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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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 ☒ 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, smaller reporting company or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	☒	Accelerated filer	☐
Non-Accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

489,054,449

Number of shares of common stock
outstanding at November 6, 2017

NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended September 30, 2017

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NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(in thousands, except share data)

	September 30, 2017 (unaudited)	December 31, 2016
Assets:		
Cash and cash equivalents	$ 3,277,427	$ 557,850
Securities:		
Available-for-sale ($1,162,014 pledged at September 30, 2017)	3,031,026	104,281
Held-to-maturity ($1,930,533 pledged and fair value of $3,813,959 at December 31, 2016)	—	3,712,776
Total securities	3,031,026	3,817,057
Loans held for sale	104,938	409,152
Non-covered loans held for investment, net of deferred loan fees and costs	37,506,199	37,382,722
Less: Allowance for losses on non-covered loans	(158,918)	(158,290)
Non-covered loans held for investment, net	37,347,281	37,224,432
Covered loans	—	1,698,133
Less: Allowance for losses on covered loans	—	(23,701)
Covered loans, net	—	1,674,432
Total loans, net	37,452,219	39,308,016
Federal Home Loan Bank stock, at cost	579,474	590,934
Premises and equipment, net	375,482	373,675
FDIC loss share receivable	—	243,686
Goodwill	2,436,131	2,436,131
Core deposit intangibles	—	208
Bank-owned life insurance	961,412	949,026
Other assets (includes $16,990 of other real estate owned covered by Loss Share Agreements at December 31, 2016)	344,720	649,972
Total assets	$ 48,457,891	$48,926,555
Liabilities and Stockholders' Equity:		
Deposits:		
Interest-bearing checking and money market accounts	$ 12,338,949	$13,395,080
Savings accounts	4,996,578	5,280,374
Certificates of deposit	8,802,573	7,577,170
Non-interest-bearing accounts	2,755,097	2,635,279
Total deposits	28,893,197	28,887,903
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	11,554,500	11,664,500
Repurchase agreements	450,000	1,500,000
Federal funds purchased	—	150,000
Total wholesale borrowings	12,004,500	13,314,500
Junior subordinated debentures	359,102	358,879
Total borrowed funds	12,363,602	13,673,379
Other liabilities	441,438	241,282
Total liabilities	41,698,237	42,802,564
Stockholders' equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized): Series A (515,000 shares issued and outstanding)	502,840	—
Common stock at par $0.01 (900,000,000 shares authorized; 489,072,101 and 487,067,889 shares issued; and 489,061,848 and 487,056,676 shares outstanding, respectively)	4,891	4,871
Paid-in capital in excess of par	6,063,813	6,047,558
Retained earnings	192,607	128,435
Treasury stock, at cost (10,253 and 11,213 shares, respectively)	(130)	(160)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain (loss) on securities available for sale, net of tax of $34,189 and $534, respectively	47,917	(753)
Net unrealized loss on the non-credit portion of other-than-temporary impairment ("OTTI") losses on securities, net of tax of $3,338 and $3,351, respectively	(5,221)	(5,241)
Net unrealized loss on pension and post-retirement obligations, net of tax of $31,744 and $34,355, respectively	(47,063)	(50,719)
Total accumulated other comprehensive loss, net of tax	(4,367)	(56,713)
Total stockholders' equity	6,759,654	6,123,991
Total liabilities and stockholders' equity	$ 48,457,891	$48,926,555

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest Income:				
Mortgage and other loans	$350,990	$367,932	$1,070,722	$1,099,137
Securities and money market investments	42,685	48,164	121,147	160,384
Total interest income	393,675	416,096	1,191,869	1,259,521
Interest Expense:				
Interest-bearing checking and money market accounts	27,620	15,866	71,413	45,771
Savings accounts	7,109	7,439	21,069	25,001
Certificates of deposit	27,649	20,501	73,786	55,129
Borrowed funds	54,954	53,867	166,572	161,758
Total interest expense	117,332	97,673	332,840	287,659
Net interest income	276,343	318,423	859,029	971,862
Provision for losses on non-covered loans	44,585	1,234	58,017	6,699
Recovery of losses on covered loans	—	(1,289)	(23,701)	(6,035)
Net interest income after provision for (recovery of) loan losses	231,758	318,478	824,713	971,198
Non-Interest Income:				
Mortgage banking income	1,486	12,925	19,446	24,020
Fee income	7,972	8,640	23,983	24,480
Bank-owned life insurance	8,314	7,029	21,170	23,208
Net (loss) gain on sales of loans	(76)	3,465	1,055	15,118
Net gain on sales of securities	—	237	28,915	413
FDIC indemnification expense	—	(1,031)	(18,961)	(4,828)
Gain on sale of covered loans and mortgage banking operations	82,026	—	82,026	—
Other	9,206	9,330	33,903	30,787
Total non-interest income	108,928	40,595	191,537	113,198
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	91,594	86,079	280,008	261,230
Occupancy and equipment	25,133	24,347	73,595	73,837
General and administrative	45,483	48,506	139,131	139,309
Total operating expenses	162,210	158,932	492,734	474,376
Amortization of core deposit intangibles	24	542	208	1,994
Merger-related expenses	—	2,211	—	4,674
Total non-interest expense	162,234	161,685	492,942	481,044
Income before income taxes	178,452	197,388	523,308	603,352
Income tax expense	67,984	72,089	193,628	221,684
Net income	$110,468	$125,299	$ 329,680	$ 381,668
Preferred stock dividends	8,207	—	16,414	—
Net income available to common shareholders	$102,261	$125,299	$ 313,266	$ 381,668
Basic earnings per common share	$0.21	$0.26	$0.64	$0.78
Diluted earnings per common share	$0.21	$0.26	$0.64	$0.78
Net income	$110,468	$125,299	$ 329,680	$ 381,668
Other comprehensive (loss) income, net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of $3,049; $396; $35,493; and $1,186, respectively	(4,285)	(558)	49,748	1,684
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $0; $12; $13; and $36, respectively	—	19	20	57
Change in pension and post-retirement obligations, net of tax of $870; $946; $2,611 and $2,837, respectively	1,219	1,336	3,656	4,007
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $770	—	—	(1,078)	—
Total other comprehensive (loss) income, net of tax	(3,066)	797	52,346	5,748
Total comprehensive income, net of tax	$107,402	$126,096	$ 382,026	$ 387,416

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	For the Nine Months Ended September 30, 2017
Preferred Stock (Par Value: $0.01):	
Balance at beginning of year	$ —
Issuance of preferred stock (515,000 shares)	502,840
Balance at end of period	502,840
Common Stock (Par Value: $0.01):	
Balance at beginning of year	4,871
Shares issued for restricted stock awards (2,004,212 shares)	20
Balance at end of period	4,891
Paid-in Capital in Excess of Par:	
Balance at beginning of year	6,047,558
Shares issued for restricted stock awards, net of forfeitures	(11,028)
Compensation expense related to restricted stock awards	27,283
Balance at end of period	6,063,813
Retained Earnings:	
Balance at beginning of year	128,435
Net income	329,680
Dividends paid on common stock ($0.51 per share)	(249,094)
Dividends paid on preferred stock ($31.88 per share)	(16,414)
Balance at end of period	192,607
Treasury Stock:	
Balance at beginning of year	(160)
Purchase of common stock (712,877 shares)	(10,978)
Shares issued for restricted stock awards (713,837 shares)	11,008
Balance at end of period	(130)
Accumulated Other Comprehensive Loss, Net of Tax:	
Balance at beginning of year	(56,713)
Other comprehensive income, net of tax	52,346
Balance at end of period	(4,367)
Total stockholders' equity	$ 6,759,654

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,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	$ 329,680	$ 381,668
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	34,316	664
Depreciation and amortization	24,915	24,603
Amortization of discounts and premiums, net	(3,381)	(25,114)
Amortization of core deposit intangibles	208	1,994
Net gain on sales of securities	(28,915)	(413)
Net gain on sales of loans	(87,200)	(49,809)
Stock-based compensation	27,283	24,611
Deferred tax (benefit) expense	(12,324)	37,569
Changes in operating assets and liabilities:		
Decrease in other assets	536,552	353,403
Increase (decrease) in other liabilities	181,400	(11,608)
Origination of loans held for sale	(1,623,848)	(3,579,435)
Proceeds from sales of loans originated for sale	1,936,162	3,237,704
Net cash provided by operating activities	1,314,848	395,837
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	175,375	2,356,766
Proceeds from repayment of securities available for sale	336,429	50,010
Proceeds from sales of securities held to maturity	547,925	—
Proceeds from sales of securities available for sale	246,209	264,413
Purchases of securities held to maturity	(13,030)	(10,086)
Purchase of securities available for sale	(390,932)	(271,836)
Redemption of Federal Home Loan Bank stock	79,254	463,623
Purchase of Federal Home Loan Bank stock	(67,794)	(386,007)
Proceeds from sales of loans	2,260,687	1,354,796
Other changes in loans, net	(664,320)	(2,623,161)
Purchase of premises and equipment, net	(26,722)	(69,665)
Net cash provided by investing activities	2,483,081	1,128,853
Cash Flows from Financing Activities:		
Net increase in deposits	5,294	712,841
Net decrease in short-term borrowed funds	(460,000)	(1,927,800)
(Repayments of) proceeds from long-term borrowed funds	(850,000)	181,000
Net proceeds from issuance of preferred stock	502,840	—
Cash dividends paid on common stock	(249,094)	(248,081)
Cash dividends paid on preferred stock	(16,414)	—
Payments relating to treasury shares received for restricted stock award tax payments	(10,978)	(8,542)
Net cash used in financing activities	(1,078,352)	(1,290,582)
Net increase in cash and cash equivalents	2,719,577	234,108
Cash and cash equivalents at beginning of period	557,850	537,674
Cash and cash equivalents at end of period	$ 3,277,427	$ 771,782
Supplemental information:		
Cash paid for interest	$ 330,182	$ 283,418
Cash paid for income taxes	110,651	135,192
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	$ 9,558	$ 18,691
Transfer of loans from held for investment to held for sale	1,881,532	1,339,679
Shares issued for restricted stock awards	11,028	8,985
Securities transferred from held to maturity to available for sale	3,040,305	—

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

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"). 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, which was formerly known as Queens County Bancorp, Inc. 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 ($0.93 per share on a split-adjusted basis, reflecting the impact of nine stock splits between 1994 and 2004). The Commercial Bank was established on December 30, 2005.

Reflecting its growth through acquisitions, the Community Bank currently operates 225 branches, two of which operate directly under the Community Bank name. The remaining 223 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 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 evaluation of goodwill for impairment; and the evaluation of the need for a valuation allowance on the Company's deferred tax assets.

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

Note 2. Computation of Earnings per Common Share

Basic earnings per common share ("EPS") is computed by dividing the net income available to common shareholders 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 paid on the Company's common stock 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 on the common stock. The Company grants restricted stock to certain employees under its stock-based compensation plan. 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:

(in thousands, except share and per share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income available to common shareholders	$ 102,261	$ 125,299	$ 313,266	$ 381,668
Less: Dividends paid on and earnings allocated to participating securities	(823)	(973)	(2,512)	(2,928)
Earnings applicable to common stock	$ 101,438	$ 124,326	$ 310,754	$ 378,740
Weighted average common shares outstanding	487,274,303	485,352,998	487,025,614	485,087,197
Basic earnings per common share	$ 0.21	$ 0.26	$ 0.64	$ 0.78
Earnings applicable to common stock	$ 101,438	$ 124,326	$ 310,754	$ 378,740
Weighted average common shares outstanding	487,274,303	485,352,998	487,025,614	485,087,197
Potential dilutive common shares (1)	—	—	—	—
Total shares for diluted earnings per share computation	487,274,303	485,352,998	487,025,614	485,087,197
Diluted earnings per common share and common share equivalents	$ 0.21	$ 0.26	$ 0.64	$ 0.78

(1) At September 30, 2017 and 2016, there were no stock options outstanding.

Note 3. Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)

Details about Accumulated Other Comprehensive Loss	For the Nine Months Ended September 30, 2017: Amount Reclassified from Accumulated Other Comprehensive Loss (1)	Affected Line Item in the Consolidated Statement of Operations and Comprehensive Income
Unrealized gains on available-for-sale securities	$ 1,848	Net gain on sales of securities
	(770)	Income tax expense
	$ 1,078	Net gain on sales of securities, net of tax
Amortization of defined benefit pension plan items:		
Past service liability	$ 187	Included in the computation of net periodic (credit) expense (2)
Actuarial losses	(6,363)	Included in the computation of net periodic (credit) expense (2)
	(6,176)	Total before tax
	2,574	Tax benefit
	$ (3,602)	Amortization of defined benefit pension plan items, net of tax
Total reclassifications for the period	$ (2,524)	

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

Note 4. Securities

The following tables summarize the Company's portfolio of securities available for sale at the dates indicated:

(in thousands)	September 30, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE (1) certificates	$1,904,431	$ 57,138	$ 1,217	$1,960,352
GSE CMOs (2)	530,365	19,812	—	550,177
Total mortgage-related securities	$2,434,796	$ 76,950	$ 1,217	$2,510,529
Other Securities:				
U. S. Treasury obligations	$ 199,838	$ 37	$ —	$ 199,875
GSE debentures	88,242	2,592	—	90,834
Corporate bonds	74,580	11,557	—	86,137
Municipal bonds	71,079	137	849	70,367
Capital trust notes	48,217	3,489	10,939	40,767
Preferred stock	15,293	46	—	15,339
Mutual funds and common stock (3)	16,874	488	184	17,178
Total other securities	$ 514,123	$ 18,346	$ 11,972	$ 520,497
Total securities available for sale (4)	$2,948,919	$ 95,296	$ 13,189	$3,031,026

(1) Government-sponsored enterprise.
(2) Collateralized mortgage obligations.
(3) Primarily consists of mutual funds that are Community Reinvestment Act-qualified investments.
(4) The amortized cost includes the non-credit portion of other-than-temporary impairment ("OTTI") recorded in accumulated other comprehensive loss ("AOCL"). At September 30, 2017, the non-credit portion of OTTI recorded in AOCL was $8.6 million (before taxes).

(in thousands)	December 31, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 7,786	$ —	$ 460	$ 7,326
Other Securities:				
Municipal bonds	$ 583	$ 48	$ —	$ 631
Capital trust notes	9,458	2	2,217	7,243
Preferred stock	70,866	1,446	328	71,984
Mutual funds and common stock	16,874	484	261	17,097
Total other securities	$ 97,781	$ 1,980	$ 2,806	$ 96,955
Total securities available for sale	$105,567	$ 1,980	$ 3,266	$104,281

The following table summarizes the Company's portfolio of securities held to maturity at December 31, 2016:

(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$2,193,489	$2,193,489	$ 64,431	$ 2,399	$2,255,521
GSE CMOs	1,019,074	1,019,074	36,895	57	1,055,912
Total mortgage-related securities	$3,212,563	$3,212,563	$101,326	$ 2,456	$3,311,433
Other Securities:					
U. S. Treasury obligations	$ 200,293	$ 200,293	$ —	$ 73	$ 200,220
GSE debentures	88,457	88,457	3,836	—	92,293
Corporate bonds	74,217	74,217	9,549	—	83,766
Municipal bonds	71,554	71,554	—	1,789	69,765
Capital trust notes	74,284	65,692	2,662	11,872	56,482
Total other securities	$ 508,805	$ 500,213	$ 16,047	$ 13,734	$ 502,526
Total securities held to maturity (1)	$3,721,368	$3,712,776	$117,373	$ 16,190	$3,813,959

(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, 2016, the non-credit portion of OTTI recorded in AOCL was $8.6 million (before taxes).

At September 30, 2017 and December 31, 2016, respectively, the Company had $579.5 million and $590.9 million of FHLB-NY stock, at cost. The Company is required to maintain an investment in FHLB-NY stock in order to have access to the funding it provides.

The following table summarizes the gross proceeds and gross realized gains from the sale of available-for-sale securities during the periods indicated:

(in thousands)	For the Nine Months Ended September 30, 2017	2016
Gross proceeds	$ 246,209	$ 264,413
Gross realized gains	1,986	413

In addition, during the nine months ended September 30, 2017, the Company sought to take advantage of favorable bond market conditions and sold held-to-maturity securities with an amortized cost of $521.0 million resulting in gross proceeds of $547.9 million including a gross realized gain of $26.9 million. Accordingly, the Company transferred the remaining $3.0 billion of held-to-maturity securities to available-for-sale with a net unrealized gain of $82.8 million classified in other comprehensive loss in the Consolidated Statements of Condition. Having our securities portfolio classified as available-for-sale improves the Company's interest rate risk sensitivity and liquidity measures and provides the Company with more options in meeting the expected future Liquidity Coverage Ratio ("LCR") requirements.

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2017. 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, 2017
Beginning credit loss amount as of December 31, 2016		$ 197,552
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	—
	Increase in cash flows on debt securities	126
Ending credit loss amount as of September 30, 2017		$ 197,426

The following table summarizes, by contractual maturity, the amortized cost of available-for-sale securities at September 30, 2017:

(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield (1)	Other Debt Securities (2)	Average Yield	Fair Value
Available-for-Sale Securities: (3)									
Due within one year	$ —	%	$ 259,207	1.82%	$ 150	6.47%	$ —	—%	$ 260,064
Due from one to five years	1,101,945	3.13	6,950	3.84	438	6.59	48,351	3.51	1,192,831
Due from five to ten years	1,152,156	3.33	21,923	3.52	—	—	26,228	9.06	1,251,712
Due after ten years	180,695	3.01	—	—	70,491	2.88	48,218	3.70	293,902
Total securities available for sale	$2,434,796	3.21%	$ 288,080	2.00%	$ 71,079	2.91%	$ 122,797	4.77%	$2,998,509

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

(2) Includes corporate bonds and capital trust notes.

(3) As equity securities have no contractual maturity, they have been excluded from this table.

The following table presents 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, 2017:

	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 Available-for-Sale Securities:						
GSE certificates	$197,953	$ 662	$ 18,195	$ 555	$216,148	$ 1,217
U. S. Treasury obligations	—	—	—	—	—	—
Municipal bonds	52,715	849	—	—	52,715	849
Capital trust notes	—	—	32,787	10,939	32,787	10,939
Equity securities	11,621	184	—	—	11,621	184
Total temporarily impaired available-for-sale securities	$262,289	$ 1,695	$ 50,982	$ 11,494	$313,271	$ 13,189

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, 2016:

	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 Securities:						
GSE certificates	$268,891	$ 2,399	$ —	$ —	$268,891	$ 2,399
GSE CMOs	42,980	57	—	—	42,980	57
U. S. Treasury obligations	200,220	73	—	—	200,220	73
Municipal bonds	69,765	1,789	—	—	69,765	1,789
Capital trust notes	—	—	24,364	11,872	24,364	11,872
Total temporarily impaired held-to-maturity securities	$581,856	$ 4,318	$ 24,364	$ 11,872	$606,220	$ 16,190
Temporarily Impaired Available-for-Sale Securities:						
GSE certificates	$ 7,326	$ 460	$ —	$ —	$ 7,326	$ 460
Capital trust notes	—	—	5,241	2,217	5,241	2,217
Equity securities	29,059	589	—	—	29,059	589
Total temporarily impaired available-for-sale securities	$ 36,385	$ 1,049	$ 5,241	$ 2,217	$ 41,626	$ 3,266

An OTTI loss on impaired debt 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 of impairment relating to factors other than credit losses are recorded in AOCL.

At September 30, 2017, the Company had unrealized losses on certain GSE mortgage-related securities, municipal bonds, capital trust notes, and equity securities. The unrealized losses on the Company’s GSE mortgage-related securities, municipal bonds, and capital trust notes at September 30, 2017 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. These securities are not expected to be settled at a price that is less than the amortized cost of the Company’s investment.

The Company reviews quarterly financial information related to its investments in capital trust notes, as well as other information that is released by each of the issuers of such notes, to determine their continued creditworthiness. 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. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows from these securities and potential OTTI losses in the future. Future events that could trigger material unrecoverable declines in the fair values of the Company’s investments, and thus result in potential OTTI losses, include, but are not limited to, government intervention; deteriorating asset quality and credit metrics; significantly higher levels of default and loan loss provisions; losses in value on the underlying collateral; net operating losses; and illiquidity in the financial markets.

The Company considers a decline in the fair value of equity securities to be other than temporary if the Company does not expect to recover the entire amortized cost basis of the security. The unrealized losses on the Company’s equity securities at September 30, 2017 were caused by market volatility. The Company evaluated the near-term prospects of recovering the fair value of these securities, together with the severity and duration of impairment to date, and determined that they were not other-than-temporarily impaired. Nonetheless, it is possible that these equity securities will perform worse than is currently expected, which could lead to adverse changes in their fair value, or to the failure of the securities to fully recover in value as currently anticipated by management. Either event could cause the Company to record an OTTI loss in a future period. Events that could trigger a material decline in the fair value of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolio of the issuer in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuer.

The investment securities designated as having a continuous loss position for twelve months or more at September 30, 2017 consisted of five capital trust notes and five agency mortgage-related securities. At December 31, 2016 securities designated as having a continuous loss position for twelve months or more consisted of five capital trust notes. At September 30, 2017, the fair value of securities having a continuous loss position for twelve months or more was 18.4% below the collective amortized cost of $62.5 million. At December 31, 2016, the fair value of such securities was 32.2% below the collective amortized cost of $43.7 million. At September 30, 2017 and December 31, 2016, the combined market value of the respective securities represented unrealized losses of $11.5 million and $14.1 million, respectively.

Note 5: Loans

The following table sets forth the composition of the loan portfolio at the dates indicated:

(dollars in thousands)	September 30, 2017 Amount	September 30, 2017 Percent of Non-Covered Loans Held for Investment	December 31, 2016 Amount	December 31, 2016 Percent of Non-Covered Loans Held for Investment
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$27,145,397	72.43%	$26,945,052	72.13%
Commercial real estate	7,550,387	20.14	7,724,362	20.68
One-to-four family	413,235	1.10	381,081	1.02
Acquisition, development, and construction	385,876	1.03	381,194	1.02
Total mortgage loans held for investment	$35,494,895	94.70	$35,431,689	94.85
Other Loans:				
Commercial and industrial	1,404,278	3.75	1,341,216	3.59
Lease financing, net of unearned income of $58,870 and $60,278, respectively	577,865	1.54	559,229	1.50
Total commercial and industrial loans (1)	1,982,143	5.29	1,900,445	5.09
Purchased credit-impaired loans	—	—	5,762	0.01
Other	3,666	0.01	18,305	0.05
Total other loans held for investment	1,985,809	5.30	1,924,512	5.15
Total non-covered loans held for investment	$37,480,704	100.00%	$37,356,201	100.00%
Net deferred loan origination costs	25,495		26,521	
Allowance for losses on non-covered loans	(158,918)		(158,290)	
Non-covered loans held for investment, net	$37,347,281		$37,224,432	
Covered loans	—		1,698,133	
Allowance for losses on covered loans	—		(23,701)	
Covered loans, net	$ —		$ 1,674,432	
Loans held for sale	104,938		409,152	
Total loans, net	$37,452,219		$39,308,016	

(1) Includes specialty finance loans of $1.4 billion at September 30, 2017 and $1.3 billion at December 31, 2016, and other commercial and industrial loans of $545.5 million and $632.9 million, respectively, at September 30, 2017 and December 31, 2016.

Non-Covered Loans

Non-Covered Loans Held for Investment

The 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 with rent-regulated units and below-market rents. In addition, the Company originates commercial real estate ("CRE") loans, most of which are collateralized by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties that are located in New York City and on Long Island.

To a lesser extent, the Company also originates one-to-four family loans, acquisition, development, and construction ("ADC") loans, and commercial and industrial ("C&I") loans, for investment. One-to-four family loans held for investment were originated through the Company's mortgage banking operation and primarily consisted of jumbo prime adjustable rate mortgages made to borrowers with a solid credit history. ADC loans are primarily originated for multi-family and residential tract projects in New York City and on Long Island. C&I loans consist of asset-based loans, equipment loans and leases, and dealer floor-plan loans (together, "specialty finance loans and leases") that generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide; and "other" C&I loans that primarily are made to small and mid-size businesses in Metro New York. "Other" C&I loans are typically made for working capital, business expansion, and the purchase of machinery and equipment.

The repayment of multi-family and CRE loans generally depends on the income produced by the underlying properties which, in turn, depends on their successful operation and management. To mitigate the potential for credit losses, the Company underwrites its loans in accordance with credit standards it considers to be prudent, looking first at the consistency of the cash flows being produced by the underlying property. In addition, multi-family buildings, CRE properties, and ADC projects are inspected as a prerequisite to approval, and independent appraisers, whose appraisals are carefully reviewed by the Company's in-house appraisers, perform appraisals on the collateral properties. In many cases, a second independent appraisal review is performed.

To further manage its credit risk, the Company's lending policies limit the amount of credit granted to any one borrower and typically require conservative debt service coverage ratios and loan-to-value ratios. Nonetheless, 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. Accordingly, there can be no assurance that its underwriting policies will protect the Company from credit-related losses or delinquencies.

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 inspectors or third-party engineers. The Company seeks to minimize the credit risk on ADC loans 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, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, 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. In addition, the Company utilizes the same stringent appraisal process for ADC loans as it does for its multi-family and CRE loans.

To minimize the risk involved in specialty finance lending and leasing, the Company participates in syndicated loans that are brought to it, and equipment loans and leases that are assigned to it, by a select group of nationally recognized sources who have had long-term relationships with its experienced lending officers. Each of these credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancelable lease. To further minimize the risk involved in specialty finance lending and leasing, each transaction is re-underwritten. In addition, outside counsel is retained 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 typically requires personal guarantees. However, the capacity of a borrower to repay such a C&I loan is substantially dependent on the degree to which the 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, 2017 and December 31, 2016, respectively, were loans of $58.7 million and $91.8 million to officers, directors, and their related interests and parties. There were no loans to principal shareholders at either of those dates.

At December 31, 2016, the Company had non-covered purchased credit-impaired ("PCI") loans, with a carrying value of $5.8 million and an unpaid principal balance of $7.0 million at that date. PCI loans had been covered under Loss Share Agreements ("LSA") with the FDIC that expired in March 2015 and had been included in non-covered loans. Such loans were accounted for under Accounting Standards Codification ("ASC") 310-30 and were initially measured at fair value, which included 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. There were no such loans accounted for under ASC 310-30 at September 30, 2017.

