FLAGSTAR BANCORP INC
Form 10-Q
November 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

Commission File Number: 001-16577

(Exact name of registrant as specified in its charter).

Michigan	**38-3150651**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
5151 Corporate Drive, Troy, Michigan	**48098-2639**
(Address of principal executive offices)	(Zip code)

(248) 312-2000

(Registrant s telephone number, including area code)

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 ninety days.
Yes þ No o.

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 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 o No o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

As of November 6, 2009, 468,571,775 shares of the registrant s common stock, $0.01 par value, were issued and outstanding.

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FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Flagstar Bancorp, Inc. (Flagstar or the Company) and these statements are subject to risk and uncertainty. Forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, include those using words or phrases such as believes, expects, anticipates, plans, trend, objective, continue, remain, pattern or similar expressions or future or conditiona as will, would, should, could, might, can, may or similar expressions.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under the heading Risk Factors in Part I, Item 1A of the Company s Annual Report on Form 10-K for the year ended December 31, 2008 and under Part II, Item 1A of this quarterly report on Form 10-Q, including: (1) our business has been and may continue to be adversely affected by conditions in the global financial markets and economic conditions generally; (2) general business, economic and political conditions may significantly affect our earnings; (3) we depend on our institutional counterparties to provide services that are critical to our business. If one of more of our institutional counterparties defaults on its obligations to us or becomes insolvent, it could have a material adverse affect our earnings, liquidity, capital position and financial condition; (4) defaults by another larger financial institution could adversely affect financial markets generally; (5) if we cannot effectively manage the impact of the volatility of interest rates, our earnings could be adversely affected; (6) the value of our mortgage servicing rights could decline with reduction in interest rates; (7) certain hedging strategies that we use to manage our investment in mortgage servicing rights may be ineffective to offset any adverse changes in the fair value of these assets due to changes in interest rates; (8) we use estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; (9) changes in the fair value or ratings downgrades of our securities may reduce our stockholders equity, net earnings, or regulatory capital ratios; (10) current and further deterioration in the housing and commercial real estate markets may lead to increased loss severities and further increases in delinquencies and non-performing assets in our loan portfolios. Additionally, the performance of our standby and commercial letters of credit may be adversely affected as well. Consequently, our allowance for loan losses and guarantee liability may not be adequate to cover actual losses, and we may be required to materially increase our reserves; (11) our secondary market reserve for losses could be insufficient; (12) our home lending profitability could be significantly reduced if we are not able to resell mortgages; (13) our commercial real estate and commercial business loan portfolios carry heightened credit risk; (14) our ability to borrow funds, maintain or increase deposits or raise capital could be limited, which could adversely affect our liquidity and earnings; (15) our inability to realize our deferred tax assets may have a material adverse affect on our consolidated results of operations and our financial condition; (16) we may be required to raise capital at terms that are materially adverse to our stockholders; (17) our holding company is dependent on the Bank for funding of obligations and dividends; (18) future dividend payments and equity repurchases are restricted by the terms of the Treasury s equity investment in us; (19) we may not be able to replace key members of senior management or attract and retain qualified relationship managers in the future; (20) the network and computer systems on which we depend could fail or experience a security breach; (21) our business is highly regulated; (22) our business has volatile earnings because it operates based on a multi-year cycle; (23) our loans are geographically concentrated in only a few states; (24) we are subject to heightened regulatory scrutiny with respect to bank secrecy and anti-money laundering statutes and regulations; (25) we are a controlled company that is exempt from certain NYSE corporate governance requirements; and (26) current and further deterioration in the housing market, as well as the number of programs that have been introduced to address the situation by government agencies and government sponsored enterprises, may lead to increased costs to service loans which could affect our margins or impair the value of our mortgage servicing rights.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

FLAGSTAR BANCORP, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2009
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements of the Company are as follows:
Consolidated Statements of Financial Condition September 30, 2009 (unaudited) and December 31, 2008.
Unaudited Consolidated Statements of Operations For the nine and three months ended September 30, 2009 and 2008.
Consolidated Statements of Stockholders Equity and Comprehensive Loss For the nine months ended September 30, 2009 (unaudited) and for the year ended December 31, 2008.
Unaudited Consolidated Statements of Cash Flows For the nine months ended September 30, 2009 and 2008.
Unaudited Notes to Consolidated Financial Statements.

