September 30, 2014 (unaudited)	December 31, 2013
Assets:		
Cash and cash equivalents	$ 662,537	$ 644,550
Securities:		
Available-for-sale ($58,540 and $79,905 pledged, respectively)	243,032	280,738
Held-to-maturity ($4,749,889 and $4,945,905 pledged, respectively) (fair value of $7,317,015 and $7,445,244, respectively)	7,268,244	7,670,282
Total securities	7,511,276	7,951,020
Non-covered loans held for sale	680,147	306,915
Non-covered loans held for investment, net of deferred loan fees and costs	32,252,009	29,837,989
Less: Allowance for losses on non-covered loans	(139,744)	(141,946)
Non-covered loans held for investment, net	32,112,265	29,696,043
Covered loans	2,504,622	2,788,618
Less: Allowance for losses on covered loans	(45,682)	(64,069)
Covered loans, net	2,458,940	2,724,549
Total loans, net	35,251,352	32,727,507
Federal Home Loan Bank stock, at cost	520,445	561,390
Premises and equipment, net	300,573	273,299
FDIC loss share receivable	418,510	492,674
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	9,816	16,240
Mortgage servicing rights	237,221	241,018
Bank-owned life insurance	909,881	893,522
Other real estate owned (includes $35,797 and $37,477, respectively, of other real estate owned covered by loss sharing agreements)	99,535	108,869
Other assets	322,495	342,067
Total assets	$ 48,679,772	$ 46,688,287
Liabilities and Stockholders' Equity:		
Deposits:		
NOW and money market accounts	$ 12,409,449	$ 10,536,947
Savings accounts	7,152,261	5,921,437
Certificates of deposit	6,324,385	6,932,096
Non-interest-bearing accounts	2,421,676	2,270,512
Total deposits	28,307,771	25,660,992
Borrowed funds:		

Wholesale borrowings:		
Federal Home Loan Bank advances	10,312,316	10,872,576
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	297,000	445,000
Total wholesale borrowings	14,034,316	14,742,576
Other borrowings	362,596	362,426
Total borrowed funds	14,396,912	15,105,002
Other liabilities	197,091	186,631
Total liabilities	42,901,774	40,952,625
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; 442,659,460 and 440,873,285 shares issued; and 442,648,147 and 440,809,365 shares outstanding, respectively)	4,427	4,409
Paid-in capital in excess of par	5,362,233	5,346,017
Retained earnings	443,949	422,761
Treasury stock, at cost (11,313 and 63,920 shares, respectively)	(178)	(1,032)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of $1,720 and $171, respectively	2,559	277
Net unrealized loss on the non-credit portion of other-than-temporary impairment ("OTTI") losses on securities, net of tax of $3,454 and $3,586, respectively	(5,404)	(5,604)
Net unrealized loss on pension and post-retirement obligations, net of tax of $20,056 and $21,126, respectively	(29,588)	(31,166)
Total accumulated other comprehensive loss, net of tax	(32,433)	(36,493)
Total stockholders' equity	5,777,998	5,735,662
Total liabilities and stockholders' equity	$ 48,679,772	$ 46,688,287

See accompanying notes to the consolidated financial statements.

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,	
	2014	2013	2014	2013
Interest Income:				
Mortgage and other loans	$360,499	$370,341	$1,056,586	$1,125,496
Securities and money market investments	66,572	57,334	203,678	151,560
Total interest income	427,071	427,675	1,260,264	1,277,056
Interest Expense:				
NOW and money market accounts	10,632	8,613	28,399	27,565
Savings accounts	9,741	6,285	24,473	15,512
Certificates of deposit	18,330	20,206	55,854	64,223
Borrowed funds	99,339	98,340	294,867	300,465
Total interest expense	138,042	133,444	403,593	407,765
Net interest income	289,029	294,231	856,671	869,291
Provision for losses on non-covered loans	--	5,000	--	15,000
(Recovery of) provision for losses on covered loans	(3,945)	9,467	(18,387)	18,587
Net interest income after (recovery of) provision for loan losses	292,974	279,764	875,058	835,704
Non-Interest Income:				
Mortgage banking income	16,606	16,205	46,507	65,530
Fee income	9,188	9,799	27,512	28,532
Bank-owned life insurance	6,888	7,916	20,530	22,506
Net gain on sales of securities	182	1,019	5,317	17,764
FDIC indemnification (expense) income	(3,156)	7,573	(14,710)	14,869
Gain on Visa shares sold	--	--	3,856	--
Other income	11,578	8,212	42,102	30,819
Total non-interest income	41,286	50,724	131,114	180,020
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	78,033	77,083	228,616	237,989
Occupancy and equipment	23,619	24,342	73,997	72,101
General and administrative	41,524	44,785	130,319	135,279
Total operating expenses	143,176	146,210	432,932	445,369
Amortization of core deposit intangibles	2,019	4,117	6,424	12,719
Total non-interest expense	145,195	150,327	439,356	458,088
Income before income taxes	189,065	180,161	566,816	557,636

Income tax expense	68,807	65,961	212,616	202,244
Net income	$120,258	$114,200	$354,200	$355,392
Other comprehensive income, net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of $292; $1,770; $3,696; and $4,152, respectively	(432)	(2,625)	5,453	(6,143)
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $110; $10; $132; and $4,795, respectively	166	16	200	7,557
Change in pension and post-retirement obligations, net of tax of $357; $1,008; $1,070; and $3,024, respectively	526	1,486	1,578	4,458
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $73; $405; $2,146; and $2,503, respectively	(109)	(614)	(3,171)	(3,709)
Total other comprehensive income (loss), net of tax	151	(1,737)	4,060	2,163
Total comprehensive income, net of tax	$120,409	$112,463	$358,260	$357,555
Basic earnings per share	$0.27	$0.26	$0.80	$0.80
Diluted earnings per share	$0.27	$0.26	$0.80	$0.80

See accompanying notes to the consolidated financial statements.

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, 2014
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 4,409
Shares issued for restricted stock awards (1,782,601 shares)	18
Shares issued for exercise of stock options (3,574 shares)	--
Balance at end of period	4,427
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,346,017
Shares issued for restricted stock awards, net of forfeitures	(7,073)
Compensation expense related to restricted stock awards	20,720
Tax effect of stock plans	2,569
Balance at end of period	5,362,233
Retained Earnings:	
Balance at beginning of year	422,761
Net income	354,200
Dividends paid on common stock ($0.75 per share)	(331,627)
Stock options exercised	(82)
Effect of adopting Accounting Standards Update 2014-01	(1,303)
Balance at end of period	443,949
Treasury Stock:	
Balance at beginning of year	(1,032)
Purchase of common stock (378,480 shares)	(6,343)
Exercise of stock options (8,990 shares)	142
Shares issued for restricted stock awards (422,097 shares)	7,055
Balance at end of period	(178)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(36,493)
Other comprehensive income, net of tax	4,060
Balance at end of period	(32,433)
Total stockholders' equity	$ 5,777,998

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, 2014	2013
Cash Flows from Operating Activities:		
Net income	$354,200	$355,392
Adjustments to reconcile net income to net cash provided by operating activities:		
(Recovery of) provision for loan losses	(18,387)	33,587
Depreciation and amortization	20,656	21,057
Amortization of discounts and premiums, net	(6,094)	(2,098)
Amortization of core deposit intangibles	6,424	12,719
Net gain on sales of securities	(5,317)	(17,764)
Gain on sale of loans	(15,308)	(48,809)
Gain on Visa shares sold	(3,856)	--
Stock plan-related compensation	20,720	16,626
Deferred tax expense	4,281	32,430
Changes in assets and liabilities:		
Decrease (increase) in other assets	90,509	(20,473)
Increase in other liabilities	4,771	15,630
Origination of loans held for sale	(2,214,983)	(5,510,041)
Proceeds from sale of loans originated for sale	2,256,216	6,440,377
Net cash provided by operating activities	493,832	1,328,633
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	558,888	617,351
Proceeds from repayment of securities available for sale	8,277	54,709
Proceeds from sale of securities held to maturity	--	191,142
Proceeds from sale of securities available for sale	254,491	593,551
Purchase of securities held to maturity	(150,338)	(3,075,597)
Purchase of securities available for sale	(216,000)	(535,347)
Proceeds from sale of Visa shares	3,856	--
Net redemption (purchase) of Federal Home Loan Bank stock	40,945	(83,685)
Net increase in loans	(2,531,383)	(1,476,755)
Purchase of premises and equipment, net	(47,930)	(21,378)
Net cash used in investing activities	(2,079,194)	(3,736,009)
Cash Flows from Financing Activities:		
Net increase in deposits	2,646,779	431,829
Net (decrease) increase in short-term borrowed funds	(703,100)	1,925,000
Net decrease in long-term borrowed funds	(4,990)	(789,749)
Tax effect of stock plans	2,569	797
Cash dividends paid on common stock	(331,627)	(330,172)

Treasury stock purchases	(6,343)	(4,352)
Net cash received from stock option exercises	61	327
Net cash provided by financing activities	1,603,349	1,233,680
Net increase (decrease) in cash and cash equivalents	17,987	(1,173,696)
Cash and cash equivalents at beginning of period	644,550	2,427,258
Cash and cash equivalents at end of period	$662,537	$1,253,562
Supplemental information:		
Cash paid for interest	$413,102	$415,399
Cash paid for income taxes	176,654	118,322
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	107,936	96,729
Transfer of loans from held for investment to held for sale	398,715	--

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 the deposits of Aurora Bank FSB.

Reflecting its growth through acquisitions, the Community Bank currently operates 242 branches, four of which operate directly under the Community Bank name. The remaining 238 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."

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 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 accounts and transactions are eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s 2013 Annual Report on Form 10-K. 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.

Effects of New Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-01, "Investments – Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects." The amendments in ASU No. 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The Company chose to apply this new guidance for the period beginning on January 1, 2014.

The impact of applying this new guidance included a $1.3 million reduction in the balance of retained earnings as of January 1, 2014. The total amount of affordable housing tax credits and other tax benefits projected to be recognized during calendar year 2014, and the related amount of amortization recognized as a component of income tax expense for calendar year 2014, are $4.0 million and $2.8 million, respectively. The commitment of additional anticipated equity contributions of $7.3 million relating to current investments is reflected in "Other liabilities." Retrospective application of the new amortization methodology would not result in a material change to prior-period presentations.

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		Nine Months Ended	
	September 30,		September 30,	
(in thousands, except share and per share data)	2014	2013	2014	2013
Net income	$120,258	$114,200	$354,200	$355,392
Less: Dividends paid on and earnings allocated to participating securities	(851)	(723)	(2,500)	(2,248)
Earnings applicable to common stock	$119,407	$113,477	$351,700	$353,144
Weighted average common shares outstanding	441,127,550	439,435,579	440,953,121	439,199,487
Basic earnings per common share	$0.27	$0.26	$0.80	$0.80

Earnings applicable to common stock	$119,407	$113,477	$351,700	$353,144
Weighted average common shares outstanding	441,127,550	439,435,579	440,953,121	439,199,487
Potential dilutive common shares [(1)]	--	--	--	3,971
Total shares for diluted earnings per share computation	441,127,550	439,435,579	440,953,121	439,203,458
Diluted earnings per common share and common share equivalents	$0.27	$0.26	$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 would have had an antidilutive effect. Options to purchase 62,040 shares of the Company's common stock that were outstanding in the three and nine months ended September 30, 2013, at a weighted average exercise price of $17.95, were excluded from the respective computations of diluted EPS because their inclusion also would have had an antidilutive effect.

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

(in thousands)	For the Nine Months Ended September 30, 2014	
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
Unrealized gains on available-for-sale securities	$5,317	Net gain on sales of securities
	(2,146)	Income tax expense
	$3,171	Net gain on sales of securities, net of tax
Amortization of defined benefit pension plan items:		
Prior-service costs	$186	Included in the computation of net periodic (credit) expense [2]
Actuarial losses	(2,820)	Included in the computation of net periodic (credit) expense [2]
	(2,634)	Total before tax
	1,064	Income tax benefit
	$(1,570)	Amortization of defined benefit pension plan items, net of tax
Total reclassifications for the period	$1,601	

(1) Amounts in parentheses indicate expense items.
(2) Please see Note 9, "Pension and Other Post-Retirement Benefits," for additional information.

Note 4. Securities

The following table summarizes the Company's portfolio of securities available for sale at September 30, 2014:

	September 30, 2014			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE [1] certificates	$19,295	$ 1,397	$ --	$20,692
GSE CMOs [2]	59,499	743	1,167	59,075
Private label CMOs	9,417	--	50	9,367
Total mortgage-related securities	$88,211	$ 2,140	$ 1,217	$89,134

Other Securities:				
Municipal bonds	$964	$ 133	$ --	$ 1,097
Capital trust notes	13,428	51	1,870	11,609
Preferred stock	118,205	5,116	635	122,686
Common stock	17,943	608	45	18,506
Total other securities	$150,540	$ 5,908	$ 2,550	$ 153,898
Total securities available for sale	$238,751	$ 8,048	$ 3,767	$ 243,032

(1) Government-sponsored enterprise

(2) Collateralized mortgage obligations

At September 30, 2014, the fair value of marketable equity securities included corporate preferred stock of $122.7 million and common stock of $18.5 million, with the latter primarily consisting 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, 2013:

(in thousands)	December 31, 2013 Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$23,759	$ 1,442	$ 1	$25,200
GSE CMOs	62,082	598	1,861	60,819
Private label CMOs	10,214	--	12	10,202
Total mortgage-related securities	$96,055	$ 2,040	$ 1,874	$96,221
Other Securities:				
Municipal bonds	$957	$ 69	$ --	$1,026
Capital trust notes	13,419	60	1,681	11,798
Preferred stock	118,205	1,936	3,902	116,239
Common stock	51,654	4,093	293	55,454
Total other securities	$184,235	$ 6,158	$ 5,876	$184,517
Total securities available for sale	$280,290	$ 8,198	$ 7,750	$280,738

The following tables summarize the Company's portfolio of securities held to maturity at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014 Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$2,515,030	$2,515,030	$74,212	$13,892	$2,575,350
GSE CMOs	1,764,784	1,764,784	55,971	3,352	1,817,403
Total mortgage-related securities	$4,279,814	$4,279,814	$130,183	$17,244	$4,392,753
Other Securities:					
GSE debentures	$2,780,330	$2,780,330	$16,530	$86,860	$2,710,000
Corporate bonds	73,211	73,211	12,381	--	85,592
Municipal bonds	59,277	59,277	5	1,775	57,507
Capital trust notes	84,470	75,612	5,587	10,036	71,163
Total other securities	$2,997,288	$2,988,430	$34,503	$98,671	$2,924,262
Total securities held to maturity [1]	$7,277,102	$7,268,244	$164,686	$115,915	$7,317,015

(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, 2014, the non-credit portion of OTTI recorded in AOCL was $8.9 million (before taxes).

(in thousands)	December 31, 2013 Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$2,529,102	$2,529,102	$ 30,145	$ 61,280	$2,497,967
GSE CMOs	1,878,885	1,878,885	29,330	22,520	1,885,695
Total mortgage-related securities	$4,407,987	$4,407,987	$ 59,475	$ 83,800	$4,383,662
Other Securities:					
GSE debentures	$3,053,253	$3,053,253	$ 6,512	$ 208,506	$2,851,259
Corporate bonds	72,899	72,899	11,063	--	83,962
Municipal bonds	60,462	60,462	19	3,849	56,632
Capital trust notes	84,871	75,681	3,134	9,086	69,729
Total other securities	$3,271,485	$3,262,295	$ 20,728	$ 221,441	$3,061,582
Total securities held to maturity [1]	$7,679,472	$7,670,282	$ 80,203	$ 305,241	$7,445,244

(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, 2013, the non-credit portion of OTTI recorded in AOCL was $9.2 million (before taxes).

The Company had $520.4 million and $561.4 million of Federal Home Loan Bank ("FHLB") stock, at cost, at September 30, 2014 and December 31, 2013, respectively, primarily consisting of stock in the FHLB-New York ("FHLB-NY"). The Company is required to maintain an investment in FHLB-NY stock in order to have access to the funding it provides to the Company.

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, 2014 and 2013:

(in thousands)	For the Nine Months Ended September 30, 2014	2013
Gross proceeds	$254,491	$593,551
Gross realized gains	5,317	6,212
Gross realized losses	--	--

In addition, during the nine months ended September 30, 2013, the Company sold held-to-maturity securities with gross proceeds of $191.1 million and gross realized gains of $11.6 million, 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.

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2014. 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, 2014
Beginning credit loss amount as of December 31, 2013	$ 216,334
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, 2014	$ 216,334

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The following table summarizes the carrying amounts and estimated fair values of held-to-maturity debt securities, and the amortized costs and estimated fair values of available-for-sale debt securities, at September 30, 2014, by contractual maturity. Mortgage-related securities held to maturity and available for sale, all of which have prepayment provisions, are distributed to a maturity category based on the ends of the estimated average lives of such securities. Principal and amortization prepayments are not shown in maturity categories as they occur, but are considered in the determination of estimated average life.

	At September 30, 2014								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	Municipal Bonds	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	841	5.89	60,190	4.17	967	2.96	--	--	67,544
Due from five to ten years	3,233,780	3.22	2,707,852	2.74	--	--	47,251	3.14	6,000,178
Due after ten years	1,045,193	3.36	12,288	3.99	58,310	2.85	101,572	5.80	1,249,293
Total debt securities held to maturity	$4,279,814	3.25 %	$2,780,330	2.78 %	$59,277	2.85 %	$148,823	4.96 %	$7,317,015
Available-for-Sale Securities: [3]									
Due within one year	$--	-- %	$--	-- %	$125	6.09 %	$--	-- %	$126
Due from one to five years	4,083	6.82	--	--	558	6.45	--	--	4,921
Due from five to ten years	16,137	3.72	--	--	281	6.63	--	--	17,416
Due after ten years	67,991	3.59	--	--	--	--	13,428	5.67	79,377
Total debt securities available for sale	$88,211	3.76 %	$--	-- %	$964	6.46 %	$13,428	5.67 %	$101,840

(1) Not presented on a tax-equivalent basis.

(2) Consists of corporate bonds and capital trust notes. Included in capital trust notes are $247,000 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.

The following table presents held-to-maturity 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, 2014:

At September 30, 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 Debt Securities:						
GSE debentures	$129,894	$ 75	$2,150,525	$ 86,785	$2,280,419	$ 86,860
GSE certificates	269,519	1,606	493,289	12,286	762,808	13,892
GSE CMOs	52,932	93	147,839	3,259	200,771	3,352
Municipal bonds	14,078	158	42,456	1,617	56,534	1,775
Capital trust notes	24,907	93	36,238	9,943	61,145	10,036
Total temporarily impaired held-to-maturity debt securities	$491,330	$ 2,025	$2,870,347	$ 113,890	$3,361,677	$ 115,915
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
Private label CMOs	$9,367	$ 50	$--	$ --	$9,367	$ 50
GSE CMOs	--	--	45,456	1,167	45,456	1,167
Capital trust notes	1,993	8	5,566	1,862	7,559	1,870
Total temporarily impaired available-for-sale debt securities	$11,360	$ 58	$51,022	$ 3,029	$62,382	$ 3,087
Equity securities	8,897	171	14,784	509	23,681	680
Total temporarily impaired available-for-sale securities	$20,257	$ 229	$65,806	$ 3,538	$86,063	$ 3,767

The following table presents held-to-maturity 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, 2013:

At December 31, 2013	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 Debt Securities:						
GSE debentures	$2,777,417	$ 208,506	$--	$ --	$2,777,417	$ 208,506
GSE certificates	1,684,793	61,280	--	--	1,684,793	61,280
GSE CMOs	936,691	22,520	--	--	936,691	22,520
Municipal bonds	55,333	3,849	--	--	55,333	3,849
Capital trust notes	24,900	100	37,181	8,986	62,081	9,086
Total temporarily impaired held-to-maturity debt securities	$5,479,134	$ 296,255	$37,181	$ 8,986	$5,516,315	$ 305,241
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
GSE certificates	$--	$ --	$110	$ 1	$110	$ 1
Private label CMOs	10,202	12	--	--	10,202	12
GSE CMOs	44,725	1,861	--	--	44,725	1,861
Capital trust notes	1,992	8	5,746	1,673	7,738	1,681
Total temporarily impaired available-for-sale debt securities	$56,919	$ 1,881	$5,856	$ 1,674	$62,775	$ 3,555
Equity securities	75,886	4,195	--	--	75,886	4,195
Total temporarily impaired available-for-sale securities	$132,805	$ 6,076	$5,856	$ 1,674	$138,661	$ 7,750

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. 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, 2014, 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, 2014.

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 and GSE debentures at September 30, 2014 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, 2014.

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, 2014. 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 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 further illiquidity in the financial markets.

At September 30, 2014, 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 the end of September 2014 were primarily caused by market volatility. The Company evaluated the near-term prospects of a recovery of fair value for each security in the portfolio, together with the severity and duration of impairment to date. Based on this evaluation, and its ability and intent to hold these investments for a reasonably sufficient period of time to realize a near-term forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at September 30, 2014. Nonetheless, it is possible that these equity securities will perform worse than is currently expected, which could lead to adverse changes in their fair values, or the failure of the securities to fully recover in value as presently forecasted by management. This potentially would cause the Company to record OTTI losses in future periods. Events that could trigger material declines in the fair values of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuers.

The investment securities designated as having a continuous loss position for twelve months or more at September 30, 2014 consisted of thirty-one agency mortgage-backed securities, seventeen agency debt securities, six agency CMOs, six capital trust notes, two municipal bonds, and one preferred stock security. At December 31, 2013, the investment securities designated as having a continuous loss position for twelve months or more consisted of six capital trust notes and one mortgage-backed security. At September 30, 2014 and December 31, 2013, the combined market value of the respective securities represented unrealized losses of $117.4 million and $10.7 million. At September 30, 2014, the fair value of securities having a continuous loss position for twelve months or more was 3.9% below the collective amortized cost of $3.1 billion. At December 31, 2013, the fair value of such securities was 19.9% below the collective amortized cost of $53.7 million.

Note 5. Loans

The following table sets forth the composition of the loan portfolio at September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
(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	$22,862,495	70.93 %	$20,699,927	69.41 %
Commercial real estate	7,660,776	23.78	7,364,231	24.70
One-to-four family	404,750	1.26	560,730	1.88
Acquisition, development, and construction	310,585	0.96	344,100	1.15
Total mortgage loans held for investment	31,238,606	96.92 %	28,968,988	97.14 %
Other Loans:				
Commercial and industrial	824,186	2.56	712,260	2.39
Lease financing, net of unearned income of $7,771 and $5,723	135,833	0.42	101,431	0.34
Total commercial and industrial loans	960,019	2.98	813,691	2.73
Other	33,956	0.11	39,036	0.13
Total other loans held for investment	993,975	3.08	852,727	2.86
Total non-covered loans held for investment	$32,232,581	100.00 %	$29,821,715	100.00 %
Net deferred loan origination costs	19,428		16,274	
Allowance for losses on non-covered loans	(139,744)		(141,946)	
Non-covered loans held for investment, net	$32,112,265		$29,696,043	
Covered loans	2,504,622		2,788,618	
Allowance for losses on covered loans	(45,682)		(64,069)	
Total covered loans, net	$2,458,940		$2,724,549	
Loans held for sale	680,147		306,915	
Total loans, net	$35,251,352		$32,727,507	

Non-Covered Loans

Non-Covered Loans Held for Investment

The vast majority of the loans the Company originates for investment are multi-family loans, most of which are collateralized by non-luxury apartment buildings in New York City that are rent-regulated and feature below-market rents. In addition, the Company originates commercial real estate ("CRE") loans, most of which are collateralized by properties located in New York City and Long Island.

The Company also originates one-to-four family loans; acquisition, development, and construction ("ADC") loans; and commercial and industrial ("C&I") loans for investment. ADC loans are primarily originated for multi-family and residential tract projects in New York City and on Long Island, while one-to-four family loans are originated both within and beyond the markets served by its branch offices. C&I loans consist of asset-based loans, equipment loans and leases, and dealer floor plan loans (together, “specialty finance loans and leases”) that are made to nationally recognized borrowers throughout the U.S. and are senior debt-secured; and other C&I loans, both secured and unsecured, that primarily are made to small and mid-size businesses in Metro New York. Such C&I loans are typically made for working capital, business expansion, and the purchase of machinery and equipment.

Payments on multi-family and CRE loans generally depend on the income produced by the underlying properties which, in turn, depends on their successful operation and management. Accordingly, the ability of the Company’s borrowers to repay these loans may be impacted by adverse conditions in the local real estate market and the local economy. While the Company generally requires that such loans be qualified on the basis of the collateral property’s current cash flows, appraised value, and debt service coverage ratio, among other factors, there can be no assurance that its underwriting policies will protect the Company from credit-related losses or delinquencies.

The one-to-four family loans that are held for investment consist primarily of hybrid loans (both jumbo and agency-conforming) that have been made at conservative loan-to-value ratios to borrowers with a documented history of repaying their debts.

ADC loans typically involve a higher degree of credit risk than loans secured by improved or owner-occupied real estate. Accordingly, borrowers are required to provide a guarantee of repayment and completion, and loan proceeds are disbursed as construction progresses, as certified by in-house or third-party engineers. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property's value upon completion of construction or development; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. The Company seeks to minimize these risks by maintaining conservative lending policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccurate, the cost of completion is greater than expected, the length of time to complete and/or sell or lease the collateral property is greater than anticipated, or if there is a downturn in the local economy or real estate market, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This could have a material adverse effect on the quality of the ADC loan portfolio, and could result in losses or delinquencies.

To minimize the risk involved in specialty finance lending and leasing, the Company primarily participates in broadly syndicated asset-based loans, equipment loan and lease financing, and dealer floor plan loans that are presented by those who are on an approved list of select, nationally recognized sources with whom its lending officers have established long-term funding relationships. The loans and leases, which are secured by a perfected first security interest in the underlying collateral and structured as senior debt, are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, participate in stable industries, and are located nationwide. To further minimize the risk involved in specialty finance lending and leasing, the Company re-underwrites each transaction; in addition, it retains outside counsel to conduct a further review of the underlying documentation.

To minimize the risks involved in other C&I lending, the Company underwrites such loans on the basis of the cash flows produced by the business; requires that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and requires personal guarantees. However, the capacity of a borrower to repay such a C&I loan is substantially dependent on the degree to which his or her business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the results of operations of the business.

Included in non-covered loans held for investment at September 30, 2014 and December 31, 2013 were loans to non-officer directors of $130.1 million and $149.4 million, respectively.

Loans Held for Sale

The Community Bank's mortgage banking operation was established in January 2010 to originate, aggregate, and service one-to-four family loans. Community banks, credit unions, mortgage companies, and mortgage brokers use its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans throughout the U.S. These loans are generally sold, servicing retained, to GSEs. To a much lesser extent, the Community Bank uses its mortgage banking platform to originate fixed-rate jumbo loans under contract for sale to other financial institutions. The volume of jumbo loan originations has been insignificant to date, and the Company does not expect such loans to represent a material portion of the held-for-sale loans it originates. Included in the September 30, 2014 held for sale balance were $398.7 million of one-to-four family and commercial and industrial loans that transferred from loans held for investment during the quarter. The Company also services mortgage loans for various third parties, primarily including those it sells to GSEs. The unpaid principal balance of loans serviced for others was $22.1 billion at September 30, 2014 and $21.5 billion at December 31, 2013.

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Asset Quality

The following table presents information regarding the quality of the Company's non-covered loans held for investment at September 30, 2014:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 2,516	$29,942	$ --	$32,458	$22,830,037	$22,862,495
Commercial real estate	164	28,586	--	28,750	7,632,026	7,660,776
One-to-four family	2,451	10,575	--	13,026	391,724	404,750
Acquisition, development, and construction	--	2,328	--	2,328	308,257	310,585
Commercial and industrial [(1)]	--	8,439	--	8,439	951,580	960,019
Other	1,274	1,149	--	2,423	31,533	33,956
Total	$ 6,405	$81,019	$ --	$87,424	$32,145,157	$32,232,581

(1) Includes lease financing receivables, all of which were current at September 30, 2014.

The following table presents information regarding the quality of the Company's non-covered loans held for investment at December 31, 2013:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 33,678	$58,395	$ --	$92,073	$20,607,854	$20,699,927
Commercial real estate	1,854	24,550	--	26,404	7,337,827	7,364,231
One-to-four family	1,076	10,937	--	12,013	548,717	560,730
Acquisition, development, and construction	--	2,571	--	2,571	341,529	344,100
Commercial and industrial [(1)]	1	5,735	--	5,736	807,955	813,691
Other	480	1,349	--	1,829	37,207	39,036
Total	$ 37,089	$103,537	$ --	$140,626	$29,681,089	$29,821,715

(1) Includes lease financing receivables, all of which were current at December 31, 2013.

The following table summarizes the Company's portfolio of non-covered loans held for investment by credit quality indicator at September 30, 2014:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial (1)	Other	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$22,799,073	$7,611,591	$398,617	$307,918	$31,117,199	$910,114	$32,808	$942,922
Special mention	27,104	13,636	--	--	40,740	40,957	--	40,957
Substandard	36,318	35,549	6,133	2,667	80,667	8,948	1,148	10,096
Doubtful	--	--	--	--	--	--	--	--
Total	$22,862,495	$7,660,776	$404,750	$310,585	$31,238,606	$960,019	$33,956	$993,975

(1) Includes lease financing receivables, all of which were classified as "pass."

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The following table summarizes the Company's portfolio of non-covered loans held for investment by credit quality indicator at December 31, 2013:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial[1]	Other	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$20,527,460	$7,304,502	$554,132	$ 333,805	$28,719,899	$ 793,693	$37,688	$831,381
Special mention	73,549	25,407	--	7,400	106,356	13,036	--	13,036
Substandard	98,918	33,822	6,598	2,895	142,233	6,808	1,348	8,156
Doubtful	--	500	--	--	500	154	--	154
Total	$20,699,927	$7,364,231	$560,730	$ 344,100	$28,968,988	$ 813,691	$39,036	$852,727

(1) Includes lease financing receivables, all of which were classified as "pass."

The preceding classifications follow regulatory guidelines and can be generally described as follows: pass loans are of satisfactory quality; special mention loans have a potential weakness or risk that may result in the deterioration of future repayment; substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness and there is a distinct possibility that the Company will sustain some loss); and doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable. In addition, one-to-four family loans are classified utilizing an inter-regulatory agency methodology that incorporates the extent of delinquency and the loan-to-value ratios. These classifications are the most current available and generally have been updated within the last twelve months.

Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications or restructurings as "Troubled Debt Restructurings" ("TDRs"). In general, a modification or restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experiencing financial difficulty. Loans modified as TDRs generally are placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which requires that the borrower demonstrate performance according to the restructured terms for a period of at least six consecutive months.

In an effort to proactively manage delinquent loans, the Company has selectively extended to certain borrowers concessions such as rate reductions, extension of maturity dates, and forbearance agreements. As of September 30, 2014, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $37.0 million; loans on which forbearance agreements were reached amounted to $6.0 million.

The following table presents information regarding the Company's TDRs as of September 30, 2014 and December 31, 2013:

September 30, 2014	December 31, 2013

(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$9,962	$ 12,642	$22,604	$10,083	$ 50,548	$60,631
Commercial real estate	2,137	16,158	18,295	2,198	15,626	17,824
One-to-four family	--	--	--	--	--	--
Acquisition, development, and construction	--	935	935	--	--	--
Commercial and industrial	--	1,203	1,203	1,129	758	1,887
Total	$12,099	$ 30,938	$43,037	$13,410	$ 66,932	$80,342

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involves judgment by Company personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

In the nine months ended September 30, 2014, the Company classified one ADC loan in the amount of $935,000, one C&I loan in the amount of $499,000, one multi-family loan in the amount of $316,000, and one CRE loan in the amount of $2.1 million, as non-accrual TDRs. While other concessions were granted to the borrowers, the interest rates on the loans were maintained. As a result, these TDRs did not have a financial impact on the Company's results of operations during the current nine-month period, with the exception of a $334,000 charge-off recorded in connection with aforementioned $2.1 million CRE loan.

At September 30, 2014, none of the loans that had been modified as TDRs during the twelve months ended at that date were in payment default. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

The Company does not consider a payment to be in default when the loan is in forbearance, or otherwise granted a delay of payment, when the agreement to forebear or allow a delay of payment is part of a modification. Subsequent to the modification, the loan is not considered to be in default until payment is contractually past due in accordance with the modified terms. However, the Company does consider a loan with multiple modifications or forbearance periods to be in default, and would also consider a loan to be in default if it was in bankruptcy or was partially charged off subsequent to modification.

Covered Loans

The following table presents the carrying value of covered loans acquired in the AmTrust and Desert Hills acquisitions as of September 30, 2014:

(dollars in thousands)	Amount	Percent of Covered Loans
Loan Category:		
One-to-four family	$2,282,064	91.1 %
All other loans	222,558	8.9
Total covered loans	$2,504,622	100.0 %

The Company refers to the loans acquired in the AmTrust and Desert Hills transactions as "covered loans" because the Company is being reimbursed for a substantial portion of losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accounted for under Accounting Standards Codification ("ASC") Topic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30") and are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the lives of the loans. Under ASC 310-30, purchasers are permitted to aggregate acquired loans into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

At September 30, 2014 and December 31, 2013, the unpaid principal balances of covered loans were $3.0 billion and $3.3 billion, respectively. The carrying values of such loans were $2.5 billion and $2.8 billion, respectively, at the corresponding dates.

At the respective acquisition dates, the Company estimated the fair values of the AmTrust and Desert Hills loan portfolios, which represented the expected cash flows from the portfolios, discounted at market-based rates. In estimating such fair values, the Company: (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the “undiscounted contractual cash flows”); and (b) estimated the expected amount and timing of undiscounted principal and interest payments (the “undiscounted expected cash flows”). The amount by which the undiscounted expected cash flows exceed the estimated fair value (the “accretable yield”) is accreted into interest income over the lives of the loans. The amount by which the undiscounted contractual cash flows exceed the undiscounted expected cash flows is referred to as the “non-accretable difference.” The non-accretable difference represents an estimate of the credit risk in the loan portfolios at the respective acquisition dates.

The accretable yield is affected by changes in interest rate indices for variable rate loans, changes in prepayment assumptions, and changes in expected principal and interest payments over the estimated lives of the loans. Changes in interest rate indices for variable rate loans increase or decrease the amount of interest income expected to be collected, depending on the direction of interest rates. Prepayments affect the estimated lives of covered loans and could change the amount of interest income and principal expected to be collected. Changes in expected principal and interest payments over the estimated lives of covered loans are driven by the credit outlook and by actions that may be taken with borrowers.

The Company periodically evaluates the estimates of the cash flows it expects to collect. Expected future cash flows from interest payments are based on variable rates at the time of the periodic evaluation. Estimates of expected cash flows that are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions are treated as prospective yield adjustments and included in interest income.

Changes in the accretable yield for covered loans in the nine months ended September 30, 2014 were as follows:

(in thousands)	Accretable Yield
Balance at beginning of period	$ 796,993
Reclassification from non-accretable difference	302,617
Accretion	(104,195)
Balance at end of period	$ 995,415

In the preceding table, the line item “reclassification from non-accretable difference” includes changes in cash flows that the Company expects to collect due to changes in prepayment assumptions, changes in interest rates on variable rate loans, and changes in loss assumptions. As of the Company’s most recent periodic evaluation, the underlying credit assumptions improved which resulted in an increase in future expected interest cash flows and, consequently, an increase in the accretable yield. The effect of this increase was partially offset by the coupon rates on variable rate loans resetting lower, which resulted in a decrease in future expected interest cash flows and, consequently, a decrease in the accretable yield.

In connection with the AmTrust and Desert Hills acquisitions, the Company also acquired other real estate owned (“OREO”), all of which is covered under the FDIC loss sharing agreements. Covered OREO was initially recorded at its estimated fair value on the acquisition date, based on independent appraisals, less the estimated selling costs. Any subsequent write-downs due to declines in fair value have been charged to non-interest expense, and have been partially offset by loss reimbursements under the FDIC loss sharing agreements. Any recoveries of previous write-downs have been credited to non-interest expense and partially offset by the portion of the recovery that was due to the FDIC.

The FDIC loss share receivable represents the present value of the estimated losses to be reimbursed by the FDIC. The estimated losses were based on the same cash flow estimates used in determining the fair value of the covered loans. The FDIC loss share receivable is reduced as losses on covered loans are recognized and as loss sharing payments are received from the FDIC. Realized losses in excess of acquisition-date estimates result in an increase in the FDIC loss share receivable. Conversely, if realized losses are lower than the acquisition-date estimates, the FDIC loss share receivable is reduced by amortization to interest income.

The following table presents information regarding the Company’s covered loans that were 90 days or more past due at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Covered Loans 90 Days or More Past Due:		
One-to-four family	$ 144,881	$ 201,425
Other loans	7,900	10,060

Total covered loans 90 days or more past due	$ 152,781	$ 211,485

The following table presents information regarding the Company's covered loans that were 30 to 89 days past due at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Covered Loans 30-89 Days Past Due:		
One-to-four family	$ 45,045	$ 52,250
Other loans	3,931	5,679
Total covered loans 30-89 days past due	$ 48,976	$ 57,929

At September 30, 2014, the Company had $49.0 million of covered loans that were 30 to 89 days past due, and covered loans of $152.8 million that were 90 days or more past due but considered to be performing due to the application of the yield accretion method under ASC 310-30. The remaining portion of the Company's covered loan portfolio totaled $2.3 billion at September 30, 2014 and was considered current at that date. ASC 310-30 allows the Company to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Loans that may have been classified as non-performing loans by AmTrust or Desert Hills were no longer classified as non-performing by the Company because, at the respective dates of acquisition, the Company believed that it would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion that is expected to be uncollectible (i.e., the non-accretable difference) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management's judgment is required in reclassifying loans subject to ASC 310-30 as performing loans, and such judgment is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan is contractually past due.

The primary credit quality indicator for covered loans is the expectation of underlying cash flows. The Company recorded a recovery for losses on covered loans of $3.9 million in the three months ended September 30, 2014. The recovery was largely due to an increase in expected cash flows in the acquired portfolios of one-to-four family and home equity loans, and was partly offset by FDIC indemnification expense of $3.2 million recorded in non-interest income in the corresponding three-month period.

The Company recovered $18.4 million from the allowance for losses on covered loans during the nine months ended September 30, 2014. The recoveries were recorded in connection with an increase in expected cash flows on certain pools of loans acquired in the Company's FDIC-assisted transactions, and were partly offset by FDIC indemnification expense of $14.7 million, which was recorded in non-interest income in the corresponding nine-month period.

Note 6. Allowances for Loan Losses

The following tables provide information regarding the Company's allowances for losses on non-covered and covered loans, based upon the method of evaluating loan impairment, at the dates indicated:

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at September 30, 2014:			
Loans individually evaluated for impairment	$--	$--	$--
Loans collectively evaluated for impairment	126,598	13,146	139,744
Acquired loans with deteriorated credit quality	23,972	21,710	45,682
Total	$150,570	$34,856	$185,426

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2013:			
Loans individually evaluated for impairment	$--	$--	$--
Loans collectively evaluated for impairment	127,840	14,106	141,946
Acquired loans with deteriorated credit quality	56,705	7,364	64,069
Total	$184,545	$21,470	$206,015

The following tables provide additional information regarding the methods used to evaluate the Company's loan portfolio for impairment:

(in thousands)	Mortgage	Other	Total
Loans Receivable at September 30, 2014:			
Loans individually evaluated for impairment	$66,923	$6,713	$73,636
Loans collectively evaluated for impairment	31,171,683	987,262	32,158,945
Acquired loans with deteriorated credit quality	2,282,064	222,558	2,504,622
Total	$33,520,670	$1,216,533	$34,737,203

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2013:			
Loans individually evaluated for impairment	$109,389	$6,996	$116,385
Loans collectively evaluated for impairment	28,859,599	845,731	29,705,330
Acquired loans with deteriorated credit quality	2,529,200	259,418	2,788,618
Total	$31,498,188	$1,112,145	$32,610,333

Allowance for Losses on Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans for the nine months ended September 30, 2014 and 2013:

	For the Nine Months Ended September 30,					
	2014			2013		
(in thousands)	Mortgage	Other	Total	Mortgage	Other	Total
Balance, beginning of period	$127,840	$14,106	$141,946	$127,934	$13,014	$140,948
Charge-offs	(2,610)	(5,194)	(7,804)	(12,716)	(7,039)	(19,755)
Recoveries	1,368	4,234	5,602	3,580	1,541	5,121
Provision for loan losses	--	--	--	6,851	8,149	15,000
Balance, end of period	$126,598	$13,146	$139,744	$125,649	$15,665	$141,314

Please see “Critical Accounting Policies” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information regarding the Company’s allowance for losses on non-covered loans.

The following table presents additional information about the Company’s impaired non-covered loans at September 30, 2014:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 36,148	$43,459	$ --	$ 56,218	$ 916
Commercial real estate	28,558	30,907	--	29,827	1,136
One-to-four family	1,282	1,281	--	1,061	--
Acquisition, development, and construction	935	1,245	--	467	158
Commercial and industrial	6,713	12,045	--	7,984	235
Total impaired loans with no related allowance	$ 73,636	$88,937	$ --	$ 95,557	$ 2,445
Impaired loans with an allowance recorded:					
Multi-family	$ --	$ --	$ --	$ --	$ --
Commercial real estate	--	--	--	613	--
One-to-four family	--	--	--	77	--
Acquisition, development, and construction	--	--	--	--	--

Commercial and industrial	--	--	--	--	--
Total impaired loans with an allowance recorded	$ --	$ --	$ --	$ 690	$ --
Total impaired loans:					
Multi-family	$ 36,148	$ 43,459	$ --	$ 56,218	$ 916
Commercial real estate	28,558	30,907	--	30,440	1,136
One-to-four family	1,282	1,281	--	1,138	--
Acquisition, development, and construction	935	1,245	--	467	158
Commercial and industrial	6,713	12,045	--	7,984	235
Total impaired loans	$ 73,636	$ 88,937	$ --	$ 96,247	$ 2,445

The following table presents additional information about the Company's impaired non-covered loans at December 31, 2013:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 78,771	$94,265	$ --	$ 117,208	$ 1,991
Commercial real estate	30,619	32,474	--	43,566	1,604
One-to-four family	--	--	--	3,611	89
Acquisition, development, and construction	--	--	--	275	--
Commercial and industrial	6,995	34,199	--	6,890	366
Total impaired loans with no related allowance	$ 116,385	$160,938	$ --	$ 171,550	$ 4,050
Impaired loans with an allowance recorded:					
Multi-family	$ --	$--	$ --	$ 2,442	$ --
Commercial real estate	--	--	--	900	--
One-to-four family	--	--	--	--	--
Acquisition, development, and construction	--	--	--	--	--
Commercial and industrial	--	--	--	--	--
Total impaired loans with an allowance recorded	$ --	$--	$ --	$ 3,342	$ --
Total impaired loans:					
Multi-family	$ 78,771	$94,265	$ --	$ 119,650	$ 1,991
Commercial real estate	30,619	32,474	--	44,466	1,604
One-to-four family	--	--	--	3,611	89
Acquisition, development, and construction	--	--	--	275	--
Commercial and industrial	6,995	34,199	--	6,890	366
Total impaired loans	$ 116,385	$160,938	$ --	$ 174,892	$ 4,050

Allowance for Losses on Covered Loans

Covered loans are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations of cash flows from these loans. Covered loans have been aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, the Company periodically performs an analysis to estimate the expected cash flows for each of the loan pools. The Company records a provision for (recovery of) losses on covered loans to the extent that the expected cash flows from a loan pool have decreased or increased since the acquisition date. Accordingly, if there is a decrease in expected cash flows due to an increase in estimated credit losses (as compared to the estimates made at the respective acquisition dates), the decrease in the present value of expected cash flows is recorded as a provision for covered loan losses charged to earnings, and an allowance for covered loan losses is established. A related credit to non-interest income and an increase in the FDIC loss share receivable is recognized at the same time, and measured based on the applicable loss sharing agreement percentage. Additionally, if there is an increase in expected cash flows due to a decrease in estimated credit losses (as compared to the estimates made at the respective acquisition dates), the increase in the present value of expected cash flows is recorded as a recovery of prior-period impairment charged to earnings, and the allowance for covered loan losses is reduced. A related debit to non-interest income and a decrease in the FDIC loss share receivable is recognized at the same time, and measured based on the applicable loss sharing agreement percentage.

The following table summarizes activity in the allowance for losses on covered loans for the nine months ended September 30, 2014 and 2013:

	For the Nine Months Ended September 30,	
(in thousands)	2014	2013
Balance, beginning of period	$64,069	$51,311
(Recovery of) provision for losses on covered loans	(18,387)	18,586
Balance, end of period	$45,682	$69,897

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Note 7. Borrowed Funds

The following table summarizes the Company's borrowed funds at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Wholesale borrowings:		
FHLB advances	$ 10,312,316	$ 10,872,576
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	297,000	445,000
Total wholesale borrowings	$ 14,034,316	$ 14,742,576
Other borrowings:		
Junior subordinated debentures	$ 358,296	$ 358,126
Preferred stock of subsidiaries	4,300	4,300
Total other borrowings	$ 362,596	$ 362,426
Total borrowed funds	$ 14,396,912	$ 15,105,002

At September 30, 2014 and December 31, 2013, the Company had $358.3 million and $358.1 million, respectively, of outstanding junior subordinated deferrable interest debentures ("junior subordinated debentures") held by statutory business trusts (the "Trusts") that issued guaranteed capital securities. The capital securities qualified as Tier 1 capital of the Company at those dates. However, with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the qualification of capital securities as Tier 1 capital will be phased out by January 1, 2016.

The Trusts are accounted for as unconsolidated subsidiaries in accordance with GAAP. The proceeds of each issuance were invested in a series of junior subordinated debentures of the Company and the underlying assets of each statutory business trust are the relevant debentures. The Company has fully and unconditionally guaranteed the obligations under each trust's capital securities to the extent set forth in a guarantee by the Company to each trust. The Trusts' capital securities are each subject to mandatory redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier redemption.

The following junior subordinated debentures were outstanding at September 30, 2014:

Issuer	Interest Rate of Capital Securities and Debentures	Junior Subordinated Debenture Carrying Amount	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity	First Optional Redemption Date
		(dollars in thousands)				
New York Community Capital	6.000%	$ 144,370	$ 138,019	Nov. 4, 2002	Nov. 1, 2051	Nov. 4, 2007 (1)

Trust V (BONUSES[SM] Units)						
New York Community Capital Trust X	1.834	123,712	120,000	Dec. 14, 2006	Dec. 15, 2036	Dec. 15, 2011 (2)
PennFed Capital Trust III	3.484	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008 (2)
New York Community Capital Trust XI	1.883	59,286	57,500	April 16, 2007	June 30, 2037	June 30, 2012 (2)
Total junior subordinated debentures		$358,296	$ 345,519			

(1) Callable subject to certain conditions as described in the prospectus filed with the SEC on November 4, 2002.
(2) Callable from this date forward.

Note 8. Mortgage Servicing Rights

The Company had MSRs of $237.2 million and $241.0 million, respectively, at September 30, 2014 and December 31, 2013, with both balances consisting entirely of residential MSRs.

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Residential MSRs are carried at fair value, with changes in fair value recorded as a component of non-interest income in each period. The Company uses various derivative instruments to mitigate the income statement-effect of changes in fair value due to changes in valuation inputs and assumptions regarding its residential MSRs. The effects of changes in the fair value of the derivatives are recorded in “Non-interest income.” MSRs do not trade in an active open market with readily observable prices. Accordingly, the Company bases the fair value of its MSRs on the present value of estimated future net servicing income cash flows. The Company estimates future net servicing income cash flows with assumptions that market participants would use to estimate fair value, including estimates of prepayment speeds, discount rates, default rates, refinance rates, servicing costs, escrow account earnings, contractual servicing fee income, and ancillary income. The Company reassesses, and periodically adjusts, the underlying inputs and assumptions to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset.

The value of residential MSRs at any given time is significantly affected by the mortgage interest rates that are then currently available in the marketplace which, in turn, influence mortgage loan prepayment speeds. During periods of declining interest rates, the value of MSRs generally declines as an increase in mortgage refinancing activity results in an increase in prepayments. Conversely, during periods of rising interest rates, the value of MSRs generally increases as mortgage refinancing activity declines.

Up to and including the third quarter of 2013, the Company securitized MSRs in addition to residential MSRs. Securitized MSRs were carried at the lower of the initial carrying value, adjusted for amortization, or fair value, and were amortized in proportion to, and over the period of, estimated net servicing income. Such MSRs were periodically evaluated for impairment, based on the difference between their carrying amount and their current fair value. If it was determined that impairment existed, the resultant loss was charged to earnings. Reflecting amortization, the Company had no securitized MSRs at December 31, 2013.

The following tables set forth the changes in the balances of residential and securitized MSRs for the periods indicated:

	For the Three Months Ended September 30, 2014		For the Three Months Ended September 30, 2013	
(in thousands)	Residential	Securitized	Residential	Securitized
Carrying value, beginning of period	$228,815	$ --	$214,959	$ 97