Loans Held for Sale

As previously disclosed, on June 27, 2017, the Company entered into an agreement to sell its mortgage banking business, which was acquired as part of its 2009 FDIC-assisted acquisition of AmTrust Bank ("AmTrust") and is reported under the Company's Residential Mortgage Banking segment, to Freedom Mortgage Corporation ("Freedom"). Accordingly, on September 29, 2017, the sale was completed with proceeds received in the amount of $226.6 million, resulting in a gain of $7.4 million, which is included in "Non-interest income" in the accompanying Consolidated Statement of Income and Comprehensive Income. Freedom acquired both the Company's origination and servicing platforms, as well as its mortgage servicing loan portfolio of $20.5 billion and related mortgage servicing rights ("MSRs") asset of $208.8 million.

Additionally, as previously disclosed, the Company received approval from the FDIC to sell assets covered under our LSA, early terminate the LSA, and enter into an agreement to sell the majority of our one-to-four family residential mortgage-related assets, including those covered under the LSA, to an affiliate of Cerberus Capital Management, L.P. ("Cerberus"). On July 28, 2017, the Company completed the sale, resulting in the receipt of proceeds of $1.9 billion from Cerberus and the FDIC and settled the related FDIC loss share receivable, resulting in a gain of $74.6 million which is included in "Non-interest income" in the accompanying Consolidated Statement of Income and Comprehensive Income. Effective October 31, 2017, the Company and the FDIC completed termination of the LSA.

The Community Bank's mortgage banking operations originated, aggregated, sold, and serviced one-to-four family loans. Community banks, credit unions, mortgage companies, and mortgage brokers used its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans nationwide. These loans were generally sold to GSEs, servicing retained. To a much lesser extent, the Community Bank used its mortgage banking platform to originate jumbo loans.

Asset Quality

The following table presents information regarding the quality of the Company's non-covered loans held for investment at September 30, 2017:

(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	$ 602	$ 11,018	$ —	$11,620	$27,133,777	$27,145,397
Commercial real estate	450	4,923	—	5,373	7,545,014	7,550,387
One-to-four family	676	2,179	—	2,855	410,380	413,235
Acquisition, development, and construction	—	6,200	—	6,200	379,676	385,876
Commercial and industrial (1) (2)	3,419	44,640	—	48,059	1,934,084	1,982,143
Other	6	10	—	16	3,650	3,666
Total	$ 5,153	$ 68,970	$ —	$74,123	$37,406,581	$37,480,704

(1) Includes $3.4 million and $43.4 million of taxi medallion-related loans that were 30 to 89 days past due and 90 days or more past due, respectively.
(2) Includes lease financing receivables, all of which were current.

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The following table presents information regarding the quality of the Company's non-covered loans held for investment (excluding non-covered PCI loans) at December 31, 2016:

(in thousands)	Loans 30-89 Days Past Due (1)	Non-Accrual Loans (1)	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 28	$ 13,558	$ —	$13,586	$26,931,466	$26,945,052
Commercial real estate	—	9,297	—	9,297	7,715,065	7,724,362
One-to-four family	2,844	9,679	—	12,523	368,558	381,081
Acquisition, development, and construction	—	6,200	—	6,200	374,994	381,194
Commercial and industrial (2) (3)	7,263	16,422	—	23,685	1,876,760	1,900,445
Other	248	1,313	—	1,561	16,744	18,305
Total	$ 10,383	$ 56,469	$ —	$66,852	$37,283,587	$37,350,439

(1) Excludes $6 thousand and $869 thousand of non-covered PCI loans that were 30 to 89 days past due and 90 days or more past due, respectively.
(2) Includes lease financing receivables, all of which were current.
(3) Includes $6.8 million and $15.2 million of taxi medallion loans that were 30 to 89 days past due and 90 days or more past due, respectively.

The following table summarizes the Company's portfolio of non-covered loans held for investment by credit quality indicator at September 30, 2017:

	Mortgage Loans					Other Loans		
(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 Loans
Credit Quality Indicator:								
Pass	$27,059,736	$7,521,387	$ 411,056	$ 320,081	$35,312,260	$1,882,662	$3,656	$1,886,318
Special mention	27,884	10,724	—	50,043	88,651	47,628	—	47,628
Substandard	57,777	18,276	2,179	15,752	93,984	51,853	10	51,863
Doubtful	—	—	—	—	—	—	—	—
Total	$27,145,397	$7,550,387	$ 413,235	$ 385,876	$35,494,895	$1,982,143	$3,666	$1,985,809

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

The following table summarizes the Company's portfolio of non-covered loans held for investment (excluding non-covered PCI loans) by credit quality indicator at December 31, 2016:

	Mortgage Loans					Other Loans		
(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 Loans
Credit Quality Indicator:								
Pass	$26,754,622	$7,701,773	$ 371,179	$ 341,784	$35,169,358	$1,771,975	$16,992	$1,788,967
Special mention	164,325	12,604	—	33,210	210,139	54,979	—	54,979
Substandard	26,105	9,985	9,902	6,200	52,192	73,491	1,313	74,804
Doubtful	—	—	—	—	—	—	—	—
Total	$26,945,052	$7,724,362	$ 381,081	$ 381,194	$35,431,689	$1,900,445	$18,305	$1,918,750

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

The preceding classifications are the most current ones available and generally have been updated within the last twelve months. In addition, they follow regulatory guidelines and can generally be described as follows: pass loans are of satisfactory quality; special mention loans have potential weaknesses that deserve management's close attention; 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 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 based on the duration of the delinquency.

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Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications and 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. A loan modified as a TDR generally is placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which requires, among other things, 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, 2017, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $41.5 million; loans on which forbearance agreements were reached amounted to $1.8 million.

The following table presents information regarding the Company's TDRs as of the dates indicated:

	September 30, 2017			**December 31, 2016**		
(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$ 1,457	$ 7,608	$ 9,065	$ 1,981	$ 8,755	$10,736
Commercial real estate	—	373	373	—	1,861	1,861
One-to-four family	—	1,076	1,076	222	1,749	1,971
Commercial and industrial	177	23,974	24,151	1,263	3,887	5,150
Acquisition, development, and construction	8,652	—	8,652			
Other	—	—	—	—	202	202
Total	$10,286	$ 33,031	$43,317	$ 3,466	$ 16,454	$19,920

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each loan, 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.

The financial effects of the Company's TDRs for the periods indicated are summarized as follows:

	For the Three Months Ended September 30, 2017						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
Acquisition, development, and construction	2	$ 8,652	$ 8,652	5.50%	5.50%	$ —	$ —
Commercial and industrial	22	18,002	7,620	3.18	2.91	6,350	—
Total	24	$ 26,654	$ 16,272			$ 6,350	$ —

	For the Three Months Ended September 30, 2016						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
One-to-four family	—	$ —	$ —	— %	— %	$ —	$ —
Commercial and industrial	2	1,314	1,273	3.22	3.22	41	—
Total	2	$ 1,314	$ 1,273			$ 41	$ —

The financial effects of the Company's TDRs for the periods indicated are summarized as follows:

	For the Nine Months Ended September 30, 2017						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
One-to-four family	4	$ 810	$ 990	5.93%	2.21%	$ —	$ 12
Acquisition, development, and construction	2	8,652	8,652	5.50	5.50	—	—
Commercial and industrial	52	48,716	23,673	3.36	3.29	11,079	—
Total	58	$ 58,178	$ 33,315			$ 11,079	$ 12

	For the Nine Months Ended September 30, 2016						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
Multi-family	1	$ 9,340	$ 8,303	4.63%	4.00%	$ —	$ —
One-to-four family	3	477	628	3.62	3.07	—	6
Commercial and industrial	4	2,712	2,560	3.26	3.21	89	—
Total	8	$ 12,529	$ 11,491			$ 89	$ 6

At September 30, 2017, two non-covered one-to-four family loans, totaling $497,000 and six C&I loans, totaling $1.4 million 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, or 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 the borrower were in bankruptcy or if the loan were partially charged off subsequent to modification.

Covered Loans

As previously discussed, the Company sold its covered loan portfolio during the third quarter of 2017; therefore, the Company does not have any covered loans outstanding as of September 30, 2017.

The Company referred to certain loans acquired in the AmTrust and Desert Hills Bank ("Desert Hills") transactions as "covered loans" because the Company was being reimbursed for a substantial portion of losses on these loans under the terms of the LSA. Covered loans were accounted for under ASC 310-30 and were initially measured at fair value, which included 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.

The following table presents the carrying value of covered loans which were acquired in the acquisitions of AmTrust and Desert Hills as of December 31, 2016.

(dollars in thousands)	**Amount**	**Percent of Covered Loans**
Loan Category:		
One-to-four family	$1,609,635	94.8%
Other loans	88,498	5.2
Total covered loans	$1,698,133	100.0%

At December 31, 2016, the unpaid principal balance of covered loans was $2.1 billion and the carrying value of such loans was $1.7 billion.

At December 31, 2016, 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") was 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 represented an estimate of the credit risk in the loan portfolios at the respective acquisition dates.

The accretable yield was 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 increased or decreased the amount of interest income expected to be collected, depending on the direction of interest rates. Prepayments affected the estimated lives of covered loans and could have changed 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 were driven by the credit outlook and by actions that may be taken with borrowers. As of September 30, 2017, the accretable yield was reduced to zero.

On a quarterly basis, the Company had evaluated the estimates of the cash flows it expected to collect. Expected future cash flows from interest payments were based on variable rates at the time of the quarterly evaluation. Estimates of expected cash flows that were impacted by changes in interest rate indices for variable rate loans and prepayment assumptions were treated as prospective yield adjustments and included in interest income.

In the nine months ended September 30, 2017, changes in the accretable yield for covered loans were as follows:

(in thousands)	Accretable Yield
Balance at beginning of period	$ 647,470
Accretion	(72,842)
Reclassification to non-accretable difference for the six months ended June 30, 2017	(11,381)
Changes in expected cash flows due to the sale of the covered loan portfolio	(563,247)
Balance at end of period	$ —

In the preceding table, the line item "Reclassification to non-accretable difference for the six months ended June 30, 2017" 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 quarterly evaluation, prepayment assumptions increased, which resulted in a decrease in future expected interest cash flows and, consequently, a decrease in the accretable yield. The effect of this decrease was partially offset with an improvement in the underlying credit assumptions and the resetting of rates on variable rate loans at a slightly higher level, which resulted in an increase in future expected interest cash flows and, consequently, an increase in the accretable yield.

Reflecting the foreclosure of certain loans acquired in the AmTrust and Desert Hills acquisitions, the Company owned certain other real estate owned ("OREO") that was covered under its LSA ("covered OREO"). Covered OREO was initially recorded at its estimated fair value on the respective dates of acquisition, based on independent appraisals, less the estimated selling costs. Any subsequent write-downs due to declines in fair value were charged to non-interest expense, and were partially offset by loss reimbursements under the LSA. 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. As previously discussed, the Company's covered OREO was sold during the third quarter of 2017.

The FDIC loss share receivable represented 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 was reduced as losses on covered loans were recognized and as loss sharing payments were received from the FDIC. Realized losses in excess of acquisition-date estimates resulted in an increase in the FDIC loss share receivable. Conversely, if realized losses were lower than the acquisition-date estimates, the FDIC loss share receivable was reduced by amortization to interest income. Effective October 31, 2017, the Company and the FDIC completed termination of the LSA.

At December 31, 2016, the Company held residential mortgage loans of $78.6 million that were in the process of foreclosure. The vast majority of such loans were covered loans. The Company had no residential mortgage loans that were in the process of foreclosure at September 30, 2017.

The following table presents information regarding the Company's covered loans at December 31, 2016 that were 90 days or more past due:

(in thousands)	
Covered Loans 90 Days or More Past Due:	
One-to-four family	$124,820
Other loans	6,645
Total covered loans 90 days or more past due	$131,465

The following table presents information regarding the Company's covered loans at December 31, 2016 that were 30 to 89 days past due:

(in thousands)	
Covered Loans 30-89 Days Past Due:	
One-to-four family	$21,112
Other loans	1,536
Total covered loans 30-89 days past due	$22,648

As noted above, at December 31, 2016, the Company had $22.6 million of covered loans that were 30 to 89 days past due, and covered loans of $131.5 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 remainder of the Company's covered loan portfolio totaled $1.5 billion at December 31, 2016 and were considered current at that date.

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 represented the contractual balance, reduced by the portion that was expected to be uncollectible (i.e., the non-accretable difference) and by an accretable yield (discount) that was recognized as interest income. It is important to note that management's judgment was required in reclassifying loans subject to ASC 310-30 as performing loans, and such judgment was dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan was contractually past due.

The primary credit quality indicator for covered loans is the expectation of underlying cash flows. In the nine months ended September 30, 2017, the Company recorded recoveries of losses on covered loans of $23.7 million. The recoveries were largely due to an increase in expected cash flows in the acquired portfolios of one-to-four family and home equity loans, and were partly offset by FDIC indemnification expense of $19.0 million that was recorded in "Non-interest income."

The Company recovered losses on covered loans of $6.0 million during the nine months ended September 30, 2016, which was largely offset by FDIC indemnification expense of $4.8 million. In the three months ended September 30, 2016, the Company recorded recoveries of losses on covered loans of $1.3 million and FDIC indemnification expense of $1.0 million.

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Note 6. Allowances for Loan Losses

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

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at September 30, 2017:			
Loans individually evaluated for impairment	$ —	$ —	$ —
Loans collectively evaluated for impairment	122,522	36,396	158,918
Total	$122,522	$36,396	$158,918

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2016:			
Loans individually evaluated for impairment	$ —	$ 577	$ 577
Loans collectively evaluated for impairment	123,925	32,022	155,947
Acquired loans with deteriorated credit quality	11,984	13,483	25,467
Total	$135,909	$46,082	$181,991

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, 2017:			
Loans individually evaluated for impairment	$ 29,431	$ 45,682	$ 75,113
Loans collectively evaluated for impairment	35,465,464	1,940,127	37,405,591
Total	$35,494,895	$1,985,809	$37,480,704

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2016:			
Loans individually evaluated for impairment	$ 29,660	$ 18,592	$ 48,252
Loans collectively evaluated for impairment	35,402,029	1,900,158	37,302,187
Acquired loans with deteriorated credit quality	1,614,755	89,140	1,703,895
Total	$37,046,444	$2,007,890	$39,054,334

Allowance for Losses on Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans for the periods indicated:

	For the Nine Months Ended September 30,					
	2017			2016		
(in thousands)	Mortgage	Other	Total	Mortgage	Other	Total
Balance, beginning of period	$125,416	$ 32,874	$158,290	$124,478	$22,646	$147,124
Charge-offs	(375)	(58,203)	(58,578)	(170)	(1,155)	(1,325)
Recoveries	595	594	1,189	1,251	956	2,207
(Recovery of) provision for non-covered loan losses	(3,114)	61,131	58,017	675	6,024	6,699
Balance, end of period	$122,522	36,396	$158,918	$126,234	$28,471	$154,705

See "Critical Accounting Policies" for additional information regarding the Company's allowance for losses on non-covered loans.

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The following table presents additional information about the Company's impaired non-covered loans at September 30, 2017:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 9,071	$ 11,548	$ —	$ 10,016	$ 378
Commercial real estate	2,628	7,743	—	4,517	13
One-to-four family	1,980	2,086	—	2,898	38
Acquisition, development, and construction	15,752	25,952	—	8,588	435
Other	45,682	98,084	—	32,556	1,486
Total impaired loans with no related allowance	$ 75,113	$145,413	$ —	$ 58,575	$ 2,350
Impaired loans with an allowance recorded:					
Multi-family	$ —	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—	—
One-to-four family	—	—	—	—	—
Acquisition, development, and construction	—	—	—	—	—
Other	—	—	—	3,278	—
Total impaired loans with an allowance recorded	$ —	$ —	$ —	$ 3,278	$ —
Total impaired loans:					
Multi-family	$ 9,071	$ 11,548	$ —	$ 10,016	$ 378
Commercial real estate	2,628	7,743	—	4,517	13
One-to-four family	1,980	2,086	—	2,898	38
Acquisition, development, and construction	15,752	25,952	—	8,588	435
Other	45,682	98,084	—	35,834	1,486
Total impaired loans	$ 75,113	$145,413	$ —	$ 61,853	$ 2,350

The following table presents additional information about the Company's impaired non-covered loans at December 31, 2016:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 10,742	$ 13,133	$ —	$ 11,431	$ 627
Commercial real estate	9,117	14,868	—	10,461	143
One-to-four family	3,601	4,267	—	3,079	124
Acquisition, development, and construction	6,200	15,500	—	1,550	414
Other	6,739	7,955	—	8,261	92
Total impaired loans with no related allowance	$ 36,399	$ 55,723	$ —	$ 34,782	$ 1,400
Impaired loans with an allowance recorded:					
Multi-family	$ —	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—	—
One-to-four family	—	—	—	—	—
Acquisition, development, and construction	—	—	—	—	—
Other	11,853	13,529	577	4,574	213
Total impaired loans with an allowance recorded	$ 11,853	$ 13,529	$ 577	$ 4,574	$ 213
Total impaired loans:					
Multi-family	$ 10,742	$ 13,133	$ —	$ 11,431	$ 627
Commercial real estate	9,117	14,868	—	10,461	143
One-to-four family	3,601	4,267	—	3,079	124
Acquisition, development, and construction	6,200	15,500	—	1,550	414
Other	18,592	21,484	577	12,835	305
Total impaired loans	$ 48,252	$ 69,252	$ 577	$ 39,356	$ 1,613

Allowance for Losses on Covered Loans

Covered loans were reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions were reviewed for collectability based on the expectations of cash flows from these loans. Covered loans were aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, the Company periodically performed an analysis to estimate the expected cash flows for each of the pools of loans. The Company recorded a provision for (recovery of) losses on covered loans to the extent that the expected cash flows from a loan pool had decreased or increased since the acquisition date.

Accordingly, if there was 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 was recorded as a provision for covered loan losses charged to earnings, and the allowance for covered loan losses was increased. A related credit to non-interest income and an increase in the LSA are recognized at the same time, and measured based on the applicable loss sharing agreement percentage.

If there was 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 was recorded as a recovery of the prior-period impairment charged to earnings, and the allowance for covered loan losses was reduced. A related debit to non-interest income and a decrease in the LSA was recognized at the same time, and measured based on the applicable Loss Share Agreement percentage.

The following table summarizes activity in the allowance for losses on covered loans for the periods indicated:

	For the Nine Months Ended September 30,	
(in thousands)	2017	2016
Balance, beginning of period	$ 23,701	$ 31,395
Recovery of losses on covered loans (1)	(23,701)	(6,035)
Balance, end of period	$ —	$ 25,360

(1) Due to the sale of the covered loan portfolio.

Note 7. Borrowed Funds

The following table summarizes the Company’s borrowed funds at the dates indicated:

(in thousands)	September 30, 2017	December 31, 2016
Wholesale Borrowings:		
FHLB advances	$ 11,554,500	$ 11,664,500
Repurchase agreements	450,000	1,500,000
Federal funds purchased	—	150,000
Total wholesale borrowings	$ 12,004,500	$ 13,314,500
Junior subordinated debentures	359,102	358,879
Total borrowed funds	$ 12,363,602	$ 13,673,379

The following table summarizes the Company’s repurchase agreements accounted for as secured borrowings at September 30, 2017:

	Remaining Contractual Maturity of the Agreements			
(in thousands)	Overnight and Continuous	Up to 30 Days	30–90 Days	Greater than 90 Days
GSE debentures and mortgage-related securities	$ —	$ —	$ —	$ 450,000

At September 30, 2017 and December 31, 2016, the Company had $359.1 million and $358.9 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 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.

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The following junior subordinated debentures were outstanding at September 30, 2017:

Issuer	Interest Rate of Capital Securities and Debentures	Junior Subordinated Debentures Amount Outstanding	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity	First Optional Redemption Date
	(dollars in thousands)					
New York Community Capital Trust V (BONUSES SM Units)	6.000%	$ 145,176	$ 138,825	Nov. 4, 2002	Nov. 1, 2051	Nov. 4, 2007 (1)
New York Community Capital Trust X	2.920	123,712	120,000	Dec. 14, 2006	Dec. 15, 2036	Dec. 15, 2011 (2)
PennFed Capital Trust III	4.570	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008 (2)
New York Community Capital Trust XI	2.985	59,286	57,500	April 16, 2007	June 30, 2037	June 30, 2012 (2)
Total junior subordinated debentures		$ 359,102	$ 346,325			

(1) Callable subject to certain conditions as described in the prospectus filed with the U.S. Securities and Exchange Commission (the "SEC") on November 4, 2002.
(2) Callable from this date forward.

Note 8. Mortgage Servicing Rights

The Company records a separate servicing asset representing the right to service third-party loans. Such MSRs are initially recorded at their fair value as a component of the sale proceeds. The fair values of MSRs are based on an analysis of discounted cash flows that incorporates estimates of (1) market servicing costs, (2) market-based estimates of ancillary servicing revenue, (3) market-based prepayment rates, and (4) market profit margins.

MSRs are subsequently measured at either fair value or are amortized in proportion to, and over the period of, estimated net servicing income. The Company elects one of those methods on a class basis. A class is determined based on (1) the availability of market inputs used in determining the fair value of servicing assets, and/or (2) the Company's method for managing the risks of servicing assets.

As previously discussed, the Company completed the sale of its mortgage banking business in the third quarter of 2017, and consequently sold substantially all of its mortgage servicing assets. Accordingly, the value of the MSR asset declined to $6.9 million at September 30, 2017, compared to $225.4 million at June 30, 2017 and $234.0 million at December 31, 2016. These balances all consisted of two classes of MSRs for which the Company separately manages the economic risk: residential MSRs and participation MSRs (i.e., MSRs on loans sold through participations).

Residential MSRs are carried at fair value, and at September 30, 2017 reflected only loans sold through the FHLB's Mortgage Partnership Finance Program, 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 as "Mortgage banking income," which is included in "Non-interest income" in the Consolidated Statements of Income and Comprehensive Income. MSRs do not trade in an active open market with readily observable prices. Accordingly, the Company utilizes a third-party valuation specialist to determine the fair value of its MSRs. This specialist determines fair value based on the present value of estimated future net servicing income cash flows, and incorporates 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 specialist and the Company evaluate, and periodically adjust, as necessary, these underlying inputs and assumptions to reflect market conditions and changes in the assumptions that a market participant would consider in valuing MSRs.

The value of residential MSRs at any given time is significantly affected by the mortgage interest rates that are then available in the marketplace. These, in turn, influence mortgage loan prepayment speeds. The rate of prepayment of serviced residential loans is the most significant estimate involved in the measurement process. Actual prepayment rates may differ from those projected by management due to changes in a variety of economic factors, including prevailing interest rates and the availability of alternative financing sources to borrowers.

During periods of declining interest rates, the value of residential MSRs generally declines as an increase in mortgage refinancing activity results in an increase in prepayments and a decrease in the carrying value of residential MSRs through a charge to earnings in the current period. Conversely, during periods of rising interest rates, the value of residential MSRs generally increases as mortgage refinancing activity declines and the actual prepayments of loans being serviced occur more slowly than had been expected. This results in the carrying value of residential MSRs and servicing income being higher than previously anticipated. Accordingly, the value of residential MSRs that is actually realized could differ from the value initially recorded.

The collective amount of contractually specified servicing fees, late fees, and ancillary fees, which is recorded as "Mortgage banking income" in the Consolidated Statements of Income and Comprehensive Income, was $483,000 and $1.1 million for the three and nine months ended September 30, 2017, respectively, and $351,000 and $983,000 for the three and nine months ended September 30, 2016, respectively.

Participation MSRs are initially carried at fair value and are subsequently amortized and carried at the lower of their fair value or amortized amount. The amortization is recorded in proportion to, and over the period of, estimated net servicing income, with impairment of those servicing assets evaluated through an assessment of their fair value via a discounted cash-flow method. The net carrying value is compared to the discounted estimated future net cash flows to determine whether adjustments should be made to carrying values or amortization schedules. Impairment of participation MSRs is recognized through a valuation allowance and a charge to current-period earnings if it is considered to be temporary, or through a direct write-down of the asset and a charge to current-period earnings if it is considered to be other than temporary. The predominant risk characteristics of the underlying loans that are used to stratify the participation MSRs for measurement purposes generally include the (1) loan origination date, (2) loan rate, (3) loan type and size, (4) loan maturity date, and (5) geographic location. Changes in the carrying value of participation MSRs due to amortization or declines in fair value (i.e., impairment), if any, are reported in "Other income" in the period during which such changes occur. In the nine months ended September 30, 2017 and 2016, there was no impairment related to the Company's participation MSRs.

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

	For the Three Months Ended			
	September 30, 2017		September 30, 2016	
(in thousands)	Residential	Participation	Residential	Participation
Carrying value, beginning of period	$ 220,586	$ 4,853	$188,331	$ 5,663
Additions	6,072	39	12,005	731
Sales	(208,827)	—	—	—
Increase (decrease) in fair value:				
Due to changes in interest rates	(222)	—	5,668	—
Due to model assumption changes (1)	—	—	—	—
Due to loan payoffs	(7,855)	—	(12,818)	—
Due to passage of time and other changes	(6,972)	—	(1,767)	—
Amortization	—	(813)	—	(618)
Carrying value, end of period	$ 2,782	$ 4,079	$191,419	$ 5,776

(1) Represents changes in fair value driven by changes to the inputs to the valuation model related to assumed prepayment speeds.

	For the Nine Months Ended			
	September 30, 2017		September 30, 2016	
(in thousands)	Residential	Participation	Residential	Participation
Carrying value, beginning of period	$ 228,099	$ 5,862	$243,389	$ 4,345
Additions	18,054	595	31,185	2,999
Sales	(208,827)	—	—	—
Increase (decrease) in fair value:				
Due to changes in interest rates	(2,130)	—	(32,139)	—
Due to model assumption changes (1)	—	—	(13,088)	—
Due to loan payoffs	(22,524)	—	(31,939)	—
Due to passage of time and other changes	(9,890)	—	(5,989)	—
Amortization	—	(2,378)	—	(1,568)
Carrying value, end of period	$ 2,782	$ 4,079	$191,419	$ 5,776

(1) Represents changes in fair value driven by changes to the inputs to the valuation model related to assumed prepayment speeds.

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The following table presents the key assumptions used in calculating the fair value of the Company's residential MSRs at the dates indicated:

	September 30, 2017	December 31, 2016
Expected weighted average life	87 months	82 months
Constant prepayment speed	9.89%	8.70%
Discount rate	12.00	10.05
Primary mortgage rate to refinance	4.00	4.11
Cost to service (per loan per year):		
Current	$70	$64
30-59 days or less delinquent	220	214
60-89 days delinquent	370	364
90-119 days delinquent	470	464
120 days or more delinquent	870	864

The increase in the constant prepayment speed was primarily attributable to an increase in the housing price index used by the Company's third-party valuation specialist, suggesting that homebuyer demand has increased and newly created equity could lead to more refinancing.