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Flagstar Bancorp, Inc.
Consolidated Statements of Financial Condition
(In thousands, except for share data)

	At September 30, 2009 (Unaudited)	At December 31, 2008
Assets		
Cash and cash items	$ 607,035	$ 300,989
Interest-bearing deposits	228,842	205,916
Cash and cash equivalents	835,877	506,905
Securities classified as trading	1,012,309	542,539
Securities classified as available for sale	817,424	1,118,453
Other investments restricted	41,519	34,532
Loans available for sale ($2,051,058 at fair value on September 30, 2009)	2,070,878	1,484,680
Loans held for investment	8,133,497	9,082,121
Less: allowance for loan losses	(528,000)	(376,000)
Loans held for investment, net	7,605,497	8,706,121
Total interest-earning assets	11,776,469	12,092,241
Accrued interest receivable	50,611	55,961
Repossessed assets, net	164,898	109,297
Federal Home Loan Bank stock	373,443	373,443
Premises and equipment, net	241,710	246,229
Mortgage servicing rights at fair value	564,029	511,294
Mortgage servicing rights, net	3,771	9,469
Other assets	1,038,849	504,734
Total assets	$ 14,820,815	$ 14,203,657
Liabilities and Stockholders Equity		
Liabilities		
Deposits	$ 8,533,968	$ 7,841,005
Federal Home Loan Bank advances	4,800,000	5,200,000
Security repurchase agreements	108,000	108,000
Long term debt	300,182	248,660
Total interest-bearing liabilities	13,742,150	13,397,665
Accrued interest payable	24,839	36,062
Secondary market reserve	53,000	42,500
Other liabilities	333,229	255,137
Total liabilities	14,153,218	13,731,364
Commitments and Contingencies		
Stockholders Equity		

Preferred stock $0.01 par value, liquidation value $1,000 per share 25,000,000 shares authorized; 266,657 issued and outstanding at September 30, 2009		3		
Common stock $0.01 par value, 750,000,000 shares authorized; 468,529,878 and 83,626,726 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively		4,685		836
Additional paid in capital preferred		242,451		
Additional paid in capital common		443,270		119,024
Accumulated other comprehensive loss		(47,685)		(81,742)
Retained earnings		24,873		434,175
Total stockholders equity		667,597		472,293
Total liabilities and stockholders equity	$	14,820,815	$	14,203,657

The accompanying notes are an integral part of these consolidated financial statements.

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Flagstar Bancorp, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Unaudited)			
Interest Income				
Loans	$ 136,849	$ 172,163	$ 452,233	$ 526,039
Mortgage-backed securities held to maturity				15,576
Securities classified as available for sale and trading	29,738	14,563	85,873	51,325
Interest-bearing deposits	517	1,416	1,799	5,561
Other	3	395	28	1,453
Total interest income	167,107	188,537	539,933	599,954
Interest Expense				
Deposits	58,352	60,940	192,248	215,807
FHLB advances	56,116	62,348	170,210	190,168
Security repurchase agreements	1,178	1,179	3,497	5,541
Other	3,867	4,229	9,638	12,400
Total interest expense	119,513	128,696	375,593	423,916
Net interest income	47,594	59,841	164,340	176,038
Provision for loan losses	125,544	89,612	409,420	167,708
Net interest (expense) income after provision for loan losses	(77,950)	(29,771)	(245,080)	8,330
Non-Interest Income				
Loan fees and charges	29,422	777	97,366	2,278
Deposit fees and charges	8,438	7,183	23,655	20,029
Loan administration	(30,293)	25,655	(20,240)	45,980
Gain on trading securities	21,714		6,377	
Loss on residual and transferors interests	(50,689)	(12,899)	(66,625)	(26,485)
Net gain on loan sales	104,416	22,152	404,773	129,403
Net (loss) gain on sales of mortgage servicing rights	(1,319)	896	(3,945)	348
Net gain on sales of securities available for sale		149		5,019
Total other-than-temporary impairment recoveries (losses)	34,100		(69,533)	
Recoveries (losses) recognized in other comprehensive income (before taxes)	36,975		(49,089)	
Net impairment losses recognized in earnings	(2,875)		(20,444)	
Other fees and charges	(12,582)	9,475	(29,189)	29,768

