

NEW YORK COMMUNITY BANCORP INC
Form 10-Q
May 11, 2009
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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 March 31, 2009

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 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 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

345,208,226

Number of shares of common stock outstanding at

May 6, 2009

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(in thousands, except share data)

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Cash and cash equivalents	\$ 167,281	\$ 203,216
Securities available for sale:		
Mortgage-related (\$798,845 and \$811,152 pledged, respectively)	814,112	833,684
Other securities (\$77,063 and \$78,847 pledged, respectively)	156,680	176,818
Total available-for-sale securities	970,792	1,010,502
Securities held to maturity:		
Mortgage-related (\$2,983,965 and \$3,131,098 pledged, respectively)		
(fair value of \$3,079,533 and \$3,199,414, respectively)	3,017,364	3,164,856
Other securities (\$1,354,689 and \$1,359,912 pledged, respectively)		
(fair value of \$1,642,920 and \$1,628,387, respectively)	1,766,344	1,726,135
Total held-to-maturity securities	4,783,708	4,890,991
Total securities	5,754,500	5,901,493
Loans, net of deferred loan fees and costs	22,293,413	22,192,212
Less: Allowance for loan losses	(95,302)	(94,368)
Loans, net	22,198,111	22,097,844
Federal Home Loan Bank of New York (FHLB-NY) stock, at cost	416,724	400,979
Premises and equipment, net	213,395	217,762
Goodwill	2,436,401	2,436,401
Core deposit intangibles, net	82,093	87,780
Bank-owned life insurance	695,396	691,429
Other assets	438,651	430,002
Total assets	\$ 32,402,552	\$ 32,466,906
Liabilities and Stockholders Equity		
Deposits:		
NOW and money market accounts	\$ 3,615,300	\$ 3,818,952
Savings accounts	2,630,724	2,629,168
Certificates of deposit	6,778,509	6,796,971
Non-interest-bearing accounts	1,068,210	1,047,363
Total deposits	14,092,743	14,292,454
Borrowed funds:		
FHLB-NY advances	8,057,946	7,708,064
Repurchase agreements	4,275,000	4,485,000

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Federal funds purchased	220,000	150,000
Junior subordinated debentures	484,102	484,216
Other borrowings	669,459	669,430
Total borrowed funds	13,706,507	13,496,710
Mortgagors escrow	159,521	83,194
Other liabilities	207,895	375,302
Total liabilities	28,166,666	28,247,660
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; 344,985,111 shares issued; 344,946,651 and 344,985,111 shares outstanding at the respective dates)	3,450	3,450
Paid-in capital in excess of par	4,186,602	4,181,599
Retained earnings	126,121	123,511
Treasury stock (38,460 and 0 shares at the respective dates)	(467)	
Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(1,734)	(1,995)
Accumulated other comprehensive loss, net of tax:		
Net unrealized loss on available-for-sale securities, net of tax	(24,633)	(32,506)
Net unrealized loss on securities transferred from available for sale to held to maturity, net of tax	(4,549)	(4,706)
Net unrealized loss on pension and post-retirement obligations, net of tax	(48,904)	(50,107)
Total accumulated other comprehensive loss, net of tax	(78,086)	(87,319)
Total stockholders' equity	4,235,886	4,219,246
Total liabilities and stockholders' equity	\$ 32,402,552	\$ 32,466,906