In connection with the aforementioned sale of the Company's MSR portfolio, the Company will temporarily continue to service the $20.5 billion of loans and, consequently, the total unpaid principal balance of loans serviced for others remained largely unchanged at $24.5 billion and $25.1 billion at September 30, 2017 and December 31, 2016, respectively.

Note 9. Pension and Other Post-Retirement Benefits

The following table sets forth certain disclosures for the Company's pension and post-retirement plans for the periods indicated:

	For the Three Months Ended September 30,			
	2017		2016	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$ 1,404	$ 144	$ 1,470	$ 160
Service cost	—	—	—	1
Expected return on plan assets	(4,073)	—	(3,906)	—
Amortization of prior-service costs	—	(62)	—	(62)
Amortization of net actuarial loss	2,053	68	2,262	81
Net periodic (credit) expense	$ (616)	$ 150	$ (174)	$ 180

	For the Nine Months Ended September 30,			
	2017		2016	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$ 4,211	$ 433	$ 4,411	$ 479
Service cost	—	—	—	3
Expected return on plan assets	(12,217)	—	(11,720)	—
Amortization of prior-service costs	—	(187)	—	(187)
Amortization of net actuarial loss	6,157	206	6,786	245
Net periodic (credit) expense	$ (1,849)	$ 452	$ (523)	$ 540

The Company expects to contribute $1.3 million to its post-retirement plan to pay premiums and claims for the fiscal year ending December 31, 2017. The Company does not expect to make any contributions to its pension plan in 2017.

Note 10. Stock-Based Compensation

At September 30, 2017, the Company had a total of 6,912,431 shares available for grants as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2012 Stock Incentive Plan (the "2012 Stock Incentive Plan"), which was approved by the Company's shareholders at its Annual Meeting on June 7, 2012. The Company granted 2,941,249 shares of restricted stock during the nine months ended September 30, 2017. The shares had an average fair value of $15.18 per share on the date of grant and a vesting period of five years. The nine-month amount includes 122,500 shares that were granted in the third quarter with an average fair value of $12.95 per share on the date of grant. Compensation and benefits expense related to the restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled $27.3 million and $24.6 million, respectively, in the nine months ended September 30, 2017 and 2016, including $9.1 million and $8.2 million, respectively, in the three months ended at those dates.

The following table provides a summary of activity with regard to restricted stock awards in the nine months ended September 30, 2017:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of year	6,930,306	$ 15.37
Granted	2,941,249	15.18
Vested	(2,291,234)	15.02
Canceled	(206,920)	15.58
Unvested at end of period	7,373,401	15.40

As of September 30, 2017, unrecognized compensation cost relating to unvested restricted stock totaled $90.9 million. This amount will be recognized over a remaining weighted average period of 3.2 years.

The Company had no stock options outstanding at September 30, 2017 or December 31, 2016.

Note 11. Fair Value Measurements

GAAP sets forth a definition of fair value, establishes a consistent framework for measuring fair value, and requires disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. GAAP also clarifies that fair value is an "exit" price, representing the amount that would be received when selling an asset, or paid when transferring a liability, in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants use in pricing an asset or liability.

A financial instrument's categorization within this valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present assets and liabilities that were measured at fair value on a recurring basis for the periods indicated, and that were included in the Company's Consolidated Statements of Condition at those dates:

	Fair Value Measurements at September 30, 2017				
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments (1)	Total Fair Value
Assets:					
Mortgage-Related Securities Available for Sale:					
GSE certificates	$ —	$1,960,352	$ —	$ —	$1,960,352
GSE CMOs	—	550,177	—	—	550,177
Total mortgage-related securities	$ —	$2,510,529	$ —	$ —	$2,510,529
Other Securities Available for Sale:					
U.S Treasury Obligations	$ 199,875	$ —	$ —	$ —	$ 199,875
GSE debentures	—	90,834	—	—	90,834
Corporate bonds	—	86,137	—	—	86,137
Municipal bonds	—	70,367	—	—	70,367
Capital trust notes	—	40,767	—	—	40,767
Preferred stock	15,339	—	—	—	15,339
Mutual funds and common stock	—	17,178	—	—	17,178
Total other securities	$ 215,214	$ 305,283	$ —	$ —	$ 520,497
Total securities available for sale	$ 215,214	$2,815,812	$ —	$ —	$3,031,026
Other Assets:					
Loans held for sale	$ —	$ 104,938	$ —	$ —	$ 104,938
Mortgage servicing rights	—	—	2,782	—	2,782
Interest rate lock commitments	—	—	269	—	269
Derivative assets-other (2)	157	836	—	(674)	319
Liabilities:					
Derivative liabilities	$ (144)	$ (1,322)	$ —	$ 1,248	$ (218)

(1) Includes cash collateral received from, and paid to, counterparties.
(2) Includes $144 thousand to purchase Treasury options.

(in thousands)	Fair Value Measurements at December 31, 2016 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments [1]	Total Fair Value
Assets:					
Mortgage-Related Securities Available for Sale:					
GSE certificates	$ —	$ 7,326	$ —	$ —	$ 7,326
Total mortgage-related securities	$ —	$ 7,326	$ —	$ —	$ 7,326
Other Securities Available for Sale:					
Municipal bonds	$ —	$ 631	$ —	$ —	$ 631
Capital trust notes	—	7,243	—	—	7,243
Preferred stock	42,724	29,260	—	—	71,984
Mutual funds and common stock	—	17,097	—	—	17,097
Total other securities	$ 42,724	$ 54,231	$ —	$ —	$ 96,955
Total securities available for sale	$ 42,724	$ 61,557	$ —	$ —	$104,281
Other Assets:					
Loans held for sale	$ —	$409,152	$ —	$ —	$409,152
Mortgage servicing rights	—	—	228,099	—	228,099
Interest rate lock commitments	—	—	982	—	982
Derivative assets-other [2]	2,611	16,829	—	(17,861)	1,579
Liabilities:					
Derivative liabilities	$ (6,009)	$ (17,719)	$ —	$ 16,588	$ (7,140)

(1) Includes cash collateral received from, and paid to, counterparties.
(2) Includes $1.9 million to purchase Treasury options.

The Company reviews and updates the fair value hierarchy classifications for its assets on a quarterly basis. Changes from one quarter to the next that are related to the observability of inputs for a fair value measurement may result in a reclassification from one hierarchy level to another.

A description of the methods and significant assumptions utilized in estimating the fair values of available-for-sale securities follows:

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities, exchange-traded securities, and derivatives.

If quoted market prices are not available for a specific security, then fair values are estimated by using pricing models. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, models incorporate transaction details such as maturity and cash flow assumptions. Securities valued in this manner would generally be classified within Level 2 of the valuation hierarchy, and primarily include such instruments as mortgage-related and corporate debt securities.

Periodically, the Company uses fair values supplied by independent pricing services to corroborate the fair values derived from the pricing models. In addition, the Company reviews the fair values supplied by independent pricing services, as well as their underlying pricing methodologies, for reasonableness. The Company challenges pricing service valuations that appear to be unusual or unexpected.

The Company carries loans held for sale at fair value. The fair value of loans held for sale is primarily based on quoted market prices for securities backed by similar types of loans. Changes in the fair value of these assets are largely driven by changes in interest rates subsequent to loan funding, and changes in the fair value of servicing associated with the mortgage loans held for sale. Loans held for sale are classified within Level 2 of the valuation hierarchy.

MSRs do not trade in an active open market with readily observable prices. The Company bases the fair value of its MSRs on the present value of estimated future net servicing income cash flows, utilizing a third-party valuation specialist. The specialist 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 periodically adjusts the underlying inputs and assumptions to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. MSR fair value measurements use significant unobservable inputs and, accordingly, are classified within Level 3.

Exchange-traded derivatives that are valued using quoted prices are classified within Level 1 of the valuation hierarchy. The majority of the Company's derivative positions are valued using internally developed models that use readily observable market parameters as their basis. These are parameters that are actively quoted and can be validated by external sources, including industry pricing services. Where the types of derivative products have been in existence for some time, the Company uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Furthermore, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the models are readily observable from actively quoted markets, as is the case for "plain vanilla" interest rate swaps and option contracts. Such instruments are generally classified within Level 2 of the valuation hierarchy. Derivatives that are valued based on models with significant unobservable market parameters, and that are normally traded less actively, have trade activity that is one-way, and/or are traded in less-developed markets, are classified within Level 3 of the valuation hierarchy.

The fair values of interest rate lock commitments ("IRLCs") for residential mortgage loans that the Company intends to sell are based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans' expected settlement dates and the projected values of the MSRs, loan level price adjustment factors, and historical IRLC closing ratios. The closing ratio is computed by the Company's mortgage banking operation and is periodically reviewed by management for reasonableness. Such derivatives are classified as Level 3.

While the Company believes its valuation methods are appropriate, and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different estimates of fair values at a reporting date.

Fair Value Option

Loans Held for Sale

The Company has elected the fair value option for its loans held for sale. These loans held for sale consist of one-to-four family mortgage loans, none of which was 90 days or more past due at September 30, 2017. Management believes that the mortgage banking business operates on a short-term cycle. Therefore, in order to reflect the most relevant valuations for the key components of this business, and to reduce timing differences in amounts recognized in earnings, the Company has elected to record loans held for sale at fair value to match the recognition of IRLCs, MSRs, and derivatives, all of which are recorded at fair value in earnings. Fair value is based on independent quoted market prices of mortgage-backed securities comprised of loans with similar features to those of the Company's loans held for sale, where available, and adjusted as necessary for such items as servicing value, guaranty fee premiums, and credit spread adjustments.

The following table reflects the difference between the fair value carrying amount of loans held for sale, for which the Company has elected the fair value option, and the unpaid principal balance:

	September 30, 2017			December 31, 2016		
(in thousands)	Fair Value Carrying Amount	Aggregate Unpaid Principal	Fair Value Carrying Amount Less Aggregate Unpaid Principal	Fair Value Carrying Amount	Aggregate Unpaid Principal	Fair Value Carrying Amount Less Aggregate Unpaid Principal
Loans held for sale	$104,938	$102,236	$ 2,702	$409,152	$408,928	$ 224

Gains and Losses Included in Income for Assets Where the Fair Value Option Has Been Elected

The assets accounted for under the fair value option are initially measured at fair value. Gains and losses from the initial measurement and subsequent changes in fair value are recognized in earnings. The following table presents the changes in fair value related to initial measurement, and the subsequent changes in fair value included in earnings, for loans held for sale and MSRs for the periods indicated:

	Gain (Loss) Included in Mortgage Banking Income from Changes in Fair Value (1)			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2017	2016 (2)	2017	2016 (2)
Loans held for sale	$ 464	$(1,020)	$ 1,059	$ 2,782
Mortgage servicing rights	(9,743)	(8,917)	(20,092)	(76,998)
Total loss	$(9,279)	$(9,937)	$(19,033)	$(74,216)

(1) Does not include the effect of economic hedging activities, which is included in "Other non-interest income."

(2) The presentation of the amounts for the three and nine months ended September 30, 2016 has been modified to conform to the presentation for the three and nine months ended September 30, 2017.

The Company has determined that there is no instrument-specific credit risk related to its loans held for sale, due to the short duration of such assets.

Changes in Level 3 Fair Value Measurements

The following tables present, for the nine months ended September 30, 2017 and 2016, a roll-forward of the balance sheet amounts (including changes in fair value) for financial instruments classified in Level 3 of the valuation hierarchy:

		Total Realized/Unrealized Gains/(Losses) Recorded in						
(in thousands)	Fair Value January 1, 2017	Income/ (Loss)	Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at September 30, 2017	Change in Unrealized Gains/ (Losses) Related to Instruments Held at September 30, 2017
Mortgage servicing rights	$228,099	$(34,544)	$ —	$18,054	$(208,827)	$ —	$ 2,782	$ (182)
Interest rate lock commitments	982	(713)	—	—	—	—	269	269

		Total Realized/Unrealized Gains/(Losses) Recorded in						
(in thousands)	Fair Value January 1, 2016	Income/ (Loss)	Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at September 30, 2016	Change in Unrealized Gains/ (Losses) Related to Instruments Held at September 30, 2016
Mortgage servicing rights	$243,389	$(83,155)	$ —	$31,185	$ —	$ —	$ 191,419	$ (58,546)
Interest rate lock commitments	2,526	4,408	—	—	—	—	6,934	6,934

The Company’s policy is to recognize transfers in and out of Levels 1, 2, and 3 as of the end of the reporting period. There were no transfers in or out of Levels 1, 2, or 3 during the nine months ended September 30, 2017 or 2016.

For Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2017, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	Fair Value at September 30, 2017	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value
Mortgage servicing rights	$2,782	Discounted Cash Flow	Weighted Average Constant Prepayment Rate (1)	9.89%
			Weighted Average Discount Rate	12.00
Interest rate lock commitments	269	Discounted Cash Flow	Weighted Average Closing Ratio	69.88

(1) Represents annualized loan repayment rate assumptions.

The significant unobservable inputs used in the fair value measurement of the Company's MSRs are the weighted average constant prepayment rate and the weighted average discount rate. Significant increases or decreases in either of those inputs in isolation could result in significantly lower or higher fair value measurements. Although the constant prepayment rate and the discount rate are not directly interrelated, they generally move in opposite directions.

The significant unobservable input used in the fair value measurement of the Company's IRLCs is the closing ratio, which represents the percentage of loans currently in an interest rate lock position that management estimates will ultimately close. Generally, the fair value of an IRLC is positive if the prevailing interest rate is lower than the IRLC rate, and the fair value of an IRLC is negative if the prevailing interest rate is higher than the IRLC rate. Therefore, an increase in the closing ratio (i.e., a higher percentage of loans estimated to close) will result in the fair value of the IRLC increasing if in a gain position, or decreasing if in a loss position. The closing ratio is largely dependent on the stage of processing that a loan is currently in, and the change in prevailing interest rates from the time of the interest rate lock.

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fair value adjustments under certain circumstances (e.g., when there is evidence of impairment). The following tables present assets and liabilities that were measured at fair value on a non-recurring basis as of September 30, 2017 and December 31, 2016, and that were included in the Company's Consolidated Statements of Condition at those dates:

	Fair Value Measurements at September 30, 2017 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Certain impaired loans (1)	$ —	$ —	$ 42,581	$42,581
Other assets (2)	—	—	1,493	1,493
Total	$ —	$ —	$ 44,074	$44,074

(1) Represents the fair value of impaired loans, based on the value of the collateral.
(2) Represents the fair value of OREO, based on the appraised value of the collateral subsequent to its initial classification as OREO.

	Fair Value Measurements at December 31, 2016 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Certain impaired loans (1)	$ —	$ —	$ 15,635	$15,635
Other assets (2)	—	—	5,684	5,684
Total	$ —	$ —	$ 21,319	$21,319

(1) Represents the fair value of impaired loans, based on the value of the collateral, primarily taxi medallion loans.
(2) Represents the fair value of OREO, based on the appraised value of the collateral subsequent to its initial classification as OREO.

The fair values of collateral-dependent impaired loans are determined using various valuation techniques, including consideration of appraised values and other pertinent real estate market data.

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Other Fair Value Disclosures

GAAP requires the disclosure of fair value information about the Company's on- and off-balance sheet financial instruments. When available, quoted market prices are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present-value estimates or other valuation techniques. Such fair values are significantly affected by the assumptions used, the timing of future cash flows, and the discount rate.

Because assumptions are inherently subjective in nature, estimated fair values cannot be substantiated by comparison to independent market quotes. Furthermore, in many cases, the estimated fair values provided would not necessarily be realized in an immediate sale or settlement of such instruments.

The following tables summarize the carrying values, estimated fair values, and fair value measurement levels of financial instruments that were not carried at fair value on the Company's Consolidated Statements of Condition at the dates indicated:

	September 30, 2017				
			Fair Value Measurement Using		
(in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Cash and cash equivalents	$ 3,277,427	$ 3,277,427	$ 3,277,427	$ —	$ —
FHLB stock (1)	579,474	579,474	—	579,474	—
Loans, net	37,452,219	37,671,152	—	—	37,671,152
Financial Liabilities:					
Deposits	$28,893,197	$28,869,413	$ 20,090,624(2)	$ 8,778,789(3)	$ —
Borrowed funds	12,363,602	12,277,697	—	12,277,697	—

(1) Carrying value and estimated fair value are at cost.
(2) Interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts.
(3) Certificates of deposit.

	December 31, 2016				
			Fair Value Measurement Using		
(in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Cash and cash equivalents	$ 557,850	$ 557,850	$ 557,850	$ —	$ —
Securities held to maturity	3,712,776	3,813,959	200,220	3,613,739	—
FHLB stock (1)	590,934	590,934	—	590,934	—
Loans, net	39,308,016	39,416,469	—	—	39,416,469
Financial Liabilities:					
Deposits	$28,887,903	$28,888,064	$ 21,310,733(2)	$ 7,577,331(3)	$ —
Borrowed funds	13,673,379	13,633,943	—	13,633,943	—

(1) Carrying value and estimated fair value are at cost.
(2) Interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts.
(3) Certificates of deposit.

The methods and significant assumptions used to estimate fair values for the Company's financial instruments follow:

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and federal funds sold. The estimated fair values of cash and cash equivalents are assumed to equal their carrying values, as these financial instruments are either due on demand or have short-term maturities.

Securities

If quoted market prices are not available for a specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, pricing models also incorporate transaction details such as maturities and cash flow assumptions.

Federal Home Loan Bank Stock

Ownership in equity securities of the FHLB is restricted and there is no established market for their resale. The carrying amount approximates the fair value.

Loans

The loan portfolio is segregated into various components for valuation purposes in order to group loans based on their significant financial characteristics, such as loan type (mortgage or other) and payment status (performing or non-performing). The estimated fair values of mortgage and other loans are computed by discounting the anticipated cash flows from the respective portfolios. The discount rates reflect current market rates for loans with similar terms to borrowers of similar credit quality. The estimated fair values of non-performing mortgage and other loans are based on recent collateral appraisals.

The methods used to estimate the fair values of loans are extremely sensitive to the assumptions and estimates used. While management has attempted to use assumptions and estimates that best reflect the Company’s loan portfolio and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Accordingly, readers are cautioned in using this information for purposes of evaluating the financial condition and/or value of the Company in and of itself, or in comparison with that of any other company.

Mortgage Servicing Rights

MSRs do not trade in an active market with readily observable prices. Accordingly, the Company bases the fair value of its MSRs on a valuation performed by a third-party valuation specialist. This specialist determines fair value based on the present value of estimated future net servicing income cash flows, and incorporates 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 specialist and the Company evaluate, and periodically adjust, as necessary, these underlying inputs and assumptions to reflect market conditions and changes in the assumptions that a market participant would consider in valuing MSRs.

Derivative Financial Instruments

For exchange-traded futures and exchange-traded options, fair value is based on observable quoted market prices in an active market. For forward commitments to buy and sell loans and mortgage-backed securities, fair value is based on observable market prices for similar loans and securities in an active market. The fair value of IRLCs for one-to-four family mortgage loans that the Company intends to sell is based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans’ expected settlement dates, the value of MSRs arrived at by an independent MSR broker, government agency price adjustment factors, and historical IRLC fall-out factors.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts) are equal to the carrying amounts payable on demand. The fair values of CDs represent contractual cash flows, discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. These estimated fair values do not include the intangible value of core deposit relationships, which comprise a significant portion of the Company’s deposit base.

Borrowed Funds

The estimated fair value of borrowed funds is based either on bid quotations received from securities dealers or the discounted value of contractual cash flows with interest rates currently in effect for borrowed funds with similar maturities and structures.

Off-Balance Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the creditworthiness of the potential borrowers. The estimated fair values of such off-balance sheet financial instruments were insignificant at September 30, 2017 and December 31, 2016.

Note 12. Derivative Financial Instruments

The Company's derivative financial instruments consist of financial forward and futures contracts, interest rate swaps, IRLCs, and options. These derivatives relate to mortgage banking operations, residential MSRs, and other risk management activities, and seek to mitigate or reduce the Company's exposure to losses from adverse changes in interest rates. These activities will vary in scope based on the level and volatility of interest rates, other changing market conditions, and the types of assets held.

In accordance with the applicable accounting guidance, the Company takes into account the impact of collateral and master netting agreements that allow it to settle all derivative contracts held with a single counterparty on a net basis, and to offset the net derivative position with the related collateral when recognizing derivative assets and liabilities. As a result, the Company's Statements of Financial Condition could reflect derivative contracts with negative fair values that are included in derivative assets, and contracts with positive fair values that are included in derivative liabilities.

The Company held derivatives with a notional amount of $765.9 million at September 30, 2017. Changes in the fair value of these derivatives are reflected in current-period earnings. None of these derivatives are designated as hedges for accounting purposes.

The Company uses various financial instruments, including derivatives, in connection with its strategies to reduce pricing risk resulting from changes in interest rates. Derivative instruments may include IRLCs entered into with borrowers or correspondents/brokers to acquire agency-conforming fixed and adjustable rate residential mortgage loans that will be held for sale, as well as Treasury options and Eurodollar futures.

The Company enters into forward contracts to sell fixed rate mortgage-backed securities to protect against changes in the prices of agency-conforming fixed rate loans held for sale. Forward contracts are entered into with securities dealers in an amount related to the portion of IRLCs that is expected to close. The value of these forward sales contracts moves inversely with the value of the loans in response to changes in interest rates.

To manage the price risk associated with fixed-rate non-conforming mortgage loans, the Company generally enters into forward contracts on mortgage-backed securities or forward commitments to sell loans to approved investors. Short positions in Eurodollar futures contracts are used to manage price risk on adjustable rate mortgage loans held for sale.

The Company uses interest rate swaps to hedge the fair value of its residential MSRs. The Company also purchases put and call options to manage the risk associated with variations in the amount of IRLCs that ultimately close.

The following table sets forth information regarding the Company's derivative financial instruments at September 30, 2017:

(in thousands)	Notional Amount	Unrealized (1) Gain	Unrealized (1) Loss
Treasury options	$ 20,000	$ —	$ 144
Eurodollar futures	20,000	1	—
Forward commitments to sell loans/mortgage-backed securities	365,000	836	461
Forward commitments to buy loans/mortgage-backed securities	305,000	—	861
Interest rate lock commitments	55,886	269	—
Total derivatives	$765,886	$1,106	$1,466

(1) Derivatives in a net gain position are recorded as "Other assets" and derivatives in a net loss position are recorded as "Other liabilities" in the Consolidated Statements of Condition.

In addition, the Company mitigates a portion of the risk associated with changes in the value of its residential MSRs. The general strategy for mitigating this risk is to purchase derivative instruments, the value of which changes in the opposite direction of interest rates. This action partially offsets changes in the value of its servicing assets, which tends to move in the same direction as interest rates. Accordingly, the Company purchases Eurodollar futures and call options on Treasury securities, and enters into forward contracts to purchase mortgage-backed securities.

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The following table sets forth the effect of derivative instruments on the Consolidated Statements of Income and Comprehensive Income for the periods indicated:

	Gain (Loss) Included in Mortgage Banking Income			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2017	2016	2017	2016
Treasury options	$(1,147)	$(6,245)	$(4,397)	$3,619
Treasury and Eurodollar futures	(90)	17	(163)	(38)
Interest rate swaps	(2,449)	(1,751)	(202)	2,427
Forward commitments to buy/sell loans/mortgage-backed securities	(442)	1,768	(3,522)	48
Total (loss)/gain	$(4,128)	$(6,211)	$(8,284)	$6,056

The Company has in place an enforceable master netting arrangement with every counterparty. All master netting arrangements include rights to offset associated with the Company's recognized derivative assets, derivative liabilities, and the cash collateral received and pledged. Accordingly, the Company, where appropriate, offsets all derivative asset and liability positions with the cash collateral received and pledged.

The following tables present the effect of the master netting arrangements on the presentation of the derivative assets in the Consolidated Statements of Condition as of the dates indicated:

	September 30, 2017					
				Gross Amounts Not Offset in the Consolidated Statements of Condition		
(in thousands)	Gross Amount of Recognized Assets (1)	Gross Amount Offset in the Statements of Condition	Net Amount of Assets Presented in the Statements of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$ 1,262	$ 674	$ 588	$ —	$ —	$ 588

(1) Includes $144 thousand to purchase Treasury options.

	December 31, 2016					
				Gross Amounts Not Offset in the Consolidated Statements of Condition		
(in thousands)	Gross Amount of Recognized Assets (1)	Gross Amount Offset in the Statements of Condition	Net Amount of Assets Presented in the Statements of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$ 20,422	$ 17,861	$ 2,561	$ —	$ —	$2,561

(1) Includes $1.9 million to purchase Treasury options.

The following tables present the effect the master netting arrangements had on the presentation of the derivative liabilities in the Consolidated Statements of Condition as of the dates indicated:

	September 30, 2017					
				Gross Amounts Not Offset in the Consolidated Statements of Condition		
(in thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statements of Condition	Net Amount of Liabilities Presented in the Statements of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Derivatives	$ 1,466	$ 1,248	$ 218	$ —	$ —	$ 218

	December 31, 2016					
				Gross Amounts Not Offset in the Consolidated Statements of Condition		
(in thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statements of Condition	Net Amount of Liabilities Presented in the Statements of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Derivatives	$ 23,728	$ 16,588	$ 7,140	$ —	$ —	$7,140

Note 13. Segment Reporting

The Company's operations are divided into two reportable business segments: Banking Operations and Residential Mortgage Banking. These operating segments have been identified based on the Company's organizational structure. The segments require unique technology and marketing strategies, and offer different products and services. While the Company is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

The Company measures and presents information for internal reporting purposes in a variety of ways. The internal reporting system presently used by management in the planning and measurement of operating activities, and to which most managers are held accountable, is based on organizational structure.

The management accounting process uses various estimates and allocation methodologies to measure the performance of the operating segments. To determine financial performance for each segment, the Company allocates capital, funding charges and credits, certain non-interest expenses, and income tax provisions to each segment, as applicable. Allocation methodologies are subject to periodic adjustment as the internal management accounting system is revised and/or as business or product lines within the segments change. In addition, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically revised.

The Company seeks to maximize shareholder value by, among other means, optimizing the return on stockholders' equity and managing risk. Capital is assigned to each segment, the combination of which is equivalent to the Company's consolidated total, on an economic basis, using management's assessment of the inherent risks associated with the respective segments.

The Company allocates expenses to the reportable segments based on various factors, including the volume and number of loans produced and the number of full-time equivalent employees. Income taxes are allocated to the various segments based on taxable income and statutory rates applicable to the segment.

Banking Operations Segment

The Banking Operations segment serves consumers and businesses by offering and servicing a variety of loan and deposit products and other financial services.

Residential Mortgage Banking Segment

The Residential Mortgage Banking segment originated, aggregated, sold, and serviced one-to-four family mortgage loans. Mortgage loan products consist primarily of agency-conforming, fixed and adjustable rate loans and, to a lesser extent, jumbo loans, for the purpose of purchasing or refinancing one-to-four family homes. The Residential Mortgage Banking segment earns interest on loans held in the warehouse and non-interest income from the origination and servicing of loans. It also recognizes gains or losses on the sale of such loans.

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The following tables provide a summary of the Company's segment results for the periods indicated on an internally managed accounting basis:

	For the Three Months Ended September 30, 2017		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$ 273,265	$ 3,078	$ 276,343
Provision for loan losses	44,585	—	44,585
Non-Interest Income:			
Third party [(1)]	99,596	1,973	101,569
Gain on sale of mortgage banking operations	—	7,359	7,359
Inter-segment	(2,411)	2,411	—
Total non-interest income	97,185	11,743	108,928
Non-interest expense [(2)]	146,869	15,365	162,234
Income (loss) before income tax expense	178,996	(544)	178,452
Income tax expense (benefit)	68,200	(216)	67,984
Net income (loss)	$ 110,796	$ (328)	$ 110,468
Identifiable segment assets (period-end)	$ 48,457,891	$ —	$ 48,457,891

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

	For the Three Months Ended September 30, 2016		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$ 314,081	$ 4,342	$ 318,423
Recovery of loan losses	(55)	—	(55)
Non-Interest Income:			
Third party [(1)]	27,131	13,464	40,595
Inter-segment	(4,863)	4,863	—
Total non-interest income	22,268	18,327	40,595
Non-interest expense [(2)]	144,504	17,181	161,685
Income before income tax expense	191,900	5,488	197,388
Income tax expense	69,905	2,184	72,089
Net income	$ 121,995	$ 3,304	$ 125,299
Identifiable segment assets (period-end)	$ 48,478,288	$ 984,332	$ 49,462,620

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

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The following tables provide a summary of the Company's segment results for the periods indicated on an internally managed accounting basis:

	For the Nine Months Ended September 30, 2017		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$ 850,486	$ 8,543	$ 859,029
Provision for loan losses	34,316	—	34,316
Non-Interest Income:			
Third party (1)	163,221	20,957	184,178
Gain on sale of mortgage banking operations	—	7,359	7,359
Inter-segment	(10,222)	10,222	—
Total non-interest income	152,999	38,538	191,537
Non-interest expense (2)	445,910	47,032	492,942
Income before income tax expense	523,259	49	523,308
Income tax expense	193,608	20	193,628
Net income	$ 329,651	$ 29	$ 329,680
Identifiable segment assets (period-end)	$48,457,891	$ —	$48,457,891

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

	For the Nine Months Ended September 30, 2016		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$ 960,661	$ 11,201	$ 971,862
Provision for loan losses	664	—	664
Non-Interest Income:			
Third party (1)	87,616	25,582	113,198
Inter-segment	(13,292)	13,292	—
Total non-interest income	74,324	38,874	113,198
Non-interest expense (2)	430,706	50,338	481,044
Income (loss) before income tax expense	603,615	(263)	603,352
Income tax expense (benefit)	221,817	(133)	221,684
Net income (loss)	$ 381,798	$ (130)	$ 381,668
Identifiable segment assets (period-end)	$48,478,288	$984,332	$49,462,620

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

Note 14. Impact of Recent Accounting Pronouncements, Not Yet Adopted

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU No. 2017-08"). ASU No. 2017-08 shortens the amortization period of premiums on certain purchased callable debt securities to the earliest call date. The Company plans to adopt ASU No. 2017-08 effective January 1, 2019 and the adoption is not expected to have a material effect on the Company's Consolidated Statements of Condition, results of operations, or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." ASU No. 2017-04 eliminates the second step of the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit's goodwill. Instead, an entity will recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill recorded. ASU No. 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The Company plans to adopt ASU No. 2017-04 beginning January 1, 2020 and its adoption is not expected to have a material effect on the Company's Consolidated Statements of Condition, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU No. 2016-15 addresses the following cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are

insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The Company plans to adopt ASU No. 2016-15 beginning January 1, 2018 and its adoption is not expected to have a material effect on the Company's Consolidated Statements of Condition or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 amends guidance on reporting credit losses for assets held on an amortized cost basis and available-for-sale debt securities. For assets held at amortized cost, ASU No. 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however ASU No. 2016-13 will require that credit losses be presented as an allowance rather than as a write-down. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company plans to adopt ASU No. 2016-13 effective January 1, 2020, using the required modified retrospective approach, which includes presenting the cumulative effect of initial application along with supplementary disclosures. The Company is evaluating ASU No. 2016-13, initiating implementation efforts across the Company, and planning for loss modeling requirements consistent with lifetime expected loss estimates. The adoption of ASU No. 2016-13 could have a material effect on the Company's Consolidated Statements of Condition and results of operations. The extent of the impact upon adoption will likely depend on the characteristics of the Company's loan portfolio and economic conditions at that date, as well as forecasted conditions thereafter.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 will require entities that lease assets to recognize as assets and liabilities on the balance sheet the respective rights and obligations created by those leases. ASU No. 2016-02 also will require disclosures that include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The Company plans to adopt ASU No. 2016-02 effective January 1, 2019 using the required modified retrospective approach, which includes presenting the cumulative effect of initial application along with supplementary disclosures. As a lessor and lessee, we do not anticipate the classification of our leases to change, but we expect to recognize substantially all of our leases for which we are the lessee as a lease liability and corresponding right-of-use asset on our Consolidated Statements of Condition. The Company has assembled a project management team and is presently evaluating all of its leases, as well as contracts that may contain embedded leases, for compliance with the new lease accounting rules.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU No. 2016-01 amends guidance on classification and measurement of financial instruments, including revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the fair value option is elected. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. The company will adopt ASU No. 2016-01 on January 1, 2018, and its adoption is not expected to have a material effect on the Company's Consolidated Statements of Condition, results of operations, or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company will adopt ASU No. 2014-09 effective January 1, 2018 using the modified retrospective approach, which includes presenting the cumulative effect of initial application along with supplementary disclosures. ASU No. 2014-09 does not apply to the vast majority of our revenue streams, (i.e. interest income) and therefore are not in scope. The remaining revenue streams that are in scope are de minimis and will not have a material impact on the Company's Consolidated Statements of Condition, results of operations, or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the purposes of this Quarterly Report on Form 10-Q, the words "we," "us," "our," and the "Company" are used to refer to New York Community Bancorp, Inc. and our consolidated subsidiaries, including New York Community Bank and New York Commercial Bank (the "Community Bank" and the "Commercial Bank," respectively, and collectively, the "Banks").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING LANGUAGE

This report, like many written and oral communications presented by New York Community Bancorp, Inc. and our authorized officers, may contain certain forward-looking statements regarding our prospective performance and strategies within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of said safe harbor provisions.

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "seek," "strive," "try," or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. Although we believe that our plans, intentions, and expectations as reflected in these forward-looking statements are reasonable, we can give no assurance that they will be achieved or realized.

Our ability to predict results or the actual effects of our plans and strategies is inherently uncertain. Accordingly, actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained in this report.

There are a number of factors, many of which are beyond our control, that could cause actual conditions, events, or results to differ significantly from those described in our forward-looking statements. These factors include, but are not limited to:

- general economic conditions, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;
- conditions in the securities markets and real estate markets or the banking industry;
- changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;
- changes in interest rates, which may affect our net income, prepayment income, mortgage banking income, and other future cash flows, or the market value of our assets, including our investment securities;
- changes in the quality or composition of our loan or securities portfolios;
- changes in our capital management policies, including those regarding business combinations, dividends, and share repurchases, among others;
- potential increases in costs if the Company is designated a "Systemically Important Financial Institution" under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act");
- heightened regulatory focus on CRE concentration and related limits that have been, or may in the future be, imposed by regulators;
- our use of derivatives to mitigate our interest rate exposure;
- changes in competitive pressures among financial institutions or from non-financial institutions;
- changes in deposit flows and wholesale borrowing facilities;
- changes in the demand for deposit, loan, and investment products and other financial services in the markets we serve;
- our timely development of new lines of business and competitive products or services in a changing environment, and the acceptance of such products or services by our customers;
- our ability to obtain timely shareholder and regulatory approvals of any merger transactions we may propose;
- our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may acquire into our operations, and our ability to realize related revenue synergies and cost savings within expected time frames;
- potential exposure to unknown or contingent liabilities of companies we have acquired, may acquire, or target for acquisition;
- failure to obtain applicable regulatory approvals for the payment of future dividends;
- the ability to pay future dividends at currently expected rates;
- the ability to hire and retain key personnel;
- the ability to attract new customers and retain existing ones in the manner anticipated;
- changes in our customer base or in the financial or operating performances of our customers' businesses;

- any interruption in customer service due to circumstances beyond our control;
- the outcome of pending or threatened litigation, or of matters before regulatory agencies, whether currently existing or commencing in the future;
- environmental conditions that exist or may exist on properties owned by, leased by, or mortgaged to the Company;
- any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;
- operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which we are highly dependent;
- the ability to keep pace with, and implement on a timely basis, technological changes;
- changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, including, but not limited to, the Dodd-Frank Act, and other changes pertaining to banking, securities, taxation, rent regulation and housing, financial accounting and reporting, environmental protection, and insurance, and the ability to comply with such changes in a timely manner;
- changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System;
- changes in accounting principles, policies, practices, or guidelines;
- a material breach in performance by the Community Bank under our Loss Share Agreements with the FDIC;
- changes in our estimates of future reserves based upon the periodic review thereof under relevant regulatory and accounting requirements;
- changes in regulatory expectations relating to predictive models we use in connection with stress testing and other forecasting or in the assumptions on which such modeling and forecasting are predicated;
- changes in our credit ratings or in our ability to access the capital markets;
- natural disasters, war, or terrorist activities; and
- other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting our operations, pricing, and services.

In addition, the timing and occurrence or non-occurrence of events may be subject to circumstances beyond our control.

Furthermore, we routinely evaluate opportunities to expand through acquisitions and conduct due diligence activities in connection with such opportunities. As a result, acquisition discussions and, in some cases, negotiations, may take place at any time, and acquisitions involving cash or our debt or equity securities may occur.

See Part II, Item 1A, “Risk Factors,” in this report and Part I, Item 1A, “Risk Factors,” in our Form 10-K for the year ended December 31, 2016 for a further discussion of important risk factors that could cause actual results to differ materially from our forward-looking statements.

Readers should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this report. We do not assume any obligation to revise or update these forward-looking statements except as may be required by law.

RECONCILIATIONS OF STOCKHOLDERS' EQUITY, COMMON STOCKHOLDERS' EQUITY, AND TANGIBLE COMMON STOCKHOLDERS' EQUITY;
TOTAL ASSETS AND TANGIBLE ASSETS; AND THE RELATED MEASURES
(unaudited)

While stockholders' equity, common stockholders' equity, total assets, and book value per common share are financial measures that are recorded in accordance with U.S. generally accepted accounting principles ("GAAP"), tangible common stockholders' equity, tangible assets, and tangible book value per common share are not. It is management's belief that these non-GAAP measures should be disclosed in this report and others we issue for the following reasons:

1. Tangible common stockholders' equity is an important indication of the Company's ability to grow organically and through business combinations, as well as its ability to pay dividends and to engage in various capital management strategies.
2. Tangible book value per common share and the ratio of tangible common stockholders' equity to tangible assets are among the capital measures considered by current and prospective investors, both independent of, and in comparison with, the Company's peers.

Tangible common stockholders' equity, tangible assets, and the related non-GAAP measures should not be considered in isolation or as a substitute for stockholders' equity, common stockholders' equity, total assets, or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate these non-GAAP measures may differ from that of other companies reporting non-GAAP measures with similar names.

Reconciliations of our stockholders' equity, common stockholders' equity, and tangible common stockholders' equity; our total assets and tangible assets; and the related financial measures for the respective periods follow:

(in thousands, except per share amounts)	September 30, 2017	December 31, 2016
Stockholders' Equity	$ 6,759,654	$ 6,123,991
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	—	(208)
Preferred stock	(502,840)	—
Tangible common stockholders' equity	$ 3,820,683	$ 3,687,652
Total Assets	$ 48,457,891	$48,926,555
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	—	(208)
Tangible assets	$ 46,021,760	$46,490,216
Common stockholders' equity to total assets	12.91%	12.52%
Tangible common stockholders' equity to tangible assets	8.30	7.93
Book value per common share	$12.79	$12.57
Tangible book value per common share	7.81	7.57

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank (the "Community Bank"), with 225 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona; and New York Commercial Bank (the "Commercial Bank"), with 30 branches in Metro New York. At September 30, 2017, we had total assets of $48.5 billion, including total loans, net, of $37.5 billion, total deposits of $28.9 billion, and total stockholders' equity of $6.8 billion.

Chartered in the State of New York, the Community Bank and the Commercial Bank are subject to regulation by the Federal Deposit Insurance Corporation (the "FDIC"), the Consumer Financial Protection Bureau, and the New York State Department of Financial Services. In addition, the holding company is subject to regulation by the Board of Governors of the Federal Reserve System (the "FRB"), the U.S. Securities and Exchange Commission (the "SEC"), and the requirements of the New York Stock Exchange, where shares of our common stock are traded under the symbol "NYCB" and shares of our preferred stock trade under the symbol "NYCB PR A."

As a publicly traded company, our mission is to provide our shareholders with a solid return on their investment by producing a strong financial performance, maintaining a solid capital position, and engaging in corporate strategies that enhance the value of their shares. In the three months ended September 30, 2017, we generated net income of $110.5 million and net income available to common shareholders of $102.3 million, or $0.21 per diluted common share.

Resumption of Meaningful Loan Growth

After not growing the balance sheet for nearly three years, total non-covered loans held for investment grew 2.7% over the three months on an annualized basis to $37.5 billion. Total non-covered mortgage loans held for investment grew at an annualized rate of 3.5% to $35.5 billion, including 4.3% annualized growth in our multi-family loan portfolio. This was partially offset by a 2.4% (9.5% annualized) sequential decline in commercial and industrial ("C&I") loans, largely the result of prepayments. Total loans originated for investment increased 24% on a sequential basis, to $2.3 billion, including 50% growth in multi-family originations and 30% growth in commercial real estate ("CRE") loan originations.

We Maintained Our Solid Record of Asset Quality

Non-performing non-covered assets declined 7% to $84.7 million, or 0.17%, of total non-covered assets at the end of the current third quarter as compared to $91.6 million, or 0.20%, of total non-covered assets at June 30, 2017. Non-performing non-covered loans decreased 16% to $69.0 million, or 0.18%, of total non-covered loans at the end of the current third quarter as compared to $82.0 million, or 0.22%, of total non-covered loans at June 30, 2017.

During the quarter, non-accrual non-covered mortgage loans declined 22% to $24.3 million, while other non-accrual non-covered loans, which primarily consisted of taxi medallion-related loans, decreased 12% to $44.7 million. These improvements were partially offset by a 64% increase, to $15.8 million, in non-covered repossessed assets.

Net charge-offs for the current third quarter rose to $40.4 million, or 0.11%, of average loans compared to $11.4 million, or 0.03%, of average loans in the second quarter of 2017. The increase was due to charge-offs on the taxi medallion-related loan portfolio. Taxi medallion-related loans accounted for $40.6 million of this quarter's charge-offs compared to $11.3 million in the trailing quarter. Excluding these charge-offs, the Company would have recorded net recoveries during the quarter. At September 30, 2017, the Company's total taxi medallion-related exposure was $105.6 million.

Our Net Interest Income Was Pressured by the Rise in Interest Rates

The FRB has raised its target federal funds rate four times since the fourth quarter of 2016, including in March and June of 2017. This increase in short-term interest rates led to an increase in our cost of funds. As a result of this factor, our net interest income fell $11.4 million, or 4% sequentially, and $42.1 million, or 13% year-over-year, to $276.3 million and our net interest margin fell 12 and 38 basis points, respectively, to 2.53% in the third quarter of this year.

Ongoing Expense Control

Non-interest expense totaled $162.2 million in the current third quarter, down 1% from the trailing-quarter level and up modestly from the year-earlier quarter. Merger-related expenses were $2.2 million in the year-earlier period; there were no comparable expenses in the third quarter of 2017. The sequential improvement was largely due to lower operating expenses including compensation and benefits expense and general and administrative ("G&A") expense.

External Factors

The following is a discussion of certain external factors that tend to influence our financial performance and the strategic actions we take:

Interest Rates

Among the external factors that tend to influence our performance, the interest rate environment is key.

The cost of our deposits and short-term borrowed funds is largely based on short-term rates of interest, the level of which is partially impacted by the actions of the Federal Open Market Committee of the Federal Reserve Board of Governors (the "FOMC"). The FOMC reduces, maintains, or increases the target federal funds rate (the rate at which banks borrow funds overnight from one another) as it deems necessary. Since the fourth quarter of 2008, when the target federal funds rate was lowered to a range of 0% to 0.25%, the rate has been raised four times: on December 17, 2015, to a range of 0.25% to 0.50%; on December 14, 2016, to a range of 0.50% to 0.75%; on March 15, 2017, to a range of 0.75% to 1.00%; and most recently on June 14, 2017 to a range of 1.00% to 1.25%.

Just as short-term interest rates affect the cost of our deposits and that of the funds we borrow, market interest rates affect the yields on the loans we produce for investment and the securities in which we invest. As further discussed under "Loans Held for Investment" later on in this discussion, the interest rates on our multi-family and CRE loans generally are based on the five-year Constant Maturity Treasury Rate ("CMT").

The following table summarizes the high, low, and average five- and ten-year CMTs in the respective periods:

	Five-Year Constant Maturity Treasury Rate				Ten-Year Constant Maturity Treasury Rate		
	Sept. 30 2017	June 30, 2017	Sept. 30, 2016		Sept. 30, 2017	June 30, 2017	Sept. 30, 2016
High	1.95%	1.94%	1.26%	High	2.39%	2.42%	1.73%
Low	1.63	1.71	0.94	Low	2.05	2.05	1.37
Average	1.81	1.81	1.13	Average	2.24	2.26	1.56

(Source: Bloomberg)

Changes in market interest rates generally have a lesser impact on our multi-family and CRE loan production than they do on other types of loans we produce. Because the multi-family and CRE loans we produce generate income when they prepay (which is recorded as interest income), the impact of repayment activity can be meaningful. In the third quarter of 2017, prepayment income from loans contributed $14.1 million to interest income; in the trailing and year-earlier quarters, the contribution was $13.3 million and $13.4 million, respectively.

Economic Indicators

While we attribute our asset quality to the nature of the loans we produce and our conservative underwriting standards, the quality of our assets can also be impacted by economic conditions in our local markets and throughout the United States. The information that follows consists of recent economic data that we consider to be germane to our performance and the markets we serve.

The following table presents the unemployment rates for the United States and our key deposit markets in the months ended September 30, 2017, June 30, 2017, and September 30, 2016. While unemployment declined year-over-year in all of these markets, the sequential comparison indicates declines in certain markets and modest increases in two states and New York City.

	For the Month Ended		
	September 30, 2017	June 30, 2017	September 30, 2016
Unemployment rate:			
United States	4.1%	4.5%	4.8%
New York City	5.0	4.4	5.4
Arizona	4.7	5.3	5.4
Florida	3.6	4.4	5.1
New Jersey	4.8	4.3	4.9
New York	4.7	4.5	4.9
Ohio	4.7	5.4	4.9

(Source: U.S. Department of Labor)

Another key economic indicator is the Consumer Price Index (the "CPI"), which measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The following table indicates the change in the CPI for the twelve months ended at each of the indicated dates:

	For the Twelve Months Ended		
	September 2017	June 2017	September 2016
Change in prices:	0.5%	(0.1)%	0.3%

Yet another pertinent economic indicator is the residential rental vacancy rate in New York, as reported by the U.S. Department of Commerce, and the office vacancy rate in Manhattan, as reported by a leading commercial real estate broker, Jones Lang LaSalle. These measures are important in view of the fact that 64.7% of our multi-family loans and 70.0% of our CRE loans are secured by properties in New York, with Manhattan accounting for 26.9% and 51.3% of our multi-family and CRE loans, respectively.

As reflected in the following table, residential rental vacancy rates in New York increased year-over-year and linked-quarter, while office vacancy rates in Manhattan declined year-over-year and linked quarter.

	For the Three Months Ended		
	September 30, 2017	June 30, 2017	September 30, 2016
Rental Vacancy Rates:			
New York residential	5.6%	5.1%	5.1%
Manhattan office	10.2	10.8	10.5

Lastly, the Consumer Confidence Index ® increased to 120.6 in September 2017 from 117.3 in June 2017 and 104.1 in September 2016. An index level of 90 or more is considered indicative of a strong economy.

Recent Events

Strategic Exit from the Mortgage Banking Business

On June 27, 2017, the Company announced that it had entered into an agreement to sell its mortgage banking business, which was acquired as part of its 2009 FDIC-assisted acquisition of AmTrust Bank ("AmTrust"), to Freedom Mortgage Corporation ("Freedom"). The sale of our mortgage banking business effectively takes the Company out of the one-to-four family residential wholesale lending business. Additionally, the Company received approval from the FDIC to sell the assets covered under our Loss Share Agreements ("LSA") and entered into an agreement to sell the majority of our one-to-four family residential mortgage-related assets, including those covered under the LSA, to FirstKey Mortgage, LLC, an affiliate of Cerberus Capital Management, L.P. ("Cerberus").

On July 28, 2017, the Company completed the sale, resulting in the receipt of proceeds of $1.9 billion from Cerberus and the FDIC to sell the aforementioned loans and settle the related LSA, resulting in a gain of $74.6 million which is included in "Non-interest income" in the accompanying Consolidated Statement of Income and Comprehensive Income. Effective October 31, 2017, the Company and the FDIC completed termination of the LSA.

The sale of our mortgage banking business to Freedom, which included both our origination and servicing platforms, as well as our mortgage servicing portfolio with unpaid loan principal balances totaling $20.5 billion and related mortgage servicing rights (“MSRs”) asset of $208.8 million, closed on September 29, 2017. We received proceeds in the amount of $226.6 million, resulting in a pre-tax gain of $7.4 million.

The decision to sell the mortgage banking business and the assets covered under our LSA was the result of an evaluation with the Board of Directors and our outside advisors. Selling to a large, national, full-service mortgage banking company that would keep certain employees and maintain operations in the region were important considerations during the evaluation process. These actions are consistent with the Company’s strategic objectives. Such sales allow the Company to focus on its core business model, including growth through acquisitions, generate liquidity which will be redeployed into higher-earning assets, and enhance returns through improved efficiencies.

The Community Bank’s mortgage banking operation originated, aggregated, sold, and serviced one-to-four family loans. Community banks, credit unions, mortgage companies, and mortgage brokers used its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans nationwide. These loans were generally sold to GSEs, servicing retained. To a much lesser extent, the Community Bank used its mortgage banking platform to originate jumbo loans.

Declaration of Dividend on Common Shares

On October 24, 2017, the Board of Directors declared a quarterly cash dividend of $0.17 per share on our common stock, payable on November 21, 2017 to shareholders of record at the close of business on November 7, 2017.

Critical Accounting Policies

We consider certain accounting policies to be critically important to the portrayal of our financial condition and results of operations, since they require management to make complex or subjective judgments, some of which may relate to matters that are inherently uncertain. The inherent sensitivity of our consolidated financial statements to these critical accounting policies, and the judgments, estimates, and assumptions used therein, could have a material impact on our financial condition or results of operations.

We have identified the following to be critical accounting policies: the determination of the allowances for loan losses on non-covered loans; the determination of the amount, if any, of goodwill impairment; and the determination of the valuation allowance for deferred tax assets.

The judgments used by management in applying these critical accounting policies may be influenced by adverse changes in the economic environment, which may result in changes to future financial results.

Allowance for Losses on Non-Covered Loans

The allowance for losses on non-covered loans represents our estimate of probable and estimable losses inherent in the non-covered loan portfolio as of the date of the balance sheet. Losses on non-covered loans are charged against, and recoveries of losses on non-covered loans are credited back to, the allowance for losses on non-covered loans.

Although non-covered loans are held by either the Community Bank or the Commercial Bank, and a separate loan loss allowance is established for each, the total of the two allowances is available to cover all losses incurred. In addition, except as otherwise noted in the following discussion, the process for establishing the allowance for losses on non-covered loans is largely the same for each of the Community Bank and the Commercial Bank.

The methodology used for the allocation of the allowance for non-covered loan losses at September 30, 2017 and December 31, 2016 was generally comparable, whereby the Community Bank and the Commercial Bank segregated their loss factors (used for both criticized and non-criticized loans) into a component that was primarily based on historical loss rates and a component that was primarily based on other qualitative factors that are probable to affect loan collectability. In determining the respective allowances for non-covered loan losses, management considers the Community Bank’s and the Commercial Bank’s current business strategies and credit processes, including compliance with applicable regulatory guidelines and with guidelines approved by the respective Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

The allowance for losses on non-covered loans is established based on management's evaluation of incurred losses in the portfolio in accordance with U.S. generally accepted accounting principles ("GAAP"), and is comprised of both specific valuation allowances and general valuation allowances.

Specific valuation allowances are established based on management's analyses of individual loans that are considered impaired. If a non-covered loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance for that amount. A non-covered loan is classified as "impaired" when, based on current information and/or events, it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. We apply this classification as necessary to non-covered loans individually evaluated for impairment in our portfolios. Smaller-balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective, rather than individual, basis. Loans to certain borrowers who have experienced financial difficulty and for which the terms have been modified, resulting in a concession, are considered troubled debt restructurings ("TDRs") and are classified as impaired.

We generally measure impairment on an individual loan and determine the extent to which a specific valuation allowance is necessary by comparing the loan's outstanding balance to either the fair value of the collateral, less the estimated cost to sell, or the present value of expected cash flows, discounted at the loan's effective interest rate. Generally, when the fair value of the collateral, net of the estimated cost to sell, or the present value of the expected cash flows is less than the recorded investment in the loan, any shortfall is promptly charged off.

We also follow a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loans. This loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances. The factors assessed begin with the historical loan loss experience for each major loan category. We also take into account an estimated historical loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss) for each loan portfolio segment.

The allocation methodology consists of the following components: First, we determine an allowance for loan losses based on a quantitative loss factor for loans evaluated collectively for impairment. This quantitative loss factor is based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience, and loss emergence periods. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels, loss emergence periods, or other risks. Lastly, we allocate an allowance for loan losses based on qualitative loss factors. These qualitative loss factors are designed to account for losses that may not be provided for by the quantitative loss component due to other factors evaluated by management, which include, but are not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, and charge-off and recovery practices;
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of our loan review system;
- Changes in the value of the underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- Changes in the experience, ability, and depth of lending management and other relevant staff; and
- The effect of other external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the existing portfolio.

By considering the factors discussed above, we determine an allowance for non-covered loan losses that is applied to each significant loan portfolio segment to determine the total allowance for losses on non-covered loans.

The historical loss period we use to determine the allowance for loan losses on non-covered loans is a rolling 27-quarter look-back period, as we believe this produces an appropriate reflection of our historical loss experience.

The process of establishing the allowance for losses on non-covered loans also involves:

- Periodic inspections of the loan collateral by qualified in-house and external property appraisers/inspectors;

- Regular meetings of executive management with the pertinent Board committee, during which observable trends in the local economy and/or the real estate market are discussed;
- Assessment of the aforementioned factors by the pertinent members of the Boards of Directors and management when making a business judgment regarding the impact of anticipated changes on the future level of loan losses; and
- Analysis of the portfolio in the aggregate, as well as on an individual loan basis, taking into consideration payment history, underwriting analyses, and internal risk ratings.

In order to determine their overall adequacy, each of the respective non-covered loan loss allowances is reviewed quarterly by management and the Board of Directors of the Community Bank or the Commercial Bank, as applicable.

We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. The collectability of individual loans is determined through an assessment of the financial condition and repayment capacity of the borrower and/or through an estimate of the fair value of any underlying collateral. For non-real estate-related consumer credits, the following past-due time periods determine when charge-offs are typically recorded: (1) Closed-end credits are charged off in the quarter that the loan becomes 120 days past due; (2) Open-end credits are charged off in the quarter that the loan becomes 180 days past due; and (3) Both closed-end and open-end credits are typically charged off in the quarter that the credit is 60 days past the date we received notification that the borrower has filed for bankruptcy.

The level of future additions to the respective non-covered loan loss allowances is based on many factors, including certain factors that are beyond management’s control, such as changes in economic and local market conditions, including declines in real estate values, and increases in vacancy rates and unemployment. Management uses the best available information to recognize losses on loans or to make additions to the loan loss allowances; however, the Community Bank and/or the Commercial Bank may be required to take certain charge-offs and/or recognize further additions to their loan loss allowances, based on the judgment of regulatory agencies with regard to information provided to them during their examinations of the Banks.

An allowance for unfunded commitments is maintained separate from the allowances for non-covered loan losses and is included in “Other liabilities” in the Consolidated Statements of Condition.

See Note 6, “Allowances for Loan Losses” for a further discussion of our allowance for losses on covered loans, as well as additional information about our allowance for losses on non-covered loans.

Goodwill Impairment

We have significant intangible assets related to goodwill. In connection with our acquisitions, assets that are acquired and liabilities that are assumed are recorded at their estimated fair values. Goodwill represents the excess of the purchase price of our acquisitions over the fair value of the identifiable net assets acquired, including other identified intangible assets. Our determination of whether or not goodwill is impaired requires us to make significant judgments and requires us to use significant estimates and assumptions regarding estimated future cash flows. If we change our strategy or if market conditions shift, our judgments may change, which may result in adjustments to the recorded goodwill balance.

We test our goodwill for impairment at the reporting unit level. These impairment evaluations are performed by comparing the carrying value of the goodwill of a reporting unit to its estimated fair value. We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. Previously, we had identified two reporting units: our Banking Operations reporting unit and our Residential Mortgage Banking reporting unit. On September 29, 2017, the Company sold the Residential Mortgage Banking reporting unit; accordingly, we have identified only one reporting unit.

For annual goodwill impairment testing, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill and other intangible assets. If we conclude that this is the case, we must perform the two-step test described below. If we conclude based on the qualitative assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we have completed our goodwill impairment test and do not need to perform the two-step test.

Under step one of the two-step test, we are required to determine the fair value of each reporting unit and compare it to the carrying value, including goodwill and other intangible assets, of such reporting unit. If the fair value exceeds the carrying value, no impairment loss is recognized and the second step, which is a calculation of the impairment, is not performed. However, if the carrying value of the reporting unit exceeds its fair value, an impairment charge is recorded equal to the extent that the carrying amount of goodwill exceeds its implied fair value.

Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and the determination of the fair value of each reporting unit. In assessing whether goodwill is impaired, we must make estimates and assumptions regarding future cash flows, long-term growth rates of our business, operating margins, discount rates, weighted average cost of capital, and other factors to determine the fair value of our assets. These estimates and assumptions require management's judgment, and changes to these estimates and assumptions, as a result of changing economic and competitive conditions, could materially affect the determination of fair value and/or impairment. Future events could cause us to conclude that indicators of impairment exist for goodwill, and may result from, among other things, deterioration in the performance of our business, adverse market conditions, adverse changes in applicable laws and regulations, competition, or the sale or disposition of a reporting unit. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

As of September 30, 2017, we had goodwill of $2.4 billion. Our goodwill is evaluated for impairment annually at December 31st, or more frequently if conditions exist that indicate that the value may be impaired. During the three months ended September 30, 2017, no triggering events were identified that indicated that the value of goodwill might be impaired as of such date. We performed our annual goodwill impairment test as of December 31, 2016 and, based on the results of our qualitative assessments, found no indication of goodwill impairment at that date.

Income Taxes

In estimating income taxes, management assesses the relative merits and risks of the tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of our tax position. In this process, management also relies on tax opinions, recent audits, and historical experience. Although we use the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing our overall or transaction-specific tax position.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and the carry forward of certain tax attributes such as net operating losses. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. In assessing the need for a valuation allowance, we estimate future taxable income, considering the prudence and feasibility of tax planning strategies and the realizability of tax loss carry forwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which that determination was made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease in income tax expense in the period in which that determination was made. Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination would be recorded as an adjustment to goodwill.

Balance Sheet Summary

At September 30, 2017, we recorded total assets of $48.5 billion, a $110.2 million increase from the balance at June 30, 2017 and a $468.7 million decline from the balance at December 31, 2016. Loans, net, and securities represented $37.5 billion and $3.0 billion, respectively, of the September 30th balance and were down $1.4 billion and $140.1 million, respectively, from the trailing quarter-end balances and $1.9 billion and $786.0 million, respectively, from the year-end balances.

Deposits and borrowed funds totaled $28.9 billion and $12.4 billion, respectively, at the end of the current third quarter. The current third quarter deposit balance was comparable to the balances at both the second quarter of this year and year end. Borrowed funds were unchanged from the prior quarter-end balance and declined $1.3 billion from year end.

Total stockholders' equity rose $635.7 million from the year-end 2016 balance, due primarily to a $502.8 million preferred stock offering in March, and $24.9 million from the June 30, 2017 balance, to $6.8 billion, at the current third-quarter end. Common stockholders' equity represented 12.91% of total assets at September 30, 2017 compared to 12.89% and 12.31%, respectively, of total assets at June 30, 2017 and September 30, 2016, and a book value per common share of $12.79 at September 30, 2017 compared to $12.74 at June 30, 2017 and $12.50 at September 30, 2016.

Loans

Loans, net, fell $1.4 billion from the trailing quarter-end and $1.9 billion from year end to $37.5 billion in the three months ended September 30, 2017, representing 77.3% of total assets at that date. Included in the quarter-end balance were non-covered loans held for investment, net, of $37.3 billion, and non-covered loans held for sale of $104.9 million, as more fully discussed below.

Non-Covered Loans Held for Investment

Non-covered loans held for investment totaled $37.5 billion at the end of the current third quarter, up $255.2 million from the June 30, 2017 balance and up $123.5 million from the balance at December 31, 2016. Loan originations increased $444.6 million, or 24%, sequentially, driven by 50% growth in multi-family originations and 30% growth in CRE originations.

Sales of participations totaled $37.8 million in the three months ended September 30, 2017, as compared to $148.2 million in the trailing three-month period. The pace of loan sale participations has declined due to the Company's strategic decision to resume its balance sheet growth.

In addition to multi-family and CRE loans, the held-for-investment portfolio includes substantially smaller balances of one-to-four family loans, ADC loans, and other loans, with specialty finance loans and leases and other C&I loans comprising the bulk of the "Other loan" portfolio.

At September 30, 2017, loans secured by multi-family, CRE, and ADC properties (as defined in the FDIC's CRE Guidance) represented 739.9% of the consolidated Banks' total risk-based capital, within the 850% limit agreed to with our regulators.

The following table presents information about the loans held for investment we originated for the respective periods:

	For the Three Months Ended			For the Nine Months Ended	
(in thousands)	Sept. 30, 2017	June 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Mortgage Loans Originated for Investment:					
Multi-family	$1,432,424	$ 952,265	$1,276,358	$3,339,302	$4,529,904
Commercial real estate	249,773	192,072	345,543	692,187	892,676
One-to-four family residential	22,047	50,697	101,365	116,603	248,020
Acquisition, development, and construction	21,754	20,836	17,855	55,509	123,849
Total mortgage loans originated for investment	$1,725,998	$1,215,870	$1,741,121	$4,203,601	$5,794,449
Other Loans Originated for Investment:					
Specialty finance	$ 468,735	$ 498,918	$ 369,308	$1,236,817	$ 907,551
Other commercial and industrial	115,569	150,787	151,279	388,511	451,340
Other	700	785	894	2,370	3,010
Total other loans originated for investment	$ 585,004	$ 650,490	$ 521,481	$1,627,698	$1,361,901
Total loans originated for investment	$2,311,002	$1,866,360	$2,262,602	$5,831,299	$7,156,350

The individual held-for-investment loan portfolios are discussed in detail below.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxury residential apartment buildings in New York City that are rent-regulated and feature below-market rents—a market we refer to as our "primary lending niche."

Multi-family loan originations represented $1.4 billion, or 62.0%, of the held-for-investment loans we produced in the current third quarter, reflecting a linked-quarter increase of $480.2 million and a $156.1 million increase year-over-year. At September 30, 2017, multi-family loans represented $27.1 billion, or 72.4%, of total non-covered loans held for investment, reflecting a $286.2 million increase from the balance at June 30th and a $200.3 million increase from the balance at December 31st.

The average multi-family loan had a principal balance of $5.6 million at the end of the current third quarter, which was modestly higher than the balances at June 30, 2017 and December 31, 2016, respectively.

The majority of our multi-family loans are made to long-term owners of residential apartment buildings with units that are subject to rent regulation and feature below-market rents. Our borrowers typically use the funds we provide for future real estate investments, or to make building-wide improvements and renovations to certain units, as a result of which they are able to increase the rents their tenants pay. In this way, the borrower creates increased cash flows to service debt and borrow against in future years.

In addition to underwriting multi-family loans on the basis of the buildings' income and condition, we consider the borrowers' credit history, profitability, and building management expertise. Borrowers are required to present evidence of their ability to repay the loan from the buildings' current rent rolls, their financial statements, and related documents.

While a small percentage of our multi-family loans are ten-year fixed rate credits, the vast majority of our multi-family loans feature a term of ten or twelve years, with a fixed rate of interest for the first five or seven years of the loan, and an alternative rate of interest in years six through ten or eight through twelve. The rate charged in the first five or seven years is generally based on intermediate-term interest rates plus a spread. During the remaining years, the loan resets to an annually adjustable rate that is tied to the prime rate of interest, plus a spread. Alternately, the borrower may opt for a fixed rate that is tied to the five-year fixed advance rate of the Federal Home Loan Bank of New York (the "FHLB-NY"), plus a spread. The fixed-rate option also requires the payment of one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five- or seven-year term. As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally does so before the loan reprices in year six or eight.

Our multi-family loans tend to refinance in approximately three years of origination; at September 30, 2017, June 30, 2017, and December 31, 2016, the weighted average life of the multi-family loan portfolio was 2.7 years, 3.2 years, and 2.9 years, respectively.

Multi-family loans that refinance within the first five or seven years are typically subject to an established prepayment penalty schedule. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten or eight through twelve. For example, a ten-year multi-family loan that prepays in year three would generally be expected to pay a prepayment penalty equal to three percentage points of the remaining principal balance. A twelve-year multi-family loan that prepays in year one or two would generally be expected to pay a penalty equal to five percentage points.

Because prepayment penalties are recorded as interest income, they are reflected in the average yields on our loans and interest-earning assets, our interest rate spread and net interest margin, and the level of net interest income we record. No assumptions are involved in the recognition of prepayment income, as such income is only recorded when cash is received.

Our success as a multi-family lender partly reflects the solid relationships we have developed with the market's leading mortgage brokers, who are familiar with our lending practices, our underwriting standards, and our long-standing practice of basing our loans on the cash flows produced by the properties. The process of producing such loans is generally four to six weeks in duration and, because the multi-family market is largely broker-driven, the expense incurred in sourcing such loans is substantially reduced.

At September 30, 2017, the majority of our multi-family loans were secured by rent-regulated rental apartment buildings. In addition, 64.7% of our multi-family loans were secured by buildings in New York City and 5.5% were secured by buildings elsewhere in New York State. The remaining multi-family loans were secured by buildings outside these markets, including in the four other states served by our retail branch offices.

Our emphasis on multi-family loans is driven by several factors, including their structure, which reduces our exposure to interest rate volatility to some degree. Another factor driving our focus on multi-family lending has been the comparative quality of the loans we originate.

We primarily underwrite our multi-family loans based on the current cash flows produced by the collateral property, with a reliance on the "income" approach to appraising the properties, rather than the "sales" approach. The sales approach is subject to fluctuations in the real estate market, as well as general economic conditions, and is therefore likely to be more risky in the event of a downward credit cycle turn. We also consider a variety of other factors, including the physical condition of the underlying property; the net operating income of the mortgaged premises prior to debt service; the debt service coverage ratio ("DSCR"), which is the ratio of the property's net operating income to its debt service; and the ratio of the loan amount to the appraised value of the property ("LTV").

In addition to requiring a minimum DSCR of 120% on multi-family buildings, we obtain a security interest in the personal property located on the premises, and an assignment of rents and leases. Our multi-family loans generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of 30 years. In addition, our multi-family loans may contain an initial interest-only period which typically does not exceed two years; however, these loans are underwritten on a fully amortizing basis.

Accordingly, while our multi-family lending niche has not been immune to downturns in the credit cycle, the limited number of losses we have recorded, even in adverse credit cycles, suggests that the multi-family loans we produce involve less credit risk than certain other types of loans. In general, buildings that are subject to rent regulation have tended to be stable, with occupancy levels remaining more or less constant over time. Because the rents are typically below market and the buildings securing our loans are generally maintained in good condition, they have been more likely to retain their tenants in adverse economic times. In addition, we exclude any short-term property tax exemptions and abatement benefits the property owners receive when we underwrite the cash flows of our multi-family loans.

Commercial Real Estate Loans

CRE loans represented $7.6 billion, or 20.1%, of total loans held for investment at the end of the current third quarter, a $9.8 million increase from the balance at June 30, 2017, but a $174.0 million decrease from the balance at December 31, 2016. CRE loans represented $249.8 million, or 10.8%, of loans originated for investment in the current third quarter, reflecting a linked-quarter increase of $57.7 million and a year-over-year decrease of $95.8 million.

At September 30, 2017, the average CRE loan had a principal balance of $5.7 million, unchanged from the average principal balance at June 30, 2017, and up modestly from December 31, 2016.

The CRE loans we produce are secured by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties. At September 30, 2017, 70.0% of our CRE loans were secured by properties in New York City, while properties on Long Island accounted for 11.6%. Other parts of New York State accounted for 2.6% of the properties securing our CRE credits, while all other states accounted for 15.8%, combined.

The terms of our CRE loans are similar to the terms of our multi-family credits, and the same prepayment penalties also apply. Furthermore, our CRE loans also tend to refinance in approximately three years of origination; the weighted average life of the CRE portfolio was 2.9 years, 3.0 years, and 3.4 years at September 30, 2017, June 30, 2017, and December 31, 2016, respectively.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property's current income stream and DSCR. The approval of a loan also depends on the borrower's credit history, profitability, and expertise in property management, and generally requires a minimum DSCR of 130% and a maximum LTV of 65%. Furthermore, the origination of CRE loans typically requires a security interest in the fixtures, equipment, and other personal property of the borrower and/or an assignment of the rents and/or leases. In addition, CRE loans may contain an interest-only period which typically does not exceed three years. However, these loans are underwritten on a fully amortizing basis.

One-to-Four Family Loans

Reflecting our announcement that the Company was exiting the mortgage banking business, the September 30, 2017 balance of one-to-four family loans held for investment was relatively unchanged sequentially at $413.2 million, representing 1.1% of total loans held for investment at that date.

Acquisition, Development, and Construction Loans

The balance of ADC loans increased $12.8 million to $385.9 million sequentially, representing 1.0% of total held-for-investment loans at the current third-quarter end. In the third quarter of 2017, we originated ADC loans of $21.8 million, a $918,000 increase from the trailing-quarter volume and a year-over-year increase of $3.9 million.

Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a guarantee of repayment and completion. In the nine months ended September 30, 2017 and 2016, we recovered losses against guarantees of $321,000 and $314,000, respectively.

Other Loans

Other loans of $2.0 billion were relatively unchanged from the trailing three-month period, representing 5.3% of total loans at September 30th due to an increase in specialty finance loans and leases to $1.4 billion and a $20.8 million decline in other C&I loans to $545.5 million. Included in the latter amount were taxi medallion-related loans of $99.1 million, representing 0.3% of total loans held for investment. The remainder of the "other loan" portfolio included a nominal amount of consumer loans.

Originations of other loans totaled $585.0 million in the current third quarter, reflecting a $65.5 million decrease from the trailing-quarter volume and a $63.5 million increase from the year-earlier amount. Specialty finance loans and leases represented the bulk of the quarter's other loan originations, at $468.7 million, reflecting a $30.2 million decrease from the trailing-quarter level and a $99.4 million increase from the year-earlier amount. Other C&I loans represented $115.6 million of the other loans produced in the current third quarter, down $35.2 million and $35.7 million, respectively, from the volumes in the earlier periods.

Specialty Finance Loans and Leases

Our specialty finance subsidiary is based in Foxboro, Massachusetts, and staffed by a group of industry veterans with expertise in originating and underwriting senior secured debt and equipment loans and leases. The subsidiary participates in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources, and generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide.

The loans and leases we fund fall into three distinct categories: asset-based lending, dealer floor-plan lending, and equipment loan and lease financing. Each of these credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancelable lease. The pricing of our asset-based and dealer floor-plan loans are at floating rates predominately tied to LIBOR, while our equipment financing credits are at fixed rates at a spread over Treasuries.

Since launching our specialty finance business in the third quarter of 2013, no losses have been recorded on any of the loans or leases in this portfolio.

Other Commercial and Industrial Loans

In contrast to the loans produced by our specialty finance subsidiary, the other C&I loans we produce are primarily made to small and mid-size businesses in the five boroughs of New York City and on Long Island. Such loans are tailored to meet the specific needs of our borrowers and include term loans, revolving lines of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad range of other C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of other C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. Other C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower's financial stability.

The interest rates on our other C&I loans can be fixed or floating, with floating rate loans being tied to prime or some other market index, plus an applicable spread. Our floating rate loans may or may not feature a floor rate of interest. The decision to require a floor on other C&I loans depends on the level of competition we face for such loans from other institutions, the direction of market interest rates, and the profitability of our relationship with the borrower.

Lending Authority

The loans we originate for investment are subject to federal and state laws and regulations, and are underwritten in accordance with loan underwriting policies and procedures approved by the Mortgage and Real Estate Committee of the Community Bank (the "Mortgage Committee"), the Credit Committee of the Commercial Bank (the "Credit Committee"), and the respective Boards of Directors of the Banks.

Prior to 2017, all loans originated by the Banks were presented to the Mortgage Committee or the Credit Committee, as applicable. Furthermore, all loans of $20.0 million or more originated by the Community Bank, and all loans of $10.0 million or more originated by the Commercial Bank, were reported to the applicable Board of Directors. One-to-four family mortgage loans were approved by line-of-business personnel having underwriting authority pursuant to a separate policy applicable to our mortgage banking segment.

Effective January 27, 2017, and in accordance with the Banks' credit policies, all loans other than one-to-four family mortgage loans and C&I loans less than or equal to $3.0 million are required to be presented to the Management Credit Committee for approval. All multi-family, CRE, and "other" C&I loans in excess of $5.0 million, and specialty finance loans in excess of $15.0 million, are also required to be presented to the Mortgage Committee or the Credit Committee, as applicable, so that the Committees can review the loans' associated risks. The Committees have authority to direct changes in lending practices as they deem necessary or appropriate in order to address individual or aggregate risks and credit exposures in accordance with the Banks' strategic objectives and risk appetites.

All mortgage loans in excess of $50.0 million and all "other" C&I loans in excess of $5.0 million require approval by the Mortgage Committee or the Credit Committee. Credit Committee approval also is required for specialty finance loans in excess of $15.0 million.

In addition, all loans of $20.0 million or more originated by the Community Bank, and all loans of $10.0 million or more originated by the Commercial Bank, continue to be reported to the applicable Board of Directors, and all one-to-four family mortgage loans and C&I loans less than or equal to $3.0 million continue to be approved by line-of-business personnel.

At September 30, 2017 and December 31, 2016, the largest loan in our portfolio was a loan originated by the Community Bank on June 28, 2013 to the owner of a commercial office building located in Manhattan. As of the date of this report, the loan has been current since origination. The balance of the loan was $287.5 million at both period-ends.

In view of the heightened regulatory focus on CRE concentration, we monitor the ratio of our multi-family, CRE, and ADC loans (as defined in the FDIC's CRE Guidance) to our total risk-based capital to ensure that it remains within the 850% limit we have agreed to with our regulators. At September 30, 2017, the consolidated Banks' CRE concentration ratio was 739.9%.

Geographical Analysis of the Portfolio of Non-Covered Loans Held for Investment

The following table presents a geographical analysis of the multi-family and CRE loans in our held-for-investment loan portfolio at September 30, 2017:

	Multi-Family Loans		Commercial Real Estate Loans	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	$ 7,311,621	26.94%	$ 3,873,867	51.31%
Brooklyn	4,237,542	15.61	597,718	7.92
Bronx	3,697,390	13.62	110,749	1.46
Queens	2,230,371	8.22	647,450	8.57
Staten Island	79,177	0.29	56,313	0.75
Total New York City	$17,556,101	64.68%	$ 5,286,097	70.01%
Long Island	522,364	1.92	877,343	11.62
Other New York State	967,434	3.56	193,000	2.56
All other states	8,099,498	29.84	1,193,947	15.81
Total	$27,145,397	100.00%	$ 7,550,387	100.00%

At September 30, 2017, the largest concentration of one-to-four family loans held for investment was located in California, with a total of $202.2 million; the largest concentration of ADC loans held for investment was located in New York City, with a total of $282.5 million. The majority of our other loans held for investment were secured by properties and/or businesses located in Metro New York.

Non-Covered Loans Held for Sale

At September 30, 2017, non-covered loans held for sale were $104.9 million, down $304.2 million from the level at December 31, 2016. The decline is attributable to our exit from the mortgage banking business. The Company expects a majority of the current-period balance to be sold during the fourth quarter of 2017.

Outstanding Loan Commitments

At September 30, 2017, we had outstanding loan commitments of $2.2 billion, down $248.4 million from the level at June 30, 2017. Commitments to originate loans held for investment represented $2.1 billion of the September 30th total, and commitments to originate loans held for sale represented the remaining $50.4 million. At December 31, 2016, the respective commitments were $1.8 billion and $242.5 million.

Multi-family, CRE, and ADC loans together represented $814.5 million of held-for-investment loan commitments at the end of the third quarter, while other loans represented $1.3 billion, respectively. Included in the latter amount were commitments to originate specialty finance loans and leases of $901.9 million and commitments to originate other C&I loans of $403.8 million.

In addition to loan commitments, we had commitments to issue financial stand-by, performance stand-by, and commercial letters of credit totaling $339.6 million at September 30, 2017, a $20.7 million decrease from the volume at June 30th. The fees we collect in connection with the issuance of letters of credit are included in "Fee income" in the Consolidated Statements of Income and Comprehensive Income.

Asset Quality

Non-Covered Loans Held for Investment and Non-Covered Repossessed Assets

Non-performing non-covered assets represented $84.7 million, or 0.17%, of total non-covered assets at September 30, 2017, as compared to $91.6 million, or 0.20% at June 30, 2017 and $68.1 million, or 0.14%, of total non-covered assets, at December 31, 2016. The $6.9 million decrease was the net effect of a $13.0 million decline in non-performing non-covered loans to $69.0 million, and a $6.2 million increase in non-covered repossessed assets to $15.8 million. Non-performing non-covered loans represented 0.18% of total non-covered loans at the end of the third quarter, compared to 0.22% at June 30th and 0.15% at December 31st.

The increase in both non-performing non-covered loans and non-performing non-covered assets in the current nine-month period was largely attributable to the transition to non-accrual status of taxi medallion-related loans. As reflected in the tables featured later in this discussion, the balance of non-accrual non-covered mortgage loans declined $14.4 million from the year-end balance to $24.3 million, while the balance of non-accrual non-covered other loans rose $26.9 million to $44.7 million. Taxi medallion-related loans accounted for $43.4 million of this total.

In addition, the Company recorded net charge-offs of $40.4 million during the current third quarter, representing 0.11% of average loans.

The following table sets forth the changes in non-performing non-covered loans over the nine months ended September 30, 2017:

(in thousands)	
Balance at December 31, 2016	$ 56,469
New non-accrual	68,616
Charge-offs	(24,409)
Transferred to other real estate owned	(6,607)
Loan payoffs, including dispositions and principal pay-downs	(25,009)
Restored to performing status	(90)
Balance at September 30, 2017	$ 68,970

The following table presents our non-performing non-covered loans by loan type and the changes in the respective balances for the nine months ended September 30, 2017:

			Change from December 31, 2016 to September 30, 2017	
(dollars in thousands)	September 30, 2017	December 31, 2016	Amount	Percent
Non-Performing Non-Covered Loans:				
Non-accrual non-covered mortgage loans:				
Multi-family	$ 11,018	$ 13,558	$ (2,540)	(18.73)%
Commercial real estate	4,923	9,297	(4,374)	(47.05)
One-to-four family residential	2,179	9,679	(7,500)	(77.49)
Acquisition, development, and construction	6,200	6,200	—	—
Total non-accrual non-covered mortgage loans	24,320	38,734	(14,414)	(37.21)
Non-accrual non-covered other loans (1)	44,650	17,735	26,915	151.76
Total non-performing non-covered loans	$ 68,970	$ 56,469	$ 12,501	22.14%

(1) Includes $43.4 million and $15.2 million of non-accrual non-covered taxi medallion-related loans at September 30, 2017 and at December 31, 2016, respectively.

A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when it is deemed to be impaired because we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. At September 30, 2017 and December 31, 2016, all of our non-performing loans were non-accrual loans. A loan is generally returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

We monitor non-accrual loans both within and beyond our primary lending area in the same manner. Monitoring loans generally involves inspecting and re-appraising the collateral properties; holding discussions with the principals and managing agents of the borrowing entities and/or retained legal counsel, as applicable; requesting financial, operating, and rent roll information; confirming that hazard insurance is in place or force-placing such insurance; monitoring tax payment status and advancing funds as needed; and appointing a receiver, whenever possible, to collect rents, manage the operations, provide information, and maintain the collateral properties.

It is our policy to order updated appraisals for all non-performing loans, irrespective of loan type, that are collateralized by multi-family buildings, CRE properties, or land, in the event that such a loan is 90 days or more past due, and if the most recent appraisal on file for the property is more than one year old. Appraisals are ordered annually until such time as the loan becomes performing and is returned to accrual status. It is not our policy to obtain updated appraisals for performing loans. However, appraisals may be ordered for performing loans when a borrower requests an increase in the loan amount, a modification in loan terms, or an extension of a maturing loan. We do not analyze current LTVs on a portfolio-wide basis.

Non-performing loans are reviewed regularly by management and discussed on a monthly basis with the Mortgage Committee, the Credit Committee, and the Boards of Directors of the respective Banks, as applicable. In accordance with our charge-off policy, collateral-dependent non-performing loans are written down to their current appraised values, less certain transaction costs. Workout specialists from our Loan Workout Unit actively pursue borrowers who are delinquent in repaying their loans in an effort to collect payment. In addition, outside counsel with experience in foreclosure proceedings are retained to institute such action with regard to such borrowers.

Properties that are acquired through foreclosure are classified as OREO, and are recorded at fair value at the date of acquisition, less the estimated cost of selling the property. Subsequent declines in the fair value of OREO are charged to earnings and are included in non-interest expense. It is our policy to require an appraisal and an environmental assessment of properties classified as OREO before foreclosure, and to re-appraise the properties on an as-needed basis, and not less than annually, until they are sold. We dispose of such properties as quickly and prudently as possible, given current market conditions and the property’s condition.

To mitigate the potential for credit losses, we underwrite our loans in accordance with credit standards that we consider to be prudent. In the case of multi-family and CRE loans, we look first at the consistency of the cash flows being generated by the property to determine its economic value using the “income approach,” and then at the market value of the property that collateralizes the loan. The amount of the loan is then based on the lower of the two values, with the economic value more typically used.

The condition of the collateral property is another critical factor. Multi-family buildings and CRE properties are inspected from rooftop to basement as a prerequisite to approval, with a member of the Mortgage or Credit Committee participating in inspections on multi-family loans to be originated in excess of $7.5 million, and a member of the Mortgage or Credit Committee participating in inspections on CRE loans to be originated in excess of $4.0 million. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our experienced in-house appraisal officers and staff, perform appraisals on collateral properties. In many cases, a second independent appraisal review is performed.

In addition, we work with a select group of mortgage brokers who are familiar with our credit standards and whose track record with our lending officers is typically greater than ten years. Furthermore, in New York City, where the majority of the buildings securing our multi-family loans are located, the rents that tenants may be charged on certain apartments are typically restricted under certain rent-control or rent-stabilization laws. As a result, the rents that tenants pay for such apartments are generally lower than current market rents. Buildings with a preponderance of such rent-regulated apartments are less likely to experience vacancies in times of economic adversity.

Reflecting the strength of the underlying collateral for these loans and the collateral structure, a relatively small percentage of our non-performing multi-family loans have resulted in losses over time.

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require minimum DSCRs of 120% for multi-family loans and 130% for CRE loans. Although we typically lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those amounts at September 30, 2017. Exceptions to these LTV limitations are minimal and are reviewed on a case-by-case basis.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property's current income stream and DSCR. The approval of a CRE loan also depends on the borrower's credit history, profitability, and expertise in property management. Given that our CRE loans are underwritten in accordance with underwriting standards that are similar to those applicable to our multi-family credits, the percentage of our non-performing CRE loans that have resulted in losses has been comparatively small over time.

Multi-family and CRE loans are generally originated at conservative LTVs and DSCRs, as previously stated. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit; in many cases, they reduce the likelihood of the borrower "walking away" from the property. Although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return their loans to performing status. Furthermore, in the case of multi-family loans, the cash flows generated by the properties are generally below-market and have significant value.

The following tables present the number and amount of non-performing multi-family and CRE loans by originating bank at September 30, 2017 and December 31, 2016:

As of September 30, 2017 (dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	6	$11,012	10	$4,923
New York Commercial Bank	1	6	—	—
Total for New York Community Bancorp	7	$11,018	10	$4,923

As of December 31, 2016 (dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	11	$13,298	7	$4,297
New York Commercial Bank	2	260	2	5,000
Total for New York Community Bancorp	13	$13,558	9	$9,297

With regard to ADC loans, we typically lend up to 75% of the estimated as-completed market value of multi-family and residential tract projects; however, in the case of home construction loans to individuals, the limit is 80%. With respect to commercial construction loans, we typically lend up to 65% of the estimated as-completed market value of the property. Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

To minimize the risk involved in specialty finance lending and leasing, each of our credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancellable lease. To further minimize the risk involved in specialty finance lending and leasing, we re-underwrite each transaction. In addition, we retain outside counsel to conduct a further review of the underlying documentation.

Other C&I loans are typically underwritten on the basis of the cash flows produced by the borrower's business, and are generally collateralized by various business assets, including, but not limited to, inventory, equipment, and accounts receivable. As a result, the capacity of the borrower to repay is substantially dependent on the degree to which the business is successful. Furthermore, the collateral underlying the loan may depreciate over time, may not be conducive to appraisal, and may fluctuate in value, based upon the operating results of the business. Accordingly, personal guarantees are also a normal requirement for other C&I loans.

In addition, one-to-four family loans, ADC loans, and other loans represented 1.1%, 1.0%, and 5.3%, respectively, of total non-covered loans held for investment at September 30, 2017, comparable to, or consistent with, the levels at both June 30, 2017 and December 31, 2016. Furthermore, while 0.5% of our one-to-four family loans were non-performing at the end of the current third quarter, 1.6% of our ADC loans and 2.2% of our other loans were non-performing at that date.

The procedures we follow with respect to delinquent loans are generally consistent across all categories, with late charges assessed, and notices mailed to the borrower, at specified dates. We attempt to reach the borrower by telephone to ascertain the reasons for delinquency and the prospects for repayment. When contact is made with a borrower at any time prior to foreclosure or recovery against collateral property, we attempt to obtain full payment, and will consider a repayment schedule to avoid taking such action. Delinquencies are addressed by our Loan Workout Unit and every effort is made to collect rather than initiate foreclosure proceedings.

The following table presents our held-for-investment loans 30 to 89 days past due by loan type and the changes in the respective balances for the nine months ended September 30, 2017:

(dollars in thousands)	September 30, 2017	December 31, 2016	Change from December 31, 2016 to September 30, 2017 Amount	Percent
Non-Covered Loans 30-89 Days Past Due:				
Multi-family	$ 602	$ 28	$ 574	2,050.00%
Commercial real estate	450	—	450	—
One-to-four family residential	676	2,844	(2,168)	(76.23)
Acquisition, development, and construction	—	—	—	—
Other loans	3,425	7,511	(4,086)	(54.40)
Total non-covered loans 30-89 days past due	$ 5,153	$ 10,383	$(5,230)	(50.37)%

Fair values for all multi-family buildings, CRE properties, and land are determined based on the appraised value. If an appraisal is more than one year old and the loan is classified as either non-performing or as an accruing TDR, then an updated appraisal is required to determine fair value. Estimated disposition costs are deducted from the fair value of the property to determine estimated net realizable value. In the instance of an outdated appraisal on an impaired loan, we adjust the original appraisal by using a third-party index value to determine the extent of impairment until an updated appraisal is received.

While we strive to originate loans that will perform fully, adverse economic and market conditions, among other factors, can adversely impact a borrower's ability to repay. Largely reflecting the nature of our primary lending niche and our conservative underwriting standards, we recorded aggregate net recoveries on our core multi-family and CRE portfolios in the third quarter of 2017.

Reflecting management's assessment of the allowance for non-covered loan losses, we recorded a $44.6 million provision for such losses in the current third quarter, as compared to $11.6 million and $1.2 million, respectively, in the trailing and year-earlier three months. Reflecting the third-quarter provision, and the aforementioned net charge-offs, the allowance for losses on non-covered loans increased to $158.9 million at September 30, 2017. This represented 0.42% of total non-covered loans and 230.42% of non-performing non-covered loans at that date.

Based upon all relevant and available information as of the end of the current third quarter, management believes that the allowance for losses on non-covered loans was appropriate at that date.

At September 30, 2017, our three largest non-performing loans were a C&I loan with a balance of $7.8 million, a multi-family loan with a balance of $7.6 million, and an ADC loan with a balance of $6.2 million.

Troubled Debt Restructurings

In an effort to proactively manage delinquent loans, we have selectively extended to certain borrowers such concessions as rate reductions and extensions of maturity dates, as well as forbearance agreements, when such borrowers have exhibited financial difficulty. In accordance with GAAP, we are required to account for such loan modifications or restructurings as TDRs.

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 involve management's judgment regarding the likelihood that the concession will result in the maximum recovery for the Company.

Loans modified as TDRs are placed on non-accrual status until we determine that future collection of principal and interest is reasonably assured. This generally requires that the borrower demonstrate performance according to the restructured terms for at least six consecutive months. At September 30, 2017, non-accrual TDRs included taxi medallion-related loans with a combined balance of $43.4 million.

At September 30, 2017, loans on which concessions were made with respect to rate reductions and/or extensions of maturity dates totaled $41.5 million; loans in connection with which forbearance agreements were reached totaled $1.8 million at that date.

Based on the number of loans performing in accordance with their revised terms, our success rates for restructured multi-family loans, CRE loans, one-to-four family loans, and other loans were 100%, 100%, 50%, and 84%, respectively, at September 30, 2017. There were no restructured ADC loans at that date.

Analysis of Troubled Debt Restructurings

The following table sets forth the changes in our TDRs over the nine months ended September 30, 2017:

(in thousands)	Accruing	Non-Accrual	Total
Balance at December 31, 2016	$ 3,466	$ 16,454	$ 19,920
New TDRs	8,960	35,297	44,257
Transferred to other real estate owned	—	(877)	(877)
Charge-offs	—	(11,956)	(11,956)
Transferred from accruing to non-accrual	(1,254)	1,254	—
Loan payoffs, including dispositions and principal pay-downs	(886)	(7,141)	(8,027)
Balance at September 30, 2017	$10,286	$ 33,031	$ 43,317

On a limited basis, we may provide additional credit to a borrower after a loan has been placed on non-accrual status or classified as a TDR if, in management’s judgment, the value of the property after the additional loan funding is greater than the initial value of the property plus the additional loan funding amount. During the nine months ended September 30, 2017, no such additions were made. Furthermore, the terms of our restructured loans typically would not restrict us from cancelling outstanding commitments for other credit facilities to a borrower in the event of non-payment of a restructured loan.

Except for the non-accrual loans and TDRs disclosed in this filing, we did not have any potential problem loans at the end of the current first quarter that would have caused management to have serious doubts as to the ability of a borrower to comply with present loan repayment terms and that would have resulted in such disclosure if that were the case.

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Asset Quality Analysis (Excluding Covered Loans, Covered Repossessed Assets, and Non-Covered PCI Loans)

The following table presents information regarding our consolidated allowance for losses on non-covered loans, our non-performing non-covered assets, and our non-covered loans 30 to 89 days past due at September 30, 2017 and December 31, 2016. Covered loans and non-covered purchased credit-impaired ("PCI") loans were considered to be performing due to the application of the yield accretion method, as discussed elsewhere in this report. Therefore, covered loans and non-covered PCI loans are not reflected in the amounts or ratios provided in this table.

(dollars in thousands)	At or For the Nine Months Ended September 30, 2017	At or For the Year Ended December 31, 2016
Allowance for Losses on Non-Covered Loans:		
Balance at beginning of period	$ 158,290	$ 147,124
Provision for losses on non-covered loans	58,017	11,874
Charge-offs:		
Multi-family	(279)	—
Commercial real estate	—	—
One-to-four family residential	(96)	(170)
Acquisition, development, and construction	—	—
Other loans	(58,203)	(3,413)
Total charge-offs	(58,578)	(3,583)
Recoveries:		
Multi-family	28	78
Commercial real estate	398	799
One-to-four family residential	169	228
Acquisition, development, and construction	—	167
Other loans	594	1,603
Total recoveries	1,189	2,875
Net charge-offs	(57,389)	(708)
Balance at end of period	$ 158,918	$ 158,290
Non-Performing Non-Covered Assets:		
Non-accrual non-covered mortgage loans:		
Multi-family	$ 11,018	$ 13,558
Commercial real estate	4,923	9,297
One-to-four family residential	2,179	9,679
Acquisition, development, and construction	6,200	6,200
Total non-accrual non-covered mortgage loans	$ 24,320	$ 38,734
Other non-accrual non-covered loans	44,650	17,735
Total non-performing non-covered loans (1)	$ 68,970	$ 56,469
Non-covered repossessed assets (2)	15,753	11,607
Total non-performing non-covered assets	$ 84,723	$ 68,076
Asset Quality Measures:		
Non-performing non-covered loans to total non-covered loans	0.18%	0.15%
Non-performing non-covered assets to total non-covered assets	0.17	0.14
Allowance for losses on non-covered loans to non-performing non-covered loans	230.42	277.19
Allowance for losses on non-covered loans to total non-covered loans	0.42	0.42
Net charge-offs during the period to average loans outstanding during the period (3)	0.15	0.00
Non-Covered Loans 30-89 Days Past Due:		
Multi-family	$ 602	$ 28
Commercial real estate	450	—
One-to-four family residential	676	2,844
Acquisition, development, and construction	—	—
Other loans	3,425	7,511
Total non-covered loans 30-89 days past due (4)	$ 5,153	$ 10,383

(1) The December 31, 2016 amount excludes loans 90 days or more past due of $131.5 million that were covered by the LSA and non-covered PCI loans of $869 thousand.
(2) The September 30, 2017 amount includes $6.5 million of repossessed taxi medallions. The December 31, 2016 amount excludes non-covered repossessed assets of $17.0 million that were covered by the LSA.
(3) Average loans include covered loans.
(4) The December 31, 2016 amount excludes loans 30 to 89 days past due of $22.6 million that were covered by the LSA and $6 thousand of non-covered PCI loans.

Covered Loans and Covered Other Real Estate Owned

In connection with the AmTrust and Desert Hills Bank LSA, we established FDIC loss share receivables of $740.0 million and $69.6 million, respectively, which were the acquisition-date fair values of the respective LSA (i.e., the expected reimbursements from the FDIC over the terms of the agreements). The loss share receivables increased if the losses increased, and decreased if the losses fell short of the expected amounts. Increases in estimated reimbursements were recognized in income in the same period that they were identified and that the allowance for losses on the related covered loans was recognized.

Additionally, as previously disclosed, the Company received approval from the FDIC to sell assets covered under our LSA, early terminate the LSA, and enter into an agreement to sell the majority of our one-to-four family residential mortgage-related assets, including those covered under the LSA, to an affiliate of Cerberus. On July 28, 2017, the Company completed the sale, resulting in the receipt of proceeds of $1.9 billion from Cerberus and the FDIC to sell the aforementioned loans and settle the related LSA, resulting in a gain of $74.6 million which is included in "Non-interest income" in the accompanying Consolidated Statement of Income and Comprehensive Income. Effective October 31, 2017, the Company and the FDIC completed termination of the LSA.

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Asset Quality Analysis (Including Covered Loans, Covered OREO, and Non-Covered PCI Loans)

As previously discussed, the covered loan portfolio was sold during the third quarter of 2017; accordingly, the following table presents information regarding our non-performing assets and loans past due at December 31, 2016 only, including covered loans and covered OREO (collectively, "covered assets"), and non-covered PCI loans:

(dollars in thousands)	At or For the Year Ended December 31, 2016
Covered Loans and Non-Covered PCI Loans 90 Days or More Past Due:	
Multi-family	$ —
Commercial real estate	612
One-to-four family	125,076
Acquisition, development, and construction	—
Other loans	6,646
Total covered loans and non-covered PCI loans 90 days or more past due	$ 132,334
Covered other real estate owned	16,990
Total covered assets and non-covered PCI loans	$ 149,324
Total Non-Performing Assets:	
Non-performing loans:	
Multi-family	$ 13,558
Commercial real estate	9,909
One-to-four family	134,755
Acquisition, development, and construction	6,200
Other non-performing loans	24,381
Total non-performing loans	$ 188,803
Other real estate owned	28,598
Total non-performing assets	$ 217,401
Asset Quality Ratios (including the allowance for losses on covered loans and non-covered PCI loans):	
Total non-performing loans to total loans	0.48%
Total non-performing assets to total assets	0.44
Allowance for loan losses to total non-performing loans	96.39
Allowance for loan losses to total loans	0.47
Covered Loans and Non-Covered PCI Loans 30-89 Days Past Due:	
Multi-family	$ —
Commercial real estate	—
One-to-four family	21,112
Acquisition, development, and construction	—
Other loans	1,542
Total covered loans and non-covered PCI loans 30-89 days past due	$ 22,654
Total Loans 30-89 Days Past Due:	
Multi-family	$ 28
Commercial real estate	—
One-to-four family	23,956
Acquisition, development, and construction	—
Other loans	9,053
Total loans 30-89 days past due	$ 33,037

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Geographical Analysis of Non-Performing Loans

The following table presents a geographical analysis of our non-performing loans at September 30, 2017:

(in thousands)	Total
New York	$49,097
New Jersey	9,938
Maryland	6,200
Connecticut	1,781
Arizona	1,204
Florida	475
All other states	275
Total non-performing loans	$68,970

Securities

Securities declined $140.1 million from the current second quarter-end 2017 balance and $786.0 million from the year-end 2016 balance to $3.0 billion, representing 6.3% of total assets, at September 30, 2017. During the second quarter of 2017, the Company repositioned its "Held-to-Maturity" securities portfolio by designating the entire portfolio as "Available-for-Sale." In addition, it took advantage of favorable bond market conditions and sold approximately $521.0 million of securities, resulting in a pre-tax gain on sale of $26.9 million.

Federal Home Loan Bank Stock

As members of the FHLB-NY, the Community Bank and the Commercial Bank are required to acquire and hold shares of its capital stock. At September 30, 2017 and December 31, 2016, the Community Bank held FHLB-NY stock in the amount of $564.3 million and $562.0 million, respectively, and the Commercial Bank held FHLB-NY stock of $15.1 million and $16.4 million, respectively. FHLB-NY stock continued to be valued at par, with no impairment required at that date.

Dividends from the FHLB-NY to the Community Bank totaled $22.8 million and $19.2 million, respectively, in the nine months ended September 30, 2017 and 2016; dividends from the FHLB-NY to the Commercial Bank totaled $701,000 and $1.1 million, respectively, in the corresponding periods.

Bank-Owned Life Insurance

Bank-owned life insurance ("BOLI") is recorded at the total cash surrender value of the policies in the Consolidated Statements of Condition, and the income generated by the increase in the cash surrender value of the policies is recorded in "Non-interest income" in the Consolidated Statements of Income and Comprehensive Income.

Reflecting an increase in the cash surrender value of the underlying policies, our investment in BOLI rose $12.4 million to $961.4 million in the nine months ended September 30, 2017.

Goodwill and Core Deposit Intangibles

We record goodwill and core deposit intangibles ("CDI") in our Consolidated Statements of Condition in connection with certain of our business combinations.

Goodwill, which is tested at least annually for impairment, refers to the difference between the purchase price and the fair value of an acquired company's assets, net of the liabilities assumed. CDI refers to the fair value of the core deposits acquired in a business combination, and is typically amortized over a period of ten years from the acquisition date.

While goodwill totaled $2.4 billion at both September 30, 2017 and December 31, 2016, the balance of CDI, net, declined from $208,000 to zero as a result of amortization in the first nine months of this year.

For more information about the Company's goodwill, see the discussion of "Critical Accounting Policies" earlier in this report.

Sources of Funds

The Parent Company (i.e., the Company on an unconsolidated basis) has three primary funding sources for the payment of dividends, share repurchases, and other corporate uses: dividends paid to the Company by the Banks; capital raised through the issuance of stock; and funding raised through the issuance of debt instruments.

On a consolidated basis, our funding primarily stems from a combination of the following sources: deposits; borrowed funds, primarily in the form of wholesale borrowings; the cash flows generated through the repayment and sale of loans; and the cash flows generated through the repayment and sale of securities.

Loan repayments and sales totaled $9.3 billion in the nine months ended September 30, 2017, down from the $9.1 billion recorded in the year-earlier nine months. Cash flows from the repayment and sales of securities totaled $1.3 billion and $2.7 billion, respectively, in the corresponding periods, while purchases of securities totaled $404.0 million and $281.9 million, respectively.

Deposits

Our ability to retain and attract deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay, the types of products we offer, and the attractiveness of their terms. That said, there have been times that we've chosen not to compete actively for deposits, depending on our access to deposits through acquisitions, the availability of lower-cost funding sources, the impact of competition on pricing, and the need to fund our loan demand.

In the nine months ended September 30, 2017, total deposits of $28.9 billion were comparable to the level recorded at December 31, 2016. Certificates of deposit ("CDs") represented 30.5% of total deposits at the end of the third quarter, and total deposits represented 59.6% of total assets at that date.

Included in the September 30th balance of deposits were institutional deposits of $2.2 billion and municipal deposits of $791.5 million, as compared to $2.8 billion and $637.7 million, respectively, at December 31, 2016. Brokered deposits dropped $79.1 million during this timeframe, to $3.9 billion, the net effect of an $83.1 million increase in brokered money market accounts to $2.6 billion and a $641.1 million decline in brokered interest-bearing checking accounts to $804.9 million. At September 30, 2017, we had $478.9 million of brokered CDs. We had no brokered CDs at December 31, 2016. The extent to which we accept brokered deposits depends on various factors, including the availability and pricing of such wholesale funding sources, and the availability and pricing of other sources of funds.

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB-NY advances, repurchase agreements, and federal funds purchased) and, to a far lesser extent, junior subordinated debentures. In the three months ended September 30, 2017, the balance of borrowed funds was unchanged from the trailing quarter and fell $1.3 billion from year end to $12.4 billion, representing 25.5% of total assets, at that date.

Wholesale Borrowings

Wholesale borrowings were unchanged from the trailing quarter but fell $1.3 billion from year end to $12.0 billion, representing 24.8% of total assets, at quarter end.

FHLB-NY advances declined $110.0 million during this time, to $11.6 billion, while the balance of repurchase agreements dropped $1.1 billion to $450.0 million. In addition, while federal funds purchased amounted to $150.0 million at the end of December, there were no federal funds purchased at September 30, 2017.

Junior Subordinated Debentures

Junior subordinated debentures totaled $359.1 million at the end of the current third quarter, comparable to the balance at December 31st.

Risk Definitions

The following section outlines the definitions of interest rate risk, market risk, and liquidity risk, and how the Company manages market and interest rate risk:

Interest Rate Risk – Interest rate risk is the risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among different yield curves affecting Company activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in a bank's products (options risk). The evaluation of interest rate risk must consider the impact of complex, illiquid hedging strategies or products, and also the potential impact on fee income (e.g. prepayment income) which is sensitive to changes in interest rates. In those situations where trading is separately managed, this refers to structural positions and not trading portfolios.

Market Risk – Market risk is the risk to earnings or capital arising from changes in the value of portfolios of financial instruments. This risk arises from market-making, dealing, and position-taking activities in interest rate, foreign exchange, equity, and commodities markets. Many banks use the term “price risk” interchangeably with market risk; this is because market risk focuses on the changes in market factors (e.g., interest rates, market liquidity, and volatilities) that affect the value of traded instruments. The primary accounts affected by market risk are those which are revalued for financial presentation (e.g., trading accounts for securities, derivatives, and foreign exchange products).

Liquidity Risk – Liquidity risk is the risk to earnings or capital arising from a bank’s inability to meet its obligations when they become due, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from a bank’s failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Management of Market and Interest Rate Risk

We manage our assets and liabilities to reduce our exposure to changes in market interest rates. The asset and liability management process has three primary objectives: to evaluate the interest rate risk inherent in certain balance sheet accounts; to determine the appropriate level of risk, given our business strategy, risk appetite, operating environment, capital and liquidity requirements, and performance objectives; and to manage that risk in a manner consistent with guidelines approved by the Boards of Directors of the Company, the Community Bank, and the Commercial Bank.

Market Risk

As a financial institution, we are focused on reducing our exposure to interest rate volatility. Changes in interest rates pose the greatest challenge to our financial performance, as such changes can have a significant impact on the level of income and expense recorded on a large portion of our interest-earning assets and interest-bearing liabilities, and on the market value of all interest-earning assets, other than those possessing a short term to maturity. To reduce our exposure to changing rates, the Boards of Directors and management monitor interest rate sensitivity on a regular or as needed basis so that adjustments to the asset and liability mix can be made when deemed appropriate.

The actual duration of held-for-investment mortgage loans and mortgage-related securities can be significantly impacted by changes in prepayment levels and market interest rates. The level of prepayments may be impacted by a variety of factors, including the economy in the region where the underlying mortgages were originated; seasonal factors; demographic variables; and the assumability of the underlying mortgages. However, the largest determinants of prepayments are interest rates and the availability of refinancing opportunities.

In the first nine months of 2017, we managed our interest rate risk by taking the following actions: (1) We continued to emphasize the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; and (2) We continued the origination of certain C&I loans that feature floating interest rates.

In connection with the activities of our mortgage banking operation, we enter into contingent commitments to fund or purchase residential mortgage loans by a specified future date at a stated interest rate and corresponding price. Such commitments, which were generally known as interest rate lock commitments (“IRLCs”), were considered to be financial derivatives and, as such, were carried at fair value.

To mitigate the interest rate risk associated with our IRLCs, we entered into forward commitments to sell mortgage loans or mortgage-backed securities (“MBS”) by a specified future date and at a specified price. These forward-sale agreements were also carried at fair value. Such forward commitments to sell generally obligated us to complete the transaction as agreed, and therefore pose a risk to us if we are not able to deliver the loans or MBS pursuant to the terms of the applicable forward-sale agreement.

When we retained the servicing on the loans we sold, we capitalized an MSR asset. Residential MSRs are recorded at fair value, with changes in fair value recorded as a component of non-interest income. We estimate the fair value of the MSR asset based upon a number of factors, including current and expected loan prepayment rates, economic conditions, and market forecasts, as well as relevant characteristics of the associated underlying loans. Generally, when market interest rates decline, loan prepayments increase as customers refinance their existing mortgages to take advantage of more favorable interest rate terms. When a mortgage prepays, or when loans are expected to prepay earlier than originally expected, a portion of the anticipated cash flows associated with servicing these loans is terminated or reduced, which can result in a reduction in the fair value of the capitalized MSRs and a corresponding reduction in earnings.

To mitigate the prepayment risk inherent in residential MSRs, we could have sold the servicing of the loans we produced, and thus minimized the potential for earnings volatility. Instead, we opted to mitigate such risk by investing in exchange-traded derivative financial instruments that were expected to experience opposite and partially offsetting changes in fair value as related to the value of our residential MSRs.

Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring a bank's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time frame if it will mature or reprice within that period of time. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time frame and the amount of interest-bearing liabilities maturing or repricing within that same period of time.

In a rising interest rate environment, an institution with a negative gap would generally be expected, absent the effects of other factors, to experience a greater increase in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income. Conversely, in a declining rate environment, an institution with a negative gap would generally be expected to experience a lesser reduction in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income.

In a rising interest rate environment, an institution with a positive gap would generally be expected to experience a greater increase in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income. Conversely, in a declining rate environment, an institution with a positive gap would generally be expected to experience a lesser reduction in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income.

At September 30, 2017, our one-year gap was a negative 17.52%, as compared to a negative 21.37% at December 31, 2016. The 385-basis point change was largely due to an increase in cash balances as a result of the sale of the mortgage banking operations and borrowings maturing or repricing within one year, combined with a decrease in loans and deposits maturing or repricing within that time.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at September 30, 2017 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accordance with the earlier of (1) the term to repricing, or (2) the contractual terms of the asset or liability.

The table provides an approximation of the projected repricing of assets and liabilities at September 30, 2017 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. For residential mortgage-related securities, prepayment rates are forecasted at a weighted average constant prepayment rate ("CPR") of 15% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 15% and 13% per annum, respectively. Borrowed funds were not assumed to prepay.

Savings, interest-bearing checking and money market accounts were assumed to decay based on a comprehensive statistical analysis that incorporated our historical deposit experience. Based on the results of this analysis, savings accounts were assumed to decay at a rate of 57% for the first five years and 43% for years six through ten. Interest-bearing checking accounts were assumed to decay at a rate of 70% for the first five years and 30% for years six through ten. The decay assumptions reflect the prolonged low interest rate environment and the uncertainty regarding future depositor behavior. Including those accounts having specified repricing dates, money market accounts were assumed to decay at a rate of 71% for the first five years and 29% for years six through ten.

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Interest Rate Sensitivity Analysis

	At September 30, 2017						
(dollars in thousands)	Three Months or Less	Four to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	More Than Five Years to 10 Years	More Than 10 Years	Total
INTEREST-EARNING ASSETS:							
Mortgage and other loans (1)	$ 3,404,215	$ 5,395,365	$ 13,855,861	$ 10,974,797	$3,759,589	$ 152,340	$37,542,167
Mortgage-related securities (2)(3)	28,954	48,601	153,528	1,010,056	1,187,286	82,104	2,510,529
Other securities (2)	694,896	260,513	3,848	10,929	60,632	69,153	1,099,971
Interest-earning cash and cash equivalents	3,114,444	—	—	—	—	—	3,114,444
Total interest-earning assets	7,242,509	5,704,479	14,013,237	11,995,782	5,007,507	303,597	44,267,111
INTEREST-BEARING LIABILITIES:							
Interest-bearing checking and money market accounts	6,442,546	436,363	1,007,765	826,948	3,625,327	—	12,338,949
Savings accounts	902,004	824,160	614,154	484,171	2,172,089	—	4,996,578
Certificates of deposit	3,193,359	4,899,393	629,427	67,239	13,155	—	8,802,573
Borrowed funds	1,463,926	3,273,500	7,381,000	100,000	—	145,176	12,363,602
Total interest-bearing liabilities	12,001,835	9,433,416	9,632,346	1,478,358	5,810,571	145,176	38,501,702
Interest rate sensitivity gap per period (4)	$ (4,759,326)	$(3,728,937)	$ 4,380,891	$ 10,517,424	$ (803,064)	$ 158,421	$ 5,765,409
Cumulative interest rate sensitivity gap	$ (4,759,326)	$(8,488,263)	$ (4,107,372)	$ 6,410,052	$5,606,988	$5,765,409	
Cumulative interest rate sensitivity gap as a percentage of total assets	(9.82)%	(17.52)%	(8.48)%	13.23%	11.57%	11.90%	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	60.35%	60.40%	86.78%	119.70%	114.62%	114.97%	

(1) For the purpose of the gap analysis, non-performing non-covered loans and the allowance for non-covered loan losses have been excluded.

(2) Mortgage-related and other securities, including FHLB stock, are shown at their respective carrying amounts.

(3) Expected amount based, in part, on historical experience.

(4) The interest rate sensitivity gap per period represents the difference between interest-earning assets and interest-bearing liabilities.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. While we believe our assumptions to be reasonable, there can be no assurance that the assumed prepayment and decay rates will approximate actual future loan and securities prepayments and deposit withdrawal activity.

To validate our prepayment assumptions for our multi-family and CRE loan portfolios, we perform a monthly analysis, during which we review our historical prepayment rates and compare them to our projected prepayment rates. We continually review the actual prepayment rates to ensure that our projections are as accurate as possible, since prepayments on these types of loans are not as closely correlated to changes in interest rates as prepayments on one-to-four family loans tend to be. In addition, we review the call provisions, if any, in our borrowings and investment portfolios and, on a monthly basis, compare the actual calls to our projected calls to ensure that our projections are reasonable.

As of September 30, 2017, the impact of a 100-basis point decline in market interest rates would have increased our projected prepayment rates for multi-family and CRE loans by a constant prepayment rate of 11.23% per annum. Conversely, the impact of a 100-basis point increase in market interest rates would have decreased our projected prepayment rates for multi-family and CRE loans by a constant prepayment rate of 4.08% per annum.

Certain shortcomings are inherent in the method of analysis presented in the preceding Interest Rate Sensitivity Analysis. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of the market, while interest rates on other types may lag behind changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. Furthermore, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate from those assumed in calculating the table. Also, the ability of some borrowers to repay their adjustable-rate loans may be adversely impacted by an increase in market interest rates.

Interest rate sensitivity is also monitored through the use of a model that generates estimates of the change in our net portfolio value (“NPV”) over a range of interest rate scenarios. NPV is defined as the net present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The model assumes estimated loan prepayment rates, reinvestment rates, and deposit decay rates similar to those utilized in formulating the preceding Interest Rate Sensitivity Analysis.

Based on the information and assumptions in effect at September 30, 2017, the following table reflects the estimated percentage change in our NPV, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points) (1)	**Estimated Percentage Change in Net Portfolio Value**
+100	(2.54)%
+200	(8.93)%

(1) The impact of 100- and 200-basis point reductions in interest rates is not presented in view of the current level of the federal funds rate and other short-term interest rates.

The net changes in NPV presented in the preceding table are within the parameters approved by the Boards of Directors of the Company and the Banks.

As with the Interest Rate Sensitivity Analysis, certain shortcomings are inherent in the methodology used in the preceding interest rate risk measurements. Modeling changes in NPV requires that certain assumptions be made which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV Analysis presented above assumes that the composition of our interest rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, and also assumes that a particular change in interest rates is reflected uniformly across the yield curve, regardless of the duration to maturity or repricing of specific assets and liabilities. Furthermore, the model does not take into account the benefit of any strategic actions we may take to further reduce our exposure to interest rate risk. Accordingly, while the NPV Analysis provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net interest income, and may very well differ from actual results.

We also utilize an internal net interest income simulation to manage our sensitivity to interest rate risk. The simulation incorporates various market-based assumptions regarding the impact of changing interest rates on future levels of our financial assets and liabilities. The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the following table, due to the frequency, timing, and magnitude of changes in interest rates; changes in spreads between maturity and repricing categories; and prepayments, among other factors, coupled with any actions taken to counter the effects of any such changes.

Based on the information and assumptions in effect at September 30, 2017, the following table reflects the estimated percentage change in future net interest income for the next twelve months, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points) (1)(2)	**Estimated Percentage Change in Future Net Interest Income**
+100	(2.34)%
+200	(5.72)%

(1) In general, short- and long-term rates are assumed to increase in parallel fashion across all four quarters and then remain unchanged.
(2) The impact of 100- and 200-basis point reductions in interest rates is not presented in view of the current level of the federal funds rate and other short-term interest rates.

Future changes in our mix of assets and liabilities may result in greater changes to our gap, NPV, and/or net interest income simulation.

In the event that our NPV and net interest income sensitivities were to breach our internal policy limits, we would undertake the following actions to ensure that appropriate remedial measures were put in place:

- Our Management Asset and Liability Committee (the "ALCO Committee") would inform the Board of Directors of the variance, and present recommendations to the Board regarding proposed courses of action to restore conditions to within-policy tolerances.
- In formulating appropriate strategies, the ALCO Committee would ascertain the primary causes of the variance from policy tolerances, the expected term of such conditions, and the projected effect on capital and earnings.

Where temporary changes in market conditions or volume levels result in significant increases in risk, strategies may involve reducing open positions or employing synthetic hedging techniques to more immediately reduce risk exposure. Where variance from policy tolerances is triggered by more fundamental imbalances in the risk profiles of core loan and deposit products, a remedial strategy may involve restoring balance through natural hedges to the extent possible before employing synthetic hedging techniques. Other strategies might include:

- Asset restructuring, involving sales of assets having higher risk profiles, or a gradual restructuring of the asset mix over time to affect the maturity or repricing schedule of assets;
- Liability restructuring, whereby product offerings and pricing are altered or wholesale borrowings are employed to affect the maturity structure or repricing of liabilities;
- Expansion or shrinkage of the balance sheet to correct imbalances in the repricing or maturity periods between assets and liabilities; and/or
- Use or alteration of off-balance sheet positions, including interest rate swaps, caps, floors, options, and forward purchase or sales commitments.

In connection with our net interest income simulation modeling, we also evaluate the impact of changes in the slope of the yield curve. At September 30, 2017, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 1.83% decrease in net interest income; conversely, an immediate steepening of the yield curve would be expected to result in a 3.85% increase in net interest income.

Liquidity

We manage our liquidity to ensure that cash flows are sufficient to support our operations, and to compensate for any temporary mismatches between sources and uses of funds caused by variable loan and deposit demand.

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obligations. Our most liquid assets are cash and cash equivalents, which totaled $3.3 billion and $557.9 million, respectively, at September 30, 2017 and December 31, 2016. As in the past, our portfolios of loans and securities provided liquidity in the first nine months of the year, with cash flows from the repayment and sale of loans totaling $9.3 billion and cash flows from the repayment and sale of securities totaling $1.3 billion.

Additional liquidity stems from the retail, institutional, and municipal deposits we gather and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. We also have access to the Banks' approved lines of credit with various counterparties, including the FHLB-NY. The availability of these wholesale funding sources is generally based on the available amount of mortgage loan collateral under a blanket lien we have pledged to the respective institutions and, to a lesser extent, the available amount of securities that may be pledged to collateralize our borrowings. At September 30, 2017, our available borrowing capacity with the FHLB-NY was $7.5 billion. In addition, the Banks had $3.0 billion of available-for-sale securities, combined, at that date.

Furthermore, both the Community Bank and the Commercial Bank have agreements with the Federal Reserve Bank of New York (the "FRB-NY") that enable them to access the discount window as a further means of enhancing their liquidity if need be. In connection with their agreements, the Banks have pledged certain loans and securities to collateralize any funds they may borrow. At September 30, 2017, the maximum amount the Community Bank could borrow from the FRB-NY was $1.3 billion; the maximum amount the Commercial Bank could borrow from the FRB-NY was $77.5 million. There were no borrowings against either of these lines of credit at that date.

Our primary investing activity is loan production. In the first nine months of 2017, the volume of loans originated for investment was $5.8 billion. During this time, the net cash provided by investing activities totaled $2.5 billion. Our operating activities provided net cash of $1.3 billion, while the net cash used in our financing activities totaled $1.1 billion.

CDs due to mature in one year or less from September 30, 2017 totaled $8.1 billion, representing 91.9% of total CDs at that date. Our ability to retain these CDs and to attract new deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay on our deposits, the types of products we offer, and the attractiveness of their terms. However, there are times when we may choose not to compete for such deposits, depending on the availability of lower-cost funding, the competitiveness of the market and its impact on pricing, and our need for such deposits to fund loan demand, as previously discussed.

The Parent Company is a separate legal entity from each of the Banks and must provide for its own liquidity. In addition to operating expenses and any share repurchases, the Parent Company is responsible for paying dividends declared to our shareholders. As a Delaware corporation, the Parent Company is able to pay dividends either from surplus or, in case there is no surplus, from net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

In each of the four quarters of 2016, the Company was required under Supervisory Letter SR 09-04 to receive a non-objection from the FRB to pay all dividends; non-objections were received from the FRB in all four quarters of the year. The FRB subsequently advised the Company to continue the exchange of written documentation to obtain their non-objection to the declaration of dividends in 2017. The Company has received all necessary non-objections from the FRB for the dividends declared as of the date of this report.

The Parent Company's ability to pay dividends may also depend, in part, upon dividends it receives from the Banks. The ability of the Community Bank and the Commercial Bank to pay dividends and other capital distributions to the Parent Company is generally limited by New York State Banking Law and regulations, and by certain regulations of the FDIC. In addition, the Superintendent of the New York State Department of Financial Services (the "Superintendent"), the FDIC, and the FRB, for reasons of safety and soundness, may prohibit the payment of dividends that are otherwise permissible by regulations.

Under New York State Banking Law, a New York State-chartered stock-form savings bank or commercial bank may declare and pay dividends out of its net profits, unless there is an impairment of capital. However, the approval of the Superintendent is required if the total of all dividends declared in a calendar year would exceed the total of a bank's net profits for that year, combined with its retained net profits for the preceding two years. In the nine months ended September 30, 2017, the Banks paid dividends totaling $276.0 million to the Parent Company, leaving $302.4 million they could dividend to the Parent Company without regulatory approval at that date. Additional sources of liquidity available to the Parent Company at September 30, 2017 included $135.8 million in cash and cash equivalents. If either of the Banks were to apply to the Superintendent for approval to make a dividend or capital distribution in excess of the dividend amounts permitted under the regulations, there can be no assurance that such application would be approved.

Derivative Financial Instruments

We use various financial instruments, including derivatives, in connection with our strategies to mitigate or reduce our exposure to losses from adverse changes in interest rates. Our derivative financial instruments consist of financial forward and futures contracts, IRLCs, swaps, and options, and relate to our mortgage banking operation, residential MSRs, and other risk management activities. These activities will vary in scope based on the level and volatility of interest rates, the types of assets held, and other changing market conditions. At September 30, 2017, we held derivative financial instruments with a notional value of $765.9 million. (See Note 12, "Derivative Financial Instruments," for a further discussion of our use of such financial instruments.)

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Capital Position

In March 2017, the Company raised $502.8 million, net of underwriting and other issuance expenses, through an offering of depositary shares, each representing a 1/40 interest in a share of preferred stock. Primarily reflecting the capital raised, total stockholders' equity rose $635.7 million from the December 31st balance to $6.8 billion at September 30, 2017.

Common stockholders' equity represented 12.91%, 12.89%, and 12.52%, respectively, of total assets at September 30, 2017, June 30, 2017, and December 31, 2016, and was equivalent to a book value per common share of $12.79, $12.74, and $12.57 at the respective dates. We calculate book value per common share by dividing the amount of common stockholders' equity at the end of a period by the number of common shares outstanding at the same date. At September 30, 2017, June 30, 2017, and December 31, 2016, we had outstanding common shares of 489,061,848, 489,023,298, and 487,056,676, respectively.

Tangible common stockholders' equity was relatively stable at $3.8 billion, representing 8.30% of tangible assets and a tangible book value per common share of $7.81 at September 30, 2017. At the end of the second quarter, tangible common stockholders' equity also totaled $3.8 billion or 8.27% of tangible assets and a tangible book value per common share of $7.76. At December 31, 2016, tangible common stockholders' equity totaled $3.7 billion, representing 7.93% of tangible assets, and a tangible book value per common share of $7.57.

We calculate tangible common stockholders' equity by subtracting the amount of goodwill and CDI recorded at the end of a period from the amount of common stockholders' equity recorded at the same date. At September 30, 2017, June 30, 2017, and December 31, 2016, we recorded goodwill of $2.4 billion; CDI was zero, $24,000, and $208,000, respectively, at the corresponding dates. (See the discussion and reconciliations of stockholders' equity, common stockholders' equity, and tangible common stockholders' equity; total assets and tangible assets; and the related financial measures that appear earlier in this report.)

Stockholders' equity, common stockholders' equity, and tangible common stockholders' equity include AOCL, which increased $3.1 million from the balance at the end of June and decreased $52.3 million from the end of December to $4.4 million at September 30, 2017. The increase was the result of a $4.3 million increase in the net unrealized gain on available-for-sale securities, net of tax, to $47.9 million and a $1.2 million decrease in pension and post-retirement obligations, net of tax, to $47.1 million.

At September 30, 2017, our capital measures continued to exceed the minimum federal requirements for a bank holding company. The following table sets forth our common equity tier 1, tier 1 risk-based, total risk-based, and leverage capital amounts and ratios on a consolidated basis, as well as the respective minimum regulatory capital requirements, at that date:

Regulatory Capital Analysis (the Company)

	Risk-Based Capital							
At September 30, 2017	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$3,823,765	11.54%	$4,326,605	13.06%	$4,832,749	14.59%	$4,326,605	9.40%
Minimum for capital adequacy purposes	1,490,799	4.50	1,987,732	6.00	2,650,309	8.00	1,840,256	4.00
Excess	$2,332,966	7.04%	$2,338,873	7.06%	$2,182,440	6.59%	$2,486,349	5.40%

Basel III calls for the phase-in of a capital conservation buffer over a five-year period beginning with 0.625% in 2016 and reaching 2.50% in 2019, when fully phased in. At September 30, 2017, our total risk-based capital ratio exceeded the minimum requirement for capital adequacy purposes by 659 basis points and the fully-phased in capital conservation buffer by 409 basis points.

As reflected in the following tables, the capital ratios for the Community Bank and the Commercial Bank also continued to exceed the minimum regulatory capital levels required at September 30, 2017:

Regulatory Capital Analysis (New York Community Bank)

	Risk-Based Capital							
At September 30, 2017	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$4,176,102	13.60%	$4,176,102	13.60%	$4,304,995	14.02%	$4,176,102	9.80%
Minimum for capital adequacy purposes	1,381,593	4.50	1,842,123	6.00	2,456,165	8.00	1,703,799	4.00
Excess	$2,794,509	9.10%	$2,333,979	7.60%	$1,848,830	6.02%	$2,472,303	5.80%

Regulatory Capital Analysis (New York Commercial Bank)

	Risk-Based Capital							
At September 30, 2017	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$372,817	15.30%	$372,817	15.30%	$403,287	16.55%	$372,817	11.07%
Minimum for capital adequacy purposes	109,671	4.50	146,227	6.00	194,970	8.00	134,716	4.00
Excess	$263,146	10.80%	$226,590	9.30%	$208,317	8.55%	$238,101	7.07%

As of September 30, 2017, the Community Bank and the Commercial Bank also exceeded the minimum capital requirements to be categorized as "Well Capitalized." To be categorized as well capitalized, a bank must maintain a minimum common equity tier 1 ratio of 6.50%; a minimum tier 1 risk-based capital ratio of 8.00%; a minimum total risk-based capital ratio of 10.00%; and a minimum leverage capital ratio of 5.00%.

Earnings Summary for the Three Months Ended September 30, 2017

Net income available to common shareholders ("net income") totaled $102.3 million in the current third quarter, equivalent to $0.21 per diluted common share. In the trailing and year-earlier quarters, net income totaled $107.0 million and $125.3 million, and was equivalent to $0.22 and $0.26 per diluted common share, respectively. The sequential and year-over-year declines in net income were primarily due to a decrease in net interest income, as further discussed below.

Net Interest Income

Net interest income is our primary source of income. Its level is a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are impacted by various external factors, including the local economy, competition for loans and deposits, the monetary policy of the FOMC, and market interest rates.

The cost of our deposits and short-term borrowed funds is largely based on short-term rates of interest, the level of which is partially impacted by the actions of the FOMC. The FOMC reduces, maintains, or increases the target federal funds rate (the rate at which banks borrow funds overnight from one another) as it deems necessary. Since the fourth quarter of 2008, when the target federal funds rate was lowered to a range of 0% to 0.25%, the rate has been raised three times: on December 17, 2015, to a range of 0.25% to 0.50%; on December 14, 2016, to a range of 0.50% to 0.75%; on March 15, 2017, to a range of 0.75% to 1.00%, and, most recently on June 14, 2017 to a range of 1.00% to 1.25%.

While the target federal funds rate generally impacts the cost of our short-term borrowings and deposits, the yields on our held-for-investment loans and other interest-earning assets are typically impacted by intermediate-term market interest rates. In the third quarter of 2017, the average five-year CMT was 1.81%, unchanged from the trailing quarter and as compared to 1.13% for the year-earlier quarter. The average ten-year CMT was 2.24% in the current third quarter, as compared to 2.26% and 1.56%, respectively, in the prior periods.

Net interest income is also influenced by the level of prepayment income primarily generated in connection with the prepayment of our multi-family and CRE loans, as well as securities. Since prepayment income is recorded as interest income, an increase or decrease in its level will also be reflected in the average yields (as applicable) on our loans, securities, and interest-earning assets, and therefore in our interest rate spread and net interest margin.

It should be noted that the level of prepayment income on loans recorded in any given period depends on the volume of loans that refinance or prepay during that time. Such activity is largely dependent on such external factors as current market conditions, including real estate values, and the perceived or actual direction of market interest rates. In addition, while a decline in market interest rates may trigger an increase in refinancing and, therefore, prepayment income, so too may an increase in market interest rates. It is not unusual for borrowers to lock in lower interest rates when they expect, or see, that market interest rates are rising rather than risk refinancing later at a still higher interest rate.

The Company recorded net interest income of $276.3 million in the current second quarter, an $11.4 million decrease from the trailing-quarter level and a $42.1 million decrease from the year-earlier amount.

Linked-Quarter Comparison

The sequential decline in net interest income was attributable to a variety of factors, including an increase in our cost of funds, as short-term interest rates rose in the quarter. Additionally, the sale of our covered loan portfolio, which closed at the end of July and resulted in excess liquidity being invested at lower yields, negatively impacted net interest income. This was partially offset by modest loan growth along with stable loan yields. Details of the linked-quarter decline in net interest income follow:

- Interest income of $393.7 million in the current third quarter declined $5.4 million from the amount reported in the trailing quarter. Interest income from loans declined $10.3 million to $351.0 million, while interest income from securities and interest-earning cash and cash equivalents rose $4.9 million to $42.7 million.
- The decrease in interest income from loans was driven by a $1.3 billion decrease in the average balance to $37.8 billion and a one-basis point increase in the average yield to 3.71%. The decrease in the average balance was largely due to the sale of our covered loan portfolio early in the quarter. The increase in the average yield was a function of the increase in prepayment income. Prepayment income on loans contributed 15 basis points to the average yield on loans, an increase of one basis point.
- The increase in the interest income from securities and interest-earning cash and cash equivalents was due to increases in both the average balances and in the average yields. The average balance rose $1.8 billion to $6.1 billion due to the aforementioned investment of the cash proceeds from the sale of our covered loan portfolio. Prepayment income on securities contributed 28 basis points to the average yield on securities, an increase of 11 basis points.
- As a result, the average balance of interest-earning assets rose $514.9 million sequentially, to $43.9 billion and the average yield on such assets declined nine basis points to 3.59%.
- Interest expense rose $6.0 million sequentially to $117.3 million, as a $7.1 million increase in interest expense on total interest-bearing deposits combined with a $1.1 million decrease in the interest expense on borrowed funds.
- Specifically, interest expense on interest-bearing deposits rose to $62.4 million, due to a $153.2 million decline in the average balance to $26.2 billion combined with a nine-basis point increase in the average cost of such funds to 0.94%. However, interest expense on borrowed funds dropped to $55.0 million as a $798.3 million decline in the average balance to $12.4 billion was offset by a six-basis point increase in the average cost to 1.76%.
- As a result, the average balance of interest-bearing liabilities fell $645.2 million sequentially, to $38.6 billion and the average cost of funds rose seven basis points to 1.21%.

Year-Over-Year Comparison

The following factors contributed to the year-over-year reduction in net interest income:

- Interest income fell $22.4 million year-over-year as a $5.5 million decline in the interest income from securities and interest-earning cash and cash equivalents was coupled with a $16.9 million decline in the interest income from loans.
- The decline in the interest income from loans was largely due to a $1.5 billion decline in the average balance and a three-basis point decline in the average yield. In addition, prepayment income contributed $13.4 million to the interest income from loans and 14 basis points to the average yield on such assets in the year-earlier quarter.
- The year-over-year reduction in interest income from securities was driven by a $829.0 million increase in the average balance, offset by a 53-basis point drop in the average yield.
- As a result, the average balance of interest-earning assets rose $90.8 million from the year-earlier level and the average yield fell 21 basis points.
- Interest expense rose $19.7 million year-over-year as the interest expense on deposits rose $18.6 million and the interest expense on borrowed funds rose $1.1 million.
- The year-over-year rise in interest expense stemming from deposits was due to a 28-basis point rise in the average cost of such funds due to higher short-term interest rates, offset by an $18.0 million decrease in the average balance. The increase in the interest income from borrowed funds was driven by a 21-basis point rise in the average cost of such funding and mitigated by a $1.4 billion decline in the average balance from the year-earlier amount.
- As a result, the average balance of interest-bearing liabilities fell $1.4 million and the average cost of funds rose 24 basis points year-over-year.

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Net Interest Margin

The direction of the Company's net interest margin was consistent with that of its net interest income, and generally was driven by the same factors as those described above. At 2.53%, the margin was 12 basis points narrower than the trailing-quarter measure and 38 basis points narrower than the margin recorded in the third quarter of last year. The respective reductions were due, in part, to a decline in prepayment income from the levels recorded in the trailing and year-earlier quarters, as reflected in the following table:

	For the Three Months Ended		
(dollars in thousands)	September 30, 2017	June 30, 2017	September 30, 2016
Total interest income	$ 393,675	$399,075	$ 416,096
Prepayment income:			
From loans	$ 14,076	$ 13,285	$ 13,422
From securities	2,488	1,708	8,947
Total prepayment income	$ 16,564	$ 14,993	$ 22,369
Net interest margin (including the contribution of prepayment income)	2.53%	2.65%	2.91%
Less:			
Contribution of prepayment income to net interest margin:			
From loans	13 bps	12 bps	12 bps
From securities	3	2	8
Total contribution of prepayment income to net interest margin	16 bps	14 bps	20 bps
Adjusted net interest margin (i.e., excluding the contribution of prepayment income) (1)	2.37%	2.51%	2.71%

(1) "Adjusted net interest margin" is a non-GAAP financial measure, as more fully discussed below.

While our net interest margin, including the contribution of prepayment income, is recorded in accordance with GAAP, adjusted net interest margin, which excludes the contribution of prepayment income, is not. Nevertheless, management uses this non-GAAP measure in its analysis of our performance, and believes that this non-GAAP measure should be disclosed in this report and other investor communications for the following reasons:

1. Adjusted net interest margin gives investors a better understanding of the effect of prepayment income on our net interest margin. Prepayment income in any given period depends on the volume of loans that refinance or prepay, or securities that prepay, during that period. Such activity is largely dependent on external factors such as current market conditions, including real estate values, and the perceived or actual direction of market interest rates.
2. Adjusted net interest margin is among the measures considered by current and prospective investors, both independent of, and in comparison with, our peers.

Adjusted net interest margin should not be considered in isolation or as a substitute for net interest margin, which is calculated in accordance with GAAP. Moreover, the manner in which we calculate this non-GAAP measure may differ from that of other companies reporting a non-GAAP measure with a similar name.

The following table sets forth certain information regarding our average balance sheet for the quarters indicated, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the quarters are derived from average balances that are calculated daily. The average yields and costs include fees, as well as premiums and discounts (including mark-to-market adjustments from acquisitions), that are considered adjustments to such average yields and costs.

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Net Interest Income Analysis

	For the Three Months Ended								
	September 30, 2017			June 30, 2017			September 30, 2016		
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:									
Interest-earning assets:									
Mortgage and other loans, net (1)	$37,791,476	$350,990	3.71%	$39,113,348	$361,330	3.70%	$39,337,380	$367,932	3.74%
Securities (2)(3)	3,597,699	34,359	3.81	4,226,369	37,732	3.55	4,426,703	48,160	4.34
Interest-earning cash and cash equivalents (2)	2,474,307	8,326	1.34	8,858	13	0.59	8,629	4	0.18
Total interest-earning assets	43,863,482	393,675	3.59	43,348,575	399,075	3.68	43,772,712	416,096	3.80
Non-interest-earning assets	4,662,777			5,720,589			5,386,459		
Total assets	$48,526,259			$49,069,164			$49,159,171		
Liabilities and Stockholders' Equity:									
Interest-bearing deposits:									
Interest-bearing checking and money market accounts	$12,672,720	$ 27,620	0.86%	$12,971,440	$ 24,084	0.74%	$13,356,174	$ 15,866	0.47%
Savings accounts	5,006,499	7,109	0.56	5,260,397	7,150	0.55	5,629,135	7,439	0.53
Certificates of deposit	8,533,404	27,649	1.29	7,827,633	24,006	1.23	7,245,325	20,501	1.13
Total interest-bearing deposits	26,212,623	62,378	0.94	26,059,470	55,240	0.85	26,230,634	43,806	0.66
Borrowed funds	12,397,681	54,954	1.76	13,195,987	56,066	1.70	13,802,662	53,867	1.55
Total interest-bearing liabilities	38,610,304	117,332	1.21	39,255,457	111,306	1.14	40,033,296	97,673	0.97
Non-interest-bearing deposits	2,766,701			2,960,164			2,832,569		
Other liabilities	383,622			203,237			212,303		
Total liabilities	41,760,627			42,418,858			43,078,168		
Stockholders' equity	6,765,632			6,650,306			6,081,003		
Total liabilities and stockholders' equity	$48,526,259			$49,069,164			$49,159,171		
Net interest income/interest rate spread		$276,343	2.38%		$287,769	2.54%		$318,423	2.83%
Net interest margin			2.53%			2.65%			2.91%
Ratio of interest-earning assets to interest-bearing liabilities			1.14x			1.10x			1.09x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses, and include loans held for sale and non-performing loans.

(2) Amounts are at amortized cost.

(3) Includes FHLB stock.

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Provision for Losses on Non-Covered Loans

The provision for losses on non-covered loans is based on the methodology used by management in calculating the allowance for losses on such loans. Reflecting this methodology, which is discussed in detail under "Critical Accounting Policies," we recorded a $44.6 million provision for non-covered loan losses in the current third quarter, as compared to $11.6 million and $1.2 million in the three months ended June 30, 2017 and September 30, 2016. The elevated loan loss provision for the current third quarter was due to our taxi medallion-related loans. In the third quarter of 2017, the Company recorded net charge-offs of $40.4 million, of which $40.6 million was related to taxi medallion-related loans, compared to the year-earlier quarter during which the Company recorded net recoveries of $412,000, of which $49,000 was related to taxi medallion-related loans.

For additional information about our provisions for and recoveries of loan losses, see the discussion of the allowances for loan losses under "Critical Accounting Policies" and the discussion of "Asset Quality" that appear earlier in this report.

Non-Interest Income

We generate non-interest income through a variety of sources, including—among others—mortgage banking income; fee income (in the form of retail deposit fees and charges on loans); income from our investment in BOLI; gains on the sale of securities; and revenues produced through the sale of third-party investment products and those produced through our wholly-owned subsidiary, Peter B. Cannell & Co., Inc. ("PBC"), an investment advisory firm.

Non-interest income totaled $108.9 million in the current third quarter, up $58.5 million from the trailing-quarter level and $68.3 million from the year-earlier amount. The linked-quarter improvement was primarily driven by an $82.0 million gain on sale of covered loans and mortgage banking operations. This was partially offset by a $6.7 million decline in mortgage banking income. The year-over-year increase reflects contributions from the same factors which impacted the linked-quarter results.

The following table summarizes our mortgage banking income for the periods indicated:

	For the Three Months Ended		
(in thousands)	September 30, 2017	June 30, 2017	September 30, 2016
Mortgage Banking Income:			
Income from originations	$ 2,109	$ 4,394	$ 10,884
Servicing (loss) income	(623)	3,802	2,041
Total mortgage banking income	$ 1,486	$ 8,196	$ 12,925

The following table summarizes our non-interest income for the respective periods:

Non-Interest Income Analysis

	For the Three Months Ended		
(in thousands)	September 30, 2017	June 30, 2017	September 30, 2016
Mortgage banking income	$ 1,486	$ 8,196	$ 12,925
Fee income	7,972	8,151	8,640
BOLI income	8,314	6,519	7,029
Net (loss) gain on sales of loans	(76)	1,397	3,465
Net gain on sales of securities	—	26,936	237
FDIC indemnification expense	—	(14,325)	(1,031)
Gain on sale of covered loans and mortgage banking operations	82,026	—	—
Other income:			
Peter B. Cannell & Co., Inc.	5,502	5,476	5,535
Third-party investment product sales	2,888	3,205	2,467
Other	816	4,882	1,328
Total other income	9,206	13,563	9,330
Total non-interest income	$ 108,928	$ 50,437	$ 40,595

Non-Interest Expense

Non-interest expense has two primary components: operating expenses, which consist of compensation and benefits expense, occupancy and equipment expense, and G&A expense, and the amortization of the CDI stemming from certain merger transactions.

Non-interest expense totaled $162.2 million in the current third quarter, a $1.5 million decrease from the trailing-quarter level and a $549,000 increase from the year-earlier amount. Merger-related expenses added $2.2 million to non-interest expense in the year-earlier quarter; there were no comparable expenses in the current quarter.

The majority of the Company's non-interest expense consists of operating expenses, which totaled $162.2 million in the current third quarter, as compared to $163.7 million and $158.9 million, respectively, in the trailing and year-earlier periods. The linked-quarter decrease was driven by a $1.3 million decline in compensation and benefits expense to $91.6 million and a $2.0 million decrease in G&A expense to $45.5 million, partially offset by a $1.7 million increase in occupancy and equipment expense to $25.1 million.

The year-over-year increase in operating expenses was largely due to a $5.5 million increase in compensation and benefits expense coupled with a $3.0 million decrease in G&A expense. The year-over-year rise in compensation and benefits expense was generally attributable to the addition of senior level staff in various departments, while the year-over-year decline in G&A expense was largely attributable to lower FDIC insurance premiums.

Income Tax Expense

Income tax expense totaled $68.0 million in the current third quarter, $2.5 million higher than the trailing-quarter level and $4.1 million lower than the year-earlier third-quarter amount.

While pre-tax income declined $2.3 million sequentially, to $178.5 million, the effective tax rate increased to 38.10% in the current third quarter from 36.22% in the trailing three-month period.

In the third quarter of 2016, pre-tax income was $18.9 million higher than the current third-quarter level, and the effective tax rate was 36.52%.

Earnings Summary for the Nine Months Ended September 30, 2017

In the first nine months of 2017, we generated net income available to common shareholders of $313.3 million or $0.64 per diluted common share as compared to net income available to common shareholders of $381.7 million, or $0.78 per diluted common share, in the first nine months of 2016.

Merger-related expenses totaled $4.7 million in the year-earlier nine months; there were no merger-related expenses in the current nine-month period.

Net Interest Income

Net interest income fell $112.8 million year-over-year to $859.0 million in the nine months ended September 30, 2017. The decrease was the net effect of a $67.7 million decrease in interest income to $1.2 billion and a $45.2 million increase in interest expense to $332.8 million. During this time, our net interest margin fell 32 basis points to 2.63%.

The following factors contributed to the year-over-year decrease in net interest income and margin:

- Prepayment penalty income contributed $43.7 million to net interest income in the first nine months of 2017, a $28.7 million decrease from the amount contributed in the first nine months of 2016. In addition, the current nine-month amount contributed 13 basis points to our net interest margin, a nine basis-point decline from the year-earlier contribution.
- Average interest-earning assets fell $416.0 million year-over-year to $43.5 billion, the net effect of a $226.0 million decrease in average loans to $38.7 billion and a $190.0 million reduction in average securities and interest-earning cash and cash equivalents to $4.9 billion, partly offset by a 17-basis point decline in the average yield on interest-earning assets to 3.65% in the first nine months of this year. While the average yield on loans fell a modest eight basis points year-over-year to 3.69%, the average yield on securities declined 50 basis points to 3.72%.
- Average interest-bearing liabilities declined $1.1 billion year-over-year to $39.1 billion, reflecting a $1.1 billion decrease in average borrowed funds to $13.0 billion and a $20.4 million decrease in average interest-bearing deposits to $26.1 billion. During this time, the average cost of funds rose 19 basis points to 1.14%, as the average cost of borrowed funds rose 18 basis points to 1.71%, and the average cost of interest-bearing deposits increased 21 basis points to 0.85%.

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The following table summarizes the contribution of prepayment income from loans and securities to our interest income and net interest margin in the nine months ended September 30, 2017 and 2016:

(dollars in thousands)	For the Nine Months Ended September 30, 2017	2016
Total interest income	$1,191,869	$1,259,521
Prepayment income:		
From loans	$ 36,926	$ 42,648
From securities	6,744	29,695
Total prepayment income	$ 43,670	$ 72,343
Net interest margin (including the contribution of prepayment income)	2.63%	2.95%
Less:		
Contribution of prepayment income to net interest margin:		
From loans	11 bps	13 bps
From securities	2	9
Total contribution of prepayment income to net interest margin	13 bps	22 bps
Adjusted net interest margin (i.e., excluding the contribution of prepayment income) (1)	2.50%	2.73%

(1) "Adjusted net interest margin" is a non-GAAP financial measure, as more fully discussed below.

While our net interest margin, including the contribution of prepayment income, is recorded in accordance with GAAP, adjusted net interest margin, which excludes the contribution of prepayment income, is not. Nevertheless, management uses this non-GAAP measure in its analysis of our performance, and believes that this non-GAAP measure should be disclosed in this report and other investor communications for the following reasons:

1. Adjusted net interest margin gives investors a better understanding of the effect of prepayment income on our net interest margin. Prepayment income in any given period depends on the volume of loans that refinance or prepay, or securities that prepay, during that period. Such activity is largely dependent on external factors such as current market conditions, including real estate values, and the perceived or actual direction of market interest rates.
2. Adjusted net interest margin is among the measures considered by current and prospective investors, both independent of, and in comparison with, our peers.

Adjusted net interest margin should not be considered in isolation or as a substitute for net interest margin, which is calculated in accordance with GAAP. Moreover, the manner in which we calculate this non-GAAP measure may differ from that of other companies reporting a non-GAAP measure with a similar name.

The following table sets forth certain information regarding our average balance sheet for the nine-month periods indicated, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the nine-month periods are derived from average balances that are calculated daily. The average yields and costs include fees, as well as premiums and discounts (including mark-to-market adjustments from acquisitions), that are considered adjustments to such average yields and costs.

Net Interest Income Analysis

	For the Nine Months Ended September 30,					
	2017			2016		
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-earning assets:						
Mortgage and other loans, net (1)	$38,652,113	$1,070,722	3.69%	$38,878,111	$1,099,137	3.77%
Securities (2)(3)	4,052,154	112,800	3.72	5,065,917	160,373	4.22
Interest-earning cash and cash equivalents (2)	832,463	8,347	1.34	8,749	11	0.17
Total interest-earning assets	43,536,730	1,191,869	3.65	43,952,777	1,259,521	3.82
Non-interest-earning assets	5,239,745			5,316,971		
Total assets	$48,776,475			$49,269,748		
Liabilities and Stockholders' Equity:						
Interest-bearing deposits:						
Interest-bearing checking and money market accounts	$12,950,570	$ 71,413	0.74%	$13,349,201	$ 45,771	0.46%
Savings accounts	5,171,645	21,069	0.54	6,112,342	25,001	0.55
Certificates of deposit	8,019,142	73,786	1.23	6,700,188	55,129	1.10
Total interest-bearing deposits	26,141,357	166,268	0.85	26,161,731	125,901	0.64
Borrowed funds	12,992,691	166,572	1.71	14,083,459	161,758	1.53
Total interest-bearing liabilities	39,134,048	332,840	1.14	40,245,190	287,659	0.95
Non-interest-bearing deposits	2,820,923			2,817,043		
Other liabilities	269,132			179,471		
Total liabilities	42,224,103			43,241,704		
Stockholders' equity	6,552,372			6,028,044		
Total liabilities and stockholders' equity	$48,776,475			$49,269,748		
Net interest income/interest rate spread		$ 859,029	2.51%		$ 971,862	2.87%
Net interest margin			2.63%			2.95%
Ratio of interest-earning assets to interest-bearing liabilities			1.11x			1.09x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses, and include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB stock.

Provision for Loan Losses

Provision for Losses on Non-Covered Loans

Reflecting the methodology used by management to calculate the allowance for non-covered loan losses, we recorded a provision for losses on non-covered loans of $58.0 million in the nine months ended September 30, 2017 compared to $6.7 million in the year ago nine months. The higher loan loss provision for the nine months ended September 30, 2017 was due to our taxi medallion-related loans. For the nine months ended September 30, 2017, the Company recorded net charge-offs of $57.4 million, of which $54.8 million was due to taxi medallion-related loans. For the nine months ended September 30, 2016, the Company recorded a net recovery of $882,000, with taxi medallion-related charge-offs of $265,000.

Provision for (Recovery of) Losses on Covered Loans

In the first nine months of 2017, we recovered $23.7 million from the allowance for covered loan losses, reflecting an increase in expected cash flows from certain pools of covered loans as their credit quality improved and the aforementioned sale of the covered loans. In connection with this recovery, we recorded FDIC indemnification expense of $19.0 million in "Non-interest income" during the corresponding period.

In the first nine months of 2016, we recovered $6.0 million from the allowance for covered loan losses, reflecting an increase in expected cash flows from certain pools of covered loans as their credit quality improved. In connection with this recovery, we recorded FDIC indemnification income of $4.8 million in "Non-interest income" during the corresponding period.

Non-Interest Income

In the first nine months of 2017, we recorded non-interest income of $191.5 million, as compared to $113.2 million in the first nine months of 2016. The $78.3 million increase was largely driven by the $82.0 million gain on the sale of our covered loans and mortgage banking operations and a net gain on sales of securities of $28.9 million. This was partially offset by lower mortgage banking income and lower gains on sales of loans.

The following table summarizes our mortgage banking income for the periods indicated:

(in thousands)	For the Nine Months Ended September 30, 2017	2016
Mortgage Banking Income:		
Income from originations	$ 11,478	$ 34,691
Servicing income (loss)	7,968	(10,671)
Total mortgage banking income	$ 19,446	$ 24,020

The following table summarizes the components of non-interest income for the respective periods:

Non-Interest Income Analysis

(in thousands)	For the Nine Months Ended September 30, 2017	2016
Mortgage banking income	$ 19,446	$ 24,020
Fee income	23,983	24,480
BOLI income	21,170	23,208
Net gain on sales of loans	1,055	15,118
Net gain on sales of securities	28,915	413
FDIC indemnification expense	(18,961)	(4,828)
Gain on sale of covered loans and mortgage banking operations	82,026	—
Other income:		
Peter B. Cannell & Co., Inc.	16,512	17,100
Third-party investment product sales	9,262	8,823
Other	8,129	4,864
Total other income	33,903	30,787
Total non-interest income	$ 191,537	$ 113,198

Non-Interest Expense

In the first nine months of 2017, we recorded non-interest expense of $492.9 million, reflecting an $11.9 million increase from the year-earlier amount. Operating expenses accounted for $492.7 million of the current nine-month total, and were up $18.4 million year-over-year.

The rise in operating expenses was largely due to an $18.8 million increase in compensation and benefits expense to $280.0 million, while most other expense categories were flat on a year-over-year basis.

Income Tax Expense

Income tax expense fell $28.1 million year-over-year to $193.6 million in the nine months ended September 30, 2017. During this time, pre-tax income declined $80.0 million to $523.3 million, while the effective tax rate rose modestly to 37.00%, as compared to 36.74%.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about the Company's market risk were presented on pages 83-87 of our 2016 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 1, 2017. Subsequent changes in the Company's market risk profile and interest rate sensitivity are detailed in the discussion entitled "Management of Market and Interest Rate Risk" earlier in this quarterly report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's (the "SEC's") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b), as adopted by the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period.

(b) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal actions arising in the ordinary course of its business. All such actions in the aggregate involve amounts that are believed by management to be immaterial to the financial condition and results of operations of the Company.

Item 1A. Risk Factors

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as such factors could materially affect the Company's business, financial condition, or future results of operations. There have been no material changes to the risk factors disclosed in the Company's 2016 Annual Report on Form 10-K.

The risks described in the 2016 Annual Report on Form 10-K are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, also may have a material adverse impact on the Company's business, financial condition, or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Shares Repurchased Pursuant to the Company's Stock-Based Incentive Plans

Participants in the Company's stock-based incentive plans may have shares of common stock withheld to fulfill the income tax obligations that arise in connection with the vesting of their stock awards. Shares that are withheld for this purpose are repurchased pursuant to the terms of the applicable stock-based incentive plan, rather than pursuant to the share repurchase program authorized by the Board of Directors, described below.

During the three months ended September 30, 2017, the Company allocated $344,000 toward the repurchase of shares of its common stock pursuant to the terms of its stock-based incentive plans, as indicated in the following table:

(dollars in thousands, except per share data)

Third Quarter 2017	Total Shares of Common Stock Repurchased	Average Price Paid per Common Share	Total Allocation
July 1 – July 31	19,252	$13.04	$ 251
August 1 – August 31	2,074	12.59	26
September 1 – September 30	5,344	12.46	67
Total shares repurchased	26,670	12.89	$ 344

Shares Repurchased Pursuant to the Board of Directors' Share Repurchase Authorization

On April 20, 2004, the Board of Directors authorized the repurchase of up to five million shares of the Company's common stock. Of this amount, 1,659,816 shares were still available for repurchase at September 30, 2017. Under said authorization, shares may be repurchased on the open market or in privately negotiated transactions. No shares have been repurchased under this authorization since August 2006.

Shares that are repurchased pursuant to the Board of Directors' authorization, and those that are repurchased pursuant to the Company's stock-based incentive plans, are held in our Treasury account and may be used for various corporate purposes, including, but not limited to, merger transactions and the vesting of restricted stock awards.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

Exhibit No.	
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation (2)
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation (3)
3.4	Certificate of Designations of the Registrant with respect to the Series A Preferred Stock, dated March 16, 2017, filed with the Secretary of State of the State of Delaware and effective March 16, 2017 (4)
3.5	Amended and Restated Bylaws of the Registrant, as of December 20, 2016 (5)
4.1	Specimen Stock Certificate (attached hereto)
4.2	Form of certificate representing the Series A Preferred Stock (6)
4.3	Form of depositary receipt representing the Depositary Shares (7)
4.4	Deposit Agreement, dated as of March 16, 2017, by and among the Registrant, Computershare, Inc., and Computershare Trust Company, N.A., as joint depositary, and the holders from time to time of the depositary receipts described therein. (8)
4.5	Registrant will furnish, upon request, copies of all instruments defining the rights of holders of long-term debt instruments of the registrant and its consolidated subsidiaries.
11.0	Computation of Earnings per Common Share (See Note 2 to the Consolidated Financial Statements.)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto)
32.0	Section 1350 Certifications of the Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 (attached hereto)
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Operations and Comprehensive Income, (iii) the Consolidated Statement of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

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(1) Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarterly period ended March 31, 2001 (File No. 0-22278), as filed with the Securities and Exchange Commission on May 11, 2001.

(2) Incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 2003 (File No. 1-31565), as filed with the Securities and Exchange Commission on March 15, 2004.

(3) Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on April 27, 2016 (File No. 1-31565).

(4) Incorporated herein by reference to Exhibit 3.4 of the Company's Registration Statement on Form 8-A (File No. 333-210919), as filed with the Securities and Exchange Commission on March 16, 2017.

(5) Incorporated herein by reference to Exhibit 3.4 of the Company's Annual Report on Form 10-K (File No. 001-31565) for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on March 1, 2017.

(6) Incorporated by reference to Exhibit A to Exhibit 4.1 of the Company's Form 8-K, as filed with the Securities and Exchange Commission on March 17, 2017 (File No. 1-31565).

(7) Incorporated by reference to Exhibit B to Exhibit 4.1 of the Company's Form 8-K, as filed with the Securities and Exchange Commission on March 17, 2017 (File No. 1-31565).

(8) Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, as filed with the Securities and Exchange Commission on March 17, 2017 (File No. 1-31565).

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NEW YORK COMMUNITY BANCORP, INC.

SIGNATURES

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

		New York Community Bancorp, Inc. (Registrant)
DATE: November 9, 2017	BY:	/s/ Joseph R. Ficalora Joseph R. Ficalora President, Chief Executive Officer, and Director
DATE: November 9, 2017	BY:	/s/ Thomas R. Cangemi Thomas R. Cangemi Senior Executive Vice President and Chief Financial Officer

Exhibit 4.1

NEW YORK COMMUNITY BANCORP, INC.

The shares represented by this certificate are subject to a limitation contained in the Corporation's Certificate of Incorporation to the effect that in no event shall any record owner of any outstanding common stock which is beneficially owned, directly or indirectly, by a person who beneficially owns in excess of 10% of the outstanding shares of common stock (the "Limit") be entitled or permitted to any vote in respect of shares held in excess of the Limit.

The Board of Directors of the Corporation is authorized by resolution(s), from time to time adopted, to provide for the issuance of serial preferred stock in series and to fix and state the voting powers, designations, preferences and relative, participating, optional, or other special rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The Corporation will furnish to any shareholder upon request and without charge a full description of each class of stock and any series thereof.

The shares represented by this certificate may not be cumulatively voted on any matter. The affirmative vote of the holders of at least 80% of the voting stock of the Corporation, voting together as a single class, shall be required to approve certain business combinations and other transactions pursuant to the Certificate of Incorporation or to amend certain provisions of the Certificate of Incorporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM — as tenants in common
TEN ENT — as tenants by the entireties
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFTS MIN ACT — ______ (Cust) custodian ______ (Minor) under Uniform Gifts to Minors Act ______ (State)

Additional abbreviations may also be used though not in the above list.

For value received, ______________________ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

[ ]

____

Please print or typewrite name and address including postal zip code of assignee.

______________________ shares

of the common stock represented by the within certificate and do hereby irrevocably constitute and appoint ______________________

attorney to transfer the said stock on the books of the within-named corporation with full power of substitution in the premises.

DATED ______________

SIGNATURE GUARANTEED:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever.

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR DESTROYED, THE CORPORATION MAY REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

Exhibit 31.1

NEW YORK COMMUNITY BANCORP, INC.

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph R. Ficalora, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New York Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 9, 2017

BY: /s/ Joseph R. Ficalora
Joseph R. Ficalora
President, Chief Executive Officer,
and Director

Exhibit 31.2

NEW YORK COMMUNITY BANCORP, INC.

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas R. Cangemi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New York Community Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 9, 2017

BY: /s/ Thomas R. Cangemi
Thomas R. Cangemi
Senior Executive Vice President
and Chief Financial Officer

Exhibit 32.0

NEW YORK COMMUNITY BANCORP, INC.

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of New York Community Bancorp, Inc. (the "Company") on Form 10-Q for the period ended on September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

DATE: November 9, 2017

BY: /s/ Joseph R. Ficalora
Joseph R. Ficalora
President, Chief Executive Officer,
and Director

DATE: November 9, 2017

BY: /s/ Thomas R. Cangemi
Thomas R. Cangemi
Senior Executive Vice President
and Chief Financial Officer