Total non-interest income	66,232	53,388	391,728	206,340
Non-Interest Expense				
Compensation,commissions and benefits	68,611	51,461	232,038	157,538
Occupancy and equipment	17,175	19,462	53,553	59,721
Asset resolution	26,811	18,019	69,660	29,799
Communication	1,411	1,678	4,761	5,263
Other taxes	12,944	(1,359)	15,049	(83)
General and administrative	39,954	29,903	146,331	49,830
Total non-interest expense	166,906	119,164	521,392	302,068
Loss before federal income taxes	(178,624)	(95,547)	(374,744)	(87,398)
Provision (benefit) for federal income taxes	114,965	(33,456)	55,008	(30,454)
Net Loss	(293,589)	(62,091)	(429,752)	(56,944)
Preferred stock dividends/accretion	(4,623)		(12,464)	
Net Loss Applicable To Common Stock	$ (298,212)	$ (62,091)	$ (442,216)	$ (56,944)
Loss per share				
Basic	$ (0.64)	$ (0.79)	$ (1.66)	$ (0.83)
Diluted	$ (0.64)	$ (0.79)	$ (1.66)	$ (0.83)

The accompanying notes are an integral part of these consolidated financial statements.

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Flagstar Bancorp, Inc.
Consolidated Statements of Stockholders Equity and Comprehensive Loss
(In thousands)

	Preferred Stock	Common Stock	Additional Paid in Capital Preferred	Additional Paid in Capital Common	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders Equity
Balance at January 1, 2008	$	$ 637	**$**	$ 64,350	$ (11,495)	$ (41,679)	$ 681,165	$ 692,978
Net loss							(275,407)	(275,407)
Reclassification of gain on dedesignation of swaps used in cash flow hedges					(236)			(236)
Reclassification of gain on sale of securities available for sale					(3,262)			(3,262)
Reclassification of loss on securities available for sale due to other-than- temporary impairment					40,541			40,541
Change in net unrealized loss on securities available for sale					(107,290)			(107,290)
Total comprehensive loss								(345,654)
Cumulative effect adjustment due to change of accounting for residential MSR mortgage servicing rights							28,417	28,417
Issuance of preferred stock	1			45,796				45,797
Issuance of common stock		199		54,162				54,361
Issuance of treasury stock						41,092		41,092
Conversion of preferred stock	(1)			(45,796)				(45,797)
Restricted stock issued				(587)		587		
				77				77

Stock options exercised							
Stock-based compensation				1,227			1,227
Tax effect from stock-based compensation				(205)			(205)
Balance at December 31, 2008		836		119,024	(81,742)	434,175	472,293
(Unaudited)							
Net loss						(429,752)	(429,752)
Reclassification of loss on securities available for sale due to other-than- temporary impairment					13,289		13,289
Change in net unrealized loss on securities available for sale					53,682		53,682
Total comprehensive loss							(362,781)
Cumulative effect for adoption of new guidance for other-than-temporary-impairments recognition on debt securities					(32,914)	32,914	
Issuance of preferred stock	6		507,488				507,494
Conversion of preferred stock	(3)	3,750	(268,574)	264,827			
Issuance of common stock to management		67		5,254			5,321
Reclassification of Treasury Warrants				49,673			49,673
Issuance of common stock for exercise of May Warrants		31		4,345			4,376
Restricted stock issued		1		(46)			(45)
Dividends on preferred stock						(8,927)	(8,927)
Accretion of preferred stock			3,537			(3,537)	
Stock-based compensation				658			658
Tax effect from stock-based				(465)			(465)

compensation								
Balance at September 30, 2009	$ 3	$ 4,685	$ 242,451	$ 443,270	$ (47,685)	$	$ 24,873	$ 667,597

The accompanying notes are an integral part of these consolidated financial statements.