See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended March 31,	
	2009	2008
Interest Income:		
Mortgage and other loans	\$ 321,717	\$ 312,988
Securities	78,383	86,974
Money market investments	6	2,362
Total interest income	400,106	402,324
Interest Expense:		
NOW and money market accounts	7,563	14,168
Savings accounts	4,181	5,979
Certificates of deposit	52,723	76,574
Borrowed funds	128,689	144,118
Mortgagors escrow	35	26
Total interest expense	193,191	240,865
Net interest income	206,915	161,459
Provision for loan losses	6,000	
Net interest income after provision for loan losses	200,915	161,459
Non-interest Income:		
Fee income	9,291	10,584
Bank-owned life insurance	6,840	6,745
Gain on debt repurchases		926
Other	6,045	10,242
Total non-interest income	22,176	28,497
Non-interest Expense:		
Operating expenses:		
Compensation and benefits	42,422	43,066
Occupancy and equipment	18,736	17,710
General and administrative	22,753	18,042
Total operating expenses	83,911	78,818
Amortization of core deposit intangibles	5,687	6,032
Total non-interest expense	89,598	84,850
Income before income taxes	133,493	105,106

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Income tax expense	44,804	32,735
Net Income	\$ 88,689	\$ 72,371
Other comprehensive income, net of tax:		
Change in net unrealized gain (losses) on securities	8,030	(11,552)
Change in pension and post-retirement obligations	1,203	101
Total comprehensive income, net of tax	\$ 97,922	\$ 60,920
Basic earnings per share	\$ 0.26	\$ 0.22
Diluted earnings per share	\$ 0.26	\$ 0.22

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)

	Three Months Ended March 31, 2009
Common Stock (Par Value: \$0.01):	
Balance at end of period	\$ 3,450
Paid-in Capital in Excess of Par:	
Balance at beginning of year	4,181,599
Allocation of ESOP stock	698
Restricted stock activity	2,396
Exercise of stock options	22
Tax effect of stock plans	1,887
Balance at end of period	4,186,602
Retained Earnings:	
Balance at beginning of year	123,511
Net income	88,689
Dividends paid on common stock (\$0.25 per share)	(86,079)
Balance at end of period	126,121
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (51,380 shares)	(624)
Exercise of stock options (2,320 shares)	28
Shares issued for restricted stock grants (10,600 shares)	129
Balance at end of period	(467)
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	(1,995)
Earned portion of ESOP	261
Balance at end of period	(1,734)
Accumulated Other Comprehensive Loss, Net of Tax:	
Balance at beginning of year	(87,319)
Change in net unrealized loss on securities available for sale, net of tax of \$(5,034)	7,873
Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of \$(104)	157
Change in pension and post-retirement obligations, net of tax of \$(769)	1,203
Balance at end of period	(78,086)
Total stockholders' equity at end of period	\$ 4,235,886

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See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2009	2008
Cash Flows from Operating Activities:		
Net income	\$ 88,689	\$ 72,371
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	6,000	
Depreciation and amortization	5,024	5,040
Accretion of discounts, net	(532)	(2,995)
Net change in net deferred loan origination costs and fees	(322)	4,827
Amortization of core deposit intangibles	5,687	6,032
Net gain on sale of loans	(108)	(64)
Stock plan-related compensation	3,485	3,138
Changes in assets and liabilities:		
(Increase) decrease in deferred tax asset, net	(2,879)	2,481
Increase in other assets	(15,602)	(2,107)
Decrease in other liabilities	(165,410)	(17,767)
Origination of loans held for sale	(17,661)	(11,409)
Proceeds from sale of loans originated for sale	15,446	8,043
Net cash (used in) provided by operating activities	(78,183)	67,590
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	929,929	1,074,790
Proceeds from repayment of securities available for sale	52,966	111,785
Purchase of securities held to maturity	(822,245)	(1,100,611)
Purchase of securities available for sale		(5,250)
Net (purchase) redemption of FHLB-NY stock	(15,745)	2,880
Net increase in loans	(103,622)	(194,952)
Purchase of loans		(45,500)
Proceeds from sale of loans		25,035
Purchase of premises and equipment, net	(657)	(2,450)
Net cash provided by (used in) investing activities	40,626	(134,273)
Cash Flows from Financing Activities:		
Net (decrease) increase in deposits	(199,711)	361,583
Net increase in short-term borrowings	159,900	
Net increase (decrease) in long-term borrowings	49,897	(75,430)
Net increase in mortgagors escrow	76,327	73,740
Tax effect of stock plans	1,887	277
Cash dividends paid on common stock	(86,079)	(80,927)
Treasury stock purchases	(624)	(12)
Net cash received from stock option exercises	25	3,960
Net cash provided by financing activities	1,622	283,191

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Net (decrease) increase in cash and cash equivalents	(35,935)	216,508
Cash and cash equivalents at beginning of period	203,216	335,743
Cash and cash equivalents at end of period	\$ 167,281	\$ 552,251
Supplemental information:		
Cash paid for interest	\$ 190,489	\$ 246,260
Cash paid for income taxes	66,053	139
Non-cash investing activities:		
Mortgage loans securitized and transferred to mortgage-related securities available for sale	\$	\$ 71,307
Transfer to other real estate owned from loans	561	
See accompanying notes to the unaudited consolidated financial statements.		

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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 months ended March 31, 2009 are not necessarily indicative of the results of operations that may be expected for all of 2009.

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 2008 Annual Report on Form 10-K.

Note 2. Stock-based Compensation

At March 31, 2009, the Company had 6,340,309 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 30,000 shares of restricted stock in the three months ended March 31, 2009, with an average fair value of \$12.47 per share on the date of grant and a vesting period of five years. Compensation and benefits expense related to restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled \$2.5 million and \$1.7 million for the three months ended March 31, 2009 and 2008, respectively.

A summary of activity with regard to restricted stock awards in the three months ended March 31, 2009 is presented in the following table:

	For the Three Months Ended March 31, 2009	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2009	2,346,345	\$ 14.95
Granted	30,000	12.47
Vested	(157,400)	15.12
Forfeited	(15,650)	13.11
Unvested at March 31, 2009	2,203,295	14.92

As of March 31, 2009, unrecognized compensation cost relating to unvested restricted stock totaled \$26.4 million. This amount will be recognized over a remaining weighted average period of 3.6 years.

In addition, the Company had eleven stock option plans at March 31, 2009: 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 T R Financial Corp. 1993 Incentive Stock Option Plan; the Roslyn Bancorp, Inc. 1997 and 2001 Stock-based Incentive Plans; the 1998 Long Island Financial Corp. Stock Option Plan; and the 2003 and 2004 Synergy Financial Group, Inc. Stock Option Plans (all eleven plans

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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.

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In connection with its adoption of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payment on January 1, 2006, and using the modified prospective approach, the Company recognizes compensation costs related to share-based payments at fair value on the date of grant, and recognizes such costs 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 2008 or the three months ended March 31, 2009, the Company did not record any compensation and benefits expense relating to stock options during these periods.

Generally, the Company issues new shares of common stock to satisfy the exercise of options. The Company may also use common stock held in Treasury to satisfy the exercise of options. In such event, 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 March 31, 2009, there were 13,465,311 stock options outstanding. The number of shares available for future issuance under the Stock Option Plans was 800 at March 31, 2009.

The status of the Company's Stock Option Plans at March 31, 2009 and the changes that occurred during the three months ended at that date are summarized in the following table:

	For the Three Months Ended March 31, 2009	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding and exercisable at January 1, 2009	13,702,712	\$ 15.50
Exercised	(2,320)	10.78
Forfeited	(235,081)	15.25
Stock options outstanding and exercisable at March 31, 2009	13,465,311	15.51

Total stock options outstanding and exercisable at March 31, 2009 had a weighted average remaining contractual life of 2.99 years, a weighted average exercise price of \$15.51 per share, and an aggregate intrinsic value of \$1.4 million. The intrinsic values of options exercised during the three months ended March 31, 2009 and 2008 were \$1,000 and \$2.2 million, respectively.

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

(in thousands)	March 31, 2009		December 31, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-related securities:				
GSE ⁽¹⁾ certificates	\$ 273,575	\$ 288,786	\$ 282,441	\$ 294,956
GSE CMOs ⁽²⁾	2,737,152	2,784,110	2,875,878	2,897,921
Other mortgage-related securities	6,637	6,637	6,537	6,537
Total mortgage-related securities	\$ 3,017,364	\$ 3,079,533	\$ 3,164,856	\$ 3,199,414
Other securities:				
GSE debentures	\$ 1,412,787	\$ 1,416,184	\$ 1,372,593	\$ 1,376,167
Corporate bonds	133,170	102,304	133,165	106,757
Capital trust notes	220,387	124,432	220,377	145,463
Total other securities	\$ 1,766,344	\$ 1,642,920	\$ 1,726,135	\$ 1,628,387
Total securities held to maturity	\$ 4,783,708	\$ 4,722,453	\$ 4,890,991	\$ 4,827,801

(1) Government-sponsored enterprises

(2) Collateralized mortgage obligations

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

(in thousands)	March 31, 2009		December 31, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-related securities:				
GSE certificates	\$ 173,861	\$ 180,601	\$ 180,132	\$ 185,292
GSE CMOs	496,494	507,804	519,389	528,962
Private label CMOs	128,739	125,707	139,332	119,430
Total mortgage-related securities	\$ 799,094	\$ 814,112	\$ 838,853	\$ 833,684
Other securities:				
GSE debentures	\$ 57,809	\$ 60,052	\$ 59,478	\$ 61,959
Corporate bonds	44,811	26,173	44,812	28,203
State, county, and municipal	6,529	6,145	6,528	6,141
Capital trust notes	30,339	20,662	30,339	20,413
Preferred stock	31,400	14,237	31,400	17,540
Common stock	42,199	29,411	53,343	42,562
Total other securities	\$ 213,087	\$ 156,680	\$ 225,900	\$ 176,818
Total securities available for sale	\$ 1,012,181	\$ 970,792	\$ 1,064,753	\$ 1,010,502

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The following tables present held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months or for twelve months or longer as of March 31, 2009 and December 31, 2008:

At March 31, 2009 (in thousands)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	\$ 151,504	\$ 1,017	\$	\$	\$ 151,504	\$ 1,017
GSE CMOs	167,139	1,054	275,323	7,352	442,462	8,406
Corporate bonds	65,047	12,584	14,709	19,020	79,756	31,604
Capital trust notes	43,909	17,401	69,318	79,064	113,227	96,465
Total temporarily impaired held-to-maturity debt securities	\$ 427,599	\$ 32,056	\$ 359,350	\$ 105,436	\$ 786,949	\$ 137,492
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
Private label CMOs	\$	\$	\$ 69,529	\$ 4,106	\$ 69,529	\$ 4,106
Corporate bonds	20,101	4,963	6,072	13,675	26,173	18,638
State, county, and municipal	1,227	188	4,918	196	6,145	384
Capital trust notes	10,276	7,524	7,162	2,177	17,438	9,701
Total temporarily impaired available-for-sale debt securities	\$ 31,604	\$ 12,675	\$ 87,681	\$ 20,154	\$ 119,285	\$ 32,829
Equity securities	11,580	11,370	19,283	19,080	30,863	30,450
Total temporarily impaired available-for-sale securities	\$ 43,184	\$ 24,045	\$ 106,964	\$ 39,234	\$ 150,148	\$ 63,279

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At December 31, 2008	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(in thousands)						
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE CMOs	\$ 10,223	\$ 279	\$ 637,364	\$ 18,622	\$ 647,587	\$ 18,901
Corporate bonds	71,224	20,080	5,350	6,481	76,574	26,561
Capital trust notes	69,478	15,405	75,985	59,509	145,463	74,914
Total temporarily impaired held-to-maturity debt securities	\$ 150,925	\$ 35,764	\$ 718,699	\$ 84,612	\$ 869,624	\$ 120,376