

NEW YORK COMMUNITY BANCORP INC
Form 10-Q
August 11, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2008

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

06-1377322
(I.R.S. Employer

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incorporation or organization)

Identification No.)

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

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

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

Par Value: \$0.01

Classes of Common Stock

343,697,963

Number of shares outstanding at

August 6, 2008

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FORM 10-Q

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

(in thousands, except share data)

	June 30, 2008 (unaudited)	December 31, 2007
Assets:		
Cash and cash equivalents	\$ 280,125	\$ 335,743
Securities available for sale:		
Mortgage-related (\$852,153 and \$944,225 pledged, respectively)	893,918	973,324
Other (\$85,174 and \$140,032 pledged, respectively)	284,748	407,932
Total available-for-sale securities	1,178,666	1,381,256
Securities held to maturity:		
Mortgage-related (\$2,565,642 and \$2,414,157 pledged, respectively; fair value of \$2,607,228 and \$2,432,987, respectively)	2,642,060	2,479,483
Other (\$1,455,538 and \$1,477,966 pledged, respectively; fair value of \$1,777,911 and \$1,891,207, respectively)	1,810,260	1,883,162
Total held-to-maturity securities	4,452,320	4,362,645
Total securities	5,630,986	5,743,901
Loans, net of deferred loan fees and costs	20,925,285	20,363,248
Less: Allowance for loan losses	(92,858)	(92,794)
Loans, net	20,832,427	20,270,454
Federal Home Loan Bank of New York (FHLB-NY) stock, at cost	420,248	423,069
Premises and equipment, net	210,495	214,906
Goodwill	2,436,881	2,437,404
Core deposit intangibles, net	99,270	111,123
Bank-owned life insurance	677,808	664,431
Other assets	495,259	378,791
Total assets	\$31,083,499	\$30,579,822
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	\$ 3,149,284	\$ 2,456,756
Savings accounts	2,790,325	2,514,189
Certificates of deposit	6,183,016	6,913,036
Non-interest-bearing accounts	1,231,975	1,273,352
Total deposits	13,354,600	13,157,333
Official checks outstanding	28,110	18,749
Borrowed funds:		
FHLB-NY advances	8,126,497	7,782,390
Repurchase agreements	4,223,838	4,411,220
Federal funds purchased	100,000	

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Junior subordinated debentures	484,415	484,843
Other borrowings	185,018	237,219
Total borrowed funds	13,119,768	12,915,672
Mortgagors escrow	104,704	78,468
Other liabilities	187,056	227,287
Total liabilities	26,794,238	26,397,509
Stockholders' equity:		
Preferred stock at par \$0.01 (5,000,000 shares authorized; none issued)		
Common stock at par \$0.01 (600,000,000 shares authorized; 343,665,007 and 323,812,639 shares issued, respectively; 343,654,196 and 323,812,639 shares outstanding, respectively)	3,437	3,238
Paid-in capital in excess of par	4,174,324	3,815,831
Retained earnings	134,571	390,757
Less: Treasury stock (10,811 and 0 shares, respectively)	(221)	
Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(2,540)	(3,085)
Common stock held by Supplemental Executive Retirement Plan (SERP)	(3,113)	(3,113)
Accumulated other comprehensive loss, net of tax	(17,197)	(21,315)
Total stockholders' equity	4,289,261	4,182,313
Commitments and contingencies		
Total liabilities and stockholders' equity	\$31,083,499	\$30,579,822

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Interest Income:				
Mortgage and other loans	\$ 310,396	\$313,469	\$ 623,384	\$611,936
Securities	82,533	73,319	169,507	144,007
Money market investments	371	14,221	2,733	14,467
Total interest income	393,300	401,009	795,624	770,410
Interest Expense:				
NOW and money market accounts	13,144	25,246	27,312	49,148
Savings accounts	5,841	7,310	11,820	13,011
Certificates of deposit	65,799	80,334	142,373	150,562
Borrowed funds	177,938	127,003	322,056	250,352
Mortgagors escrow	28	34	54	67
Total interest expense	262,750	239,927	503,615	463,140
Net interest income	130,550	161,082	292,009	307,270
Provision for loan losses	1,700		1,700	
Net interest income after provision for loan losses	128,850	161,082	290,309	307,270
Non-interest (Loss) Income:				
Fee income	10,210	10,747	20,794	20,500
Bank-owned life insurance	7,134	6,283	13,879	12,365
Net gain on sale of securities	568	9,195	568	9,195
(Loss) gain on debt repurchase		(1,848)	926	(1,848)
Loss on other-than-temporary impairment of securities	(49,595)	(56,958)	(49,595)	(56,958)
Other	9,024	8,652	19,266	16,898
Total non-interest (loss) income	(22,659)	(23,929)	5,838	152
Non-interest Expense:				
Operating expenses:				
Compensation and benefits	43,340	39,926	86,406	77,129
Occupancy and equipment	17,212	17,491	34,922	32,594
General and administrative	21,948	18,178	39,990	35,217
Total operating expenses	82,500	75,595	161,318	144,940
Debt repositioning charge	285,369	3,190	285,369	3,190
Amortization of core deposit intangibles	5,821	5,823	11,853	10,825

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Total non-interest expense	373,690	84,608	458,540	158,955
(Loss) income before income taxes	(267,499)	52,545	(162,393)	148,467
Income tax (benefit) expense	(112,716)	16,571	(79,981)	47,674
Net (Loss) Income	\$(154,783)	\$ 35,974	\$ (82,412)	\$100,793
Other comprehensive income, net of tax:				
Change in net unrealized losses on securities	15,519	17,982	3,967	26,253
Change in pension and post-retirement obligations	50	212	151	422
Total comprehensive (loss) income, net of tax	\$(139,214)	\$ 54,168	\$ (78,294)	\$127,468
Basic (loss) earnings per share	\$(0.47)	\$0.12	\$(0.25)	\$0.33
Diluted (loss) earnings per share	\$(0.47)	\$0.12	\$(0.25)	\$0.33

See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands, except share data)

(unaudited)

	Six Months Ended June 30, 2008
Common Stock (Par Value: \$0.01):	
Balance at beginning of year	\$ 3,238
Shares issued in stock offering (17,871,000)	179
Shares issued for exercise of stock options (897,868)	9
Shares issued for restricted stock awards (1,083,500)	11
Balance at end of period	3,437
Paid-in Capital in Excess of Par:	
Balance at beginning of year	3,815,831
Allocation of ESOP stock	2,602
Restricted stock activity	3,729
Exercise of stock options	10,918
Tax effect of stock plans	2,270
Common shares issued (17,871,000)	338,974
Balance at end of period	4,174,324
Retained Earnings (partially restricted):	
Balance at beginning of year	390,757
Net loss	(82,412)
Dividends paid on common stock (\$0.50 per share)	(162,026)
Effect of adoption of Emerging Issues Task Force Issue No. 06-4	(12,709)
Effect of accounting change regarding pension plan measurement date pursuant to Financial Accounting Standards Board Statement No. 158	961
Balance at end of period	134,571
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (112,537 shares)	(2,160)
Exercise of stock options (101,726 shares)	1,939
Balance at end of period	(221)
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	(3,085)
Earned portion of ESOP	545
Balance at end of period	(2,540)
Common Stock Held by SERP:	
Balance at beginning of year	(3,113)

Balance at end of period	(3,113)
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Accumulated Other Comprehensive Loss, Net of Tax:

Balance at beginning of year	(21,315)
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Change in net unrealized loss on securities available for sale, net of tax of \$17,207	(26,554)
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Less: Reclassification adjustment for net gain on sale of securities and loss on other-than-temporary impairment of securities, net of tax of \$(18,983)	30,044
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Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of \$(313)	477
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Change in pension and post-retirement obligations, net of tax of \$(98)	151
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Balance at end of period	(17,197)
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Total stockholders' equity at end of period	\$4,289,261
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See accompanying notes to the unaudited consolidated financial statements.

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(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net (loss) income	\$ (82,412)	\$ 100,793
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Provision for loan losses	1,700	
Depreciation and amortization	9,958	9,300
(Accretion of discounts) amortization of premiums, net	(4,785)	729
Net change in net deferred loan origination costs and fees	4,633	(582)
Amortization of core deposit intangibles	11,853	10,825
Net gain on sale of securities	(568)	(9,195)
Net gain on sale of loans	(152)	(531)
Stock plan-related compensation	6,887	4,238
Loss on other-than-temporary impairment of securities	49,595	56,958
Changes in assets and liabilities:		
(Increase) decrease in deferred tax asset, net	(18,927)	18,872
Increase in other assets	(112,954)	(17,355)
Increase in official checks outstanding	9,361	9,756
(Decrease) increase in other liabilities	(51,990)	9,948
Origination of loans held for sale	(25,335)	(53,186)
Proceeds from sale of loans originated for sale	23,480	50,273
Net cash (used in) provided by operating activities	(179,656)	190,843
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	1,449,965	245,382
Proceeds from repayment of securities available for sale	162,914	143,463
Proceeds from sale of securities available for sale	11,438	603,630
Purchase of securities held to maturity	(1,469,186)	(200,000)
Purchase of securities available for sale	(12,320)	(501,654)
Net redemption of FHLB-NY stock	2,821	43,325
Net (increase) decrease in loans	(612,594)	1,042,138
Purchase of loans	(45,500)	
Proceeds from sale of loans	25,035	755,948
Purchase of premises and equipment, net	(5,547)	(6,548)
Net cash acquired in acquisitions		22,714
Net cash (used in) provided by investing activities	(492,974)	2,148,398
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	197,267	(464,642)
Net increase in short-term borrowings	1,021,100	(145,700)
Net decrease in long-term borrowings	(817,004)	(732,658)
Net increase (decrease) in mortgages escrow	26,236	(19,648)
Tax effect of stock plans	2,270	(1,980)

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Proceeds from issuance of common stock	339,152	
Cash dividends paid on common stock	(162,026)	(151,500)
Treasury stock purchases	(2,160)	(93)
Net cash received from stock option exercises	12,177	26,260
Cash in lieu of fractional shares		(5)
Net cash provided by (used in) financing activities	617,012	(1,489,966)
Net (decrease) increase in cash and cash equivalents	(55,618)	849,275
Cash and cash equivalents at beginning of period	335,743	230,759
Cash and cash equivalents at end of period	\$ 280,125	\$ 1,080,034
Supplemental information:		
Cash paid for:		
Interest	\$ 523,463	\$ 483,323
Income taxes	22,074	40,502
Non-cash investing activities:		
Mortgage loans securitized and transferred to mortgage-related securities held to maturity, net	\$ 71,307	\$ 593,816
Transfer to other real estate owned from loans		129
See accompanying notes to the unaudited consolidated financial statements.		

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****Note 1. Basis of Presentation**

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

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

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

Note 2. Stock-based Compensation

At June 30, 2008, the Company had 7,150,259 shares available for grant as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan). Under the 2006 Stock Incentive Plan, the Company granted 1,116,400 shares of restricted stock in the six months ended June 30, 2008, with an average fair value of \$16.00 per share on the date of grant and a vesting period of five years. The six-month amount includes 311,500 shares that were granted in the second quarter and had an average fair value of \$18.44 per share on the date of grant. Compensation and benefits expense related to restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled \$2.1 million and \$1.1 million, respectively, in the three months ended June 30, 2008 and 2007, and \$3.7 million and \$1.1 million, respectively, in the six months ended at those dates.

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

	For the Six Months Ended June 30, 2008	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2008	757,991	\$17.64
Granted	1,116,400	16.00
Vested	(270,400)	17.67
Forfeited	(40,150)	15.75
Unvested at June 30, 2008	1,563,841	16.52

As of June 30, 2008, unrecognized compensation cost relating to unvested restricted stock totaled \$23.4 million. This amount will be recognized over a remaining weighted average period of 3.73 years.

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

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

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

At the present time, the Company issues new shares of common stock at market value to satisfy the exercise of stock options. On occasion, the Company will utilize common stock held in Treasury to satisfy the exercise of options, in which case the difference between the average cost of Treasury shares and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on the date of exercise. At June 30, 2008, there were 14,330,871 stock options outstanding. The number of shares available for future issuance under the Stock Option Plans was 144,757 at June 30, 2008.

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

	For the Six Months Ended June 30, 2008	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding and exercisable, beginning of period	15,763,696	\$15.05
Exercised	(1,332,834)	14.00
Forfeited	(99,991)	16.30
Stock options outstanding and exercisable, end of period	14,330,871	15.14

Total stock options outstanding and exercisable at June 30, 2008 had a weighted average remaining contractual life of 3.6 years, a weighted average exercise price of \$15.14 per share, and an aggregate intrinsic value of \$45.6 million. The intrinsic values of options exercised during the six months ended June 30, 2008 and 2007 were \$7.1 million and \$5.2 million, respectively.

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

(in thousands)	June 30, 2008		December 31, 2007	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Mortgage-related securities:				
GSE ⁽¹⁾ certificates	\$ 297,451	\$ 309,855	\$ 250,510	\$ 258,244
GSE CMOs ⁽²⁾	2,337,810	2,290,574	2,222,355	2,168,125
Other mortgage-related securities	6,799	6,799	6,618	6,618
Total mortgage-related securities	\$2,642,060	\$2,607,228	\$2,479,483	\$2,432,987
Other securities:				
GSE debentures	\$1,412,543	\$1,414,008	\$1,530,414	\$1,537,827
Corporate bonds	177,361	167,450	165,992	170,675
Capital trust notes	220,356	196,453	186,756	182,705
Total other securities	\$1,810,260	\$1,777,911	\$1,883,162	\$1,891,207
Total securities held to maturity	\$4,452,320	\$4,385,139	\$4,362,645	\$4,324,194

(1) Government-sponsored enterprises

(2) Collateralized mortgage obligations

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

(in thousands)	June 30, 2008		December 31, 2007	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Mortgage-related securities:				
GSE certificates	\$ 194,397	\$ 199,194	\$ 217,855	\$ 221,835
GSE CMOs	554,443	553,236	599,936	599,022
Private label CMOs	146,543	141,488	155,213	152,467
Total mortgage-related securities	\$ 895,383	\$ 893,918	\$ 973,004	\$ 973,324
Other securities:				
GSE debentures	\$ 97,583	\$ 104,048	\$ 178,389	\$ 187,924
U.S. Treasury obligations	1,099	1,111	1,098	1,112
Corporate bonds	44,813	39,793	55,818	48,926
State, county, and municipal	6,527	6,369	6,526	6,451
Capital trust notes	44,677	45,204	71,149	66,960
Preferred stock	48,121	46,809	59,900	51,088
Common stock	47,805	41,414	48,537	45,471

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Total other securities	\$ 290,625	\$ 284,748	\$ 421,417	\$ 407,932
Total securities available for sale	\$1,186,008	\$1,178,666	\$1,394,421	\$1,381,256

In the three months ended June 30, 2008, the Company recorded a \$49.6 million loss on the other-than-temporary impairment (OTTI) of certain securities. The OTTI represented the excess of amortized cost over fair value at that date. Management 's decision to recognize this OTTI was based on the significant decline in the market value of these securities, and the unlikelihood of recovering such market value in a reasonable period of time. Included in the \$49.6 million loss were corporate bonds with an OTTI of \$11.0 million and a remaining market value of \$14.0 million at June 30, 2008; capital trust notes, including income notes, with an OTTI of \$26.2 million and a remaining market value of \$21.7 million; common stock with an OTTI of \$653,000 and a remaining market value of \$59,000; and preferred stock with an OTTI of \$11.8 million and a remaining market value of \$29.2 million. Included in the latter market value were \$3.7 million of Freddie Mac exposure and \$25.5 million of perpetual preferred stock in primary broker-dealers, all of which was rated investment grade. In the trailing quarter, the unrealized mark-to-market loss on these securities had been reflected as a reduction to stockholders ' equity through other comprehensive income.

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

Note 4. Loans, net

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

(dollars in thousands)	June 30, 2008		December 31, 2007	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans:				
Multi-family	\$14,727,208	70.36%	\$14,052,298	69.00%
Commercial real estate	4,092,932	19.55	3,828,334	18.80
Construction	906,884	4.33	1,138,851	5.59
1-4 family	279,832	1.34	380,824	1.87
Total mortgage loans	20,006,856	95.58	19,400,307	95.26
Net deferred loan origination fees	(1,818)		(1,512)	
Unearned discount	(4,388)			
Mortgage loans, net	20,000,650		19,398,795	
Other loans:				
Commercial and industrial	737,809		705,810	
Consumer	184,595		255,055	
Auto leases, net of unearned income	2,922		4,340	
Total other loans	925,326	4.42	965,205	4.74
Net deferred loan origination fees	(691)		(752)	
Total other loans, net	924,635		964,453	
Less: Allowance for loan losses	92,858		92,794	
Loans, net	\$20,832,427	100.00%	\$20,270,454	100.00%

The following table provides a summary of the allowance for loan losses at the dates indicated:

(dollars in thousands)	At or For the Six Months Ended June 30, 2008	At or For the Year Ended December 31, 2007
Allowance for Loan Losses:		
Balance at beginning of period	\$92,794	\$85,389
Provision for loan losses	1,700	
Allowance acquired in business combinations		7,836
Charge-offs	(1,636)	(431)
Balance at end of period	\$92,858	\$92,794

During the three months ended March 31, 2008, the Company securitized \$71.3 million of the one- to four-family loans that had been acquired in the acquisition of Synergy Financial Group, Inc. (Synergy) in the fourth quarter of 2007, in accordance with SFAS No. 140, Accounting for

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Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The resultant securities were recorded in the held-to-maturity securities portfolio. In connection with the securitization, the Company also recorded a \$502,000 mortgage servicing right asset which is being amortized over a period of seven years.

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Note 5. Borrowed Funds

The following table provides a summary of the Company's borrowed funds at the dates indicated:

(in thousands)	June 30, 2008	December 31, 2007
FHLB-NY advances	\$ 8,126,497	\$ 7,782,390
Repurchase agreements	4,223,838	