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Flagstar Bancorp, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	For the Nine Months Ended September 30,	
	2009	**2008**
	(Unaudited)	
Operating Activities		
Net loss	$ (429,752)	$ (56,944)
Adjustments to net loss to net cash used in operating activities		
Provision for loan losses	409,420	167,708
Depreciation and amortization	17,075	18,964
Increase (decrease) in valuation allowance in mortgage servicing rights	3,774	(82)
Loss on fair value of residential mortgage servicing rights, net of hedging gains	91,078	58,839
Stock-based compensation expense	658	867
Net (gain) loss on interest rate swap	(326)	149
Net loss (gain) on the sale of assets	1,241	(429)
Net gain on loan sales	(404,773)	(129,403)
Net loss (gain) on sales of mortgage servicing rights	3,945	(348)
Net loss (gain) on securities classified as available for sale	20,444	(5,019)
Net loss on trading securities	60,248	26,485
Proceeds from sales of trading securities	1,079,716	
Proceeds from sales of loans available for sale	24,267,675	18,745,006
Origination and repurchase of mortgage loans available for sale, net of principal repayments	(25,236,411)	(21,068,787)
Purchase of trading securities, net of principal repayments	(744,946)	
Decrease in accrued interest receivable	5,350	4,580
Increase in other assets	(533,774)	(88,256)
Decrease in accrued interest payable	(11,223)	(19,833)
Net tax effect for stock grants issued	465	205
Decrease in federal income taxes payable	(36,527)	(98,996)
Increase in other liabilities	72,637	47,591
Net cash used in operating activities	(1,364,006)	(2,397,703)
Investing Activities		
Net change in other investments	(6,987)	(5,013)
Repayment of mortgage-backed securities held to maturity		90,846
Proceeds from sale of investment securities available for sale		913,798
Repayment of investment securities available for sale	46,487	138,988
Proceeds from sales of portfolio loans	9,184	1,312,084
Origination of portfolio loans, net of principal repayments	437,396	1,474,806
Purchase of Federal Home Loan Bank stock		(24,499)
Investment in unconsolidated subsidiary	1,547	
Proceeds from the disposition of repossessed assets	178,539	78,447
Acquisitions of premises and equipment, net of proceeds	(9,692)	(24,240)
Proceeds from the sale of mortgage servicing rights	119,815	

Net cash provided by investing activities	776,289	3,955,217
Financing Activities		
Net increase (decrease) in deposit accounts	692,963	(815,940)
Net decrease in Federal Home Loan Bank advances	(400,000)	(863,000)
Payment on other long term debt	(25)	(25)
Net receipt of payments of loans serviced for others	24,345	21,005
Net receipt of escrow payments	6,032	12,885
Proceeds from the exercise of stock options		77
Net tax effect of stock grants issued	(465)	(205)
Issuance of junior subordinated debt	50,000	
Issuance of preferred stock	544,365	45,797
Issuance of common stock	6,696	8,566

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	For the Nine Months Ended September 30, 2009	2008
	(Unaudited)	
Issuance of treasury stock		41,092
Dividends paid to preferred stockholders	(7,222)	
Net cash provided by (used in) financing activities	916,689	(1,549,748)
Net increase in cash and cash equivalents	328,972	7,766
Beginning cash and cash equivalents	506,905	340,169
Ending cash and cash equivalents	$ 835,877	$ 347,935
Supplemental disclosure of cash flow information:		
Loans held for investment transferred to repossessed assets	$ 492,798	$ 149,855
Total interest payments made on deposits and other borrowings	$ 386,816	$ 443,748
Federal income taxes paid	$ 1,510	$ 5,808
Reclassification of mortgage loans originated available for sale then transferred to held for investment loans	$ 42,171	$ 1,583,069
Reclassification of mortgage loans originated as held for investment to mortgage loans available for sale	$ 32,987	$ 280,635
Mortgage servicing rights resulting from sale or securitization of loans	$ 267,960	$ 292,004
Reclassification of mortgage backed securities held to maturity to securities available for sale	$	$ 1,163,681
Conversion of mandatory convertible participating voting preferred stock to common stock	$ 271,577	$
Conversion of mandatory convertible non-cumulative perpetual preferred stock to common stock	$	$ 45,797

The accompanying notes are an integral part of these consolidated financial statements.

Flagstar Bancorp, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Nature of Business

Flagstar Bancorp, Inc. (Flagstar or the Company), is the holding company for Flagstar Bank, FSB (the Bank), a federally chartered stock savings bank founded in 1987. With $14.8 billion in assets at September 30, 2009, Flagstar is the largest insured depository institution headquartered in Michigan.

The Company s principal business is obtaining funds in the form of deposits and wholesale borrowings and investing those funds in single-family mortgages and other types of loans. Its primary lending activity is the acquisition or origination of single-family mortgage loans. The Company may also originate consumer loans, commercial real estate loans, and non-real estate commercial loans and it services a significant volume of residential mortgage loans for others.

The Company sells or securitizes substantially all of the mortgage loans that it originates, and it generally retains the right to service the mortgage loans that it sells. These mortgage servicing rights (MSRs) are occasionally sold by the Company in transactions separate from the sale of the underlying mortgages. The Company may also invest in a portion of its loan production in order to enhance the Company s leverage ability and to receive the interest spread between earning assets and paying liabilities.

The Bank is a member of the Federal Home Loan Bank System (FHLB) and is subject to regulation, examination and supervision by the Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation (FDIC). The Bank s deposits are insured by the FDIC through the Deposit Insurance Fund (DIF).

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated. In accordance with current accounting principles, the Company s trust subsidiaries are not consolidated. In addition, certain prior period amounts have been reclassified to conform to the current period presentation.

The unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission (the SEC). Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements. The accompanying interim financial statements are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three and nine month period ended September 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. We have evaluated the financial statements for subsequent events through the date of the filing of the Form 10-Q. For further information, you should refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, which can be found on the Company s Investor Relations web page, at **www.flagstar.com**, and on the website of the SEC, at **www.sec.gov**.

Note 3. Recent Accounting Developments

In November 2007, the Financial Accounting Standards Board (FASB) issued relevant accounting guidance now codified within FASB Accounting Standards Codification (ASC) Topic 810, Consolidation, which addresses a non-controlling interest in consolidated financial statements. The guidance changes the way consolidated net earnings are presented. The new guidance requires consolidated net earnings to be reported at amounts attributable to both the parent and the non-controlling interest and will require disclosure on the face of the consolidated statement of operations amounts attributable to the parent and the non-controlling interest. The adoption of this guidance is intended to result in more transparent reporting of the net earnings attributable to the non-controlling interest. The guidance establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation. The guidance also requires that a parent recognize a gain or loss in net earnings when a subsidiary is deconsolidated. The adoption of this guidance was effective for the Company on January 1, 2009. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operation or liquidity.

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In February 2008, the FASB issued relevant accounting guidance now codified within FASB ASC Topic 860, Transfers and Servicing, related to transfers of financial assets and repurchase financing transactions. This guidance requires the initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with or in contemplation of the initial transfer, to be treated as a linked transaction under accounting guidance for transfers and servicing, unless certain criteria are met, then the initial transfer and repurchase will not be evaluated as a linked transaction, but will be evaluated separately under accounting guidance for transfers and servicing. This guidance is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operations or liquidity.

In June 2008, the FASB issued relevant accounting guidance now codified within FASB ASC Topic 815, Derivatives and Hedging, pertaining to disclosures about derivative instruments and hedging activities. This guidance requires entities to provide enhanced qualitative disclosures about objectives and strategies with respect to an entity s derivative and hedging activities. This guidance is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operations or liquidity.

In October 2008, the FASB issued relevant accounting guidance now codified within FASB ASC Topic 820, Fair Value Measurements and Disclosures, related to determining the fair value of a financial asset when the market for that asset is not active. This guidance clarifies the application of existing guidance on fair value measurements in an inactive market and provides key considerations in determining the fair value of an asset where the market is not active. This guidance was effective immediately upon issuance. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operations or liquidity.

In December 2008, the FASB issued relevant accounting guidance now codified within FASB ASC 860, Transfers and Servicing, and ASC 810, Consolidation, pertaining to disclosures by public entities (enterprises) about transfers of financial assets and interest in variable interest entities. This guidance requires enhanced disclosures about the transfers of financial assets and interests in variable interest entities. The guidance is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operations or liquidity.

In April 2009, the FASB issued relevant accounting guidance now codified within FASB ASC 320, Investments Debt and Equity Securities, related to the recognition and presentation of other-than-temporary impairments for debt and equity securities. This guidance amends the other-than-temporary guidance to make the guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. The guidance modifies the current indicator that, to avoid considering an impairment to be other-than-temporary, management must assert that it has both the intent and ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The new guidance would require management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. The guidance changes the total amount recognized in earnings when there are factors other than credit losses associated with an impairment of a debt security. The impairment is separated into impairments related to credit losses, which is recognized immediately in earnings, and impairments related to all other factors. The adoption of this guidance resulted in a cumulative adjustment increasing retained earnings and other comprehensive loss by $50.6 million offset by a tax expense of $17.7 million, or $32.9 million net of tax. The cumulative adjustment represents the non-credit portion of the other-than-temporary impairment, related to securities available for sale, that the Company had recorded prior to January 1, 2009. See Accumulated Other Comprehensive Loss in Note 14, Stockholders Equity .

In April 2009, FASB issued relevant accounting guidance now codified within FASB ASC 820, Fair Value Measurements and Disclosures, determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly for debt and equity securities. The guidance provides additional direction on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements. The adoption of this guidance did not have a material impact on the Company s consolidated financial condition, results of operations or liquidity.

In April 2009, FASB issued relevant accounting guidance now codified within FASB ASC 825, Financial Instruments, pertaining to interim disclosures about fair value of financial instruments which requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. The provisions of this guidance were adopted by the Company effective January 1, 2009. As this guidance amends only the disclosure requirements about fair value of financial instruments in interim periods, the adoption of this guidance did not affect the Company s consolidated statements of operations and financial condition.

In May 2009, the FASB issued relevant accounting guidance now codified as FASB ASC Topic 855, Subsequent Events, which establishes general guidelines of accounting for and disclosure of subsequent events that occur after the

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balance sheet date but before financial statements are issued or are available to be issued. In particular, this guidance sets forth the period after the balance sheet date during which management should evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which events or transactions occurring after the balance sheet date should be recognized and disclosures that should be made about events or transactions that occurred after the balance sheet date. The adoption of this statement is effective for interim and annual periods ending after June 15, 2009. The adoption of this guidance did not affect the Company s consolidated financial position, results of operations or liquidity.

In June 2009, the FASB issued SFAS 166, Accounting for Transfers of Financial Assets- an amendment of FASB Statement No. 140. SFAS 166 amends the accounting for transfers of financial assets, and is the principal accounting guidance governing the Company s private-label asset securitization activities. Under SFAS No. 166, the Company s securitization transactions will no longer be exempt from consolidation. SFAS 166 modifies the financial-components approach used in prior guidance and limits the circumstances in which a financial asset, or a portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. The statement also requires that a transferor recognize and initially measure at fair value, all assets obtained including beneficial interests and liabilities incurred as a result of the transfer of financial assets accounted for as a sale. SFAS 166 will become effective for the Company on January 1, 2010. The Company is currently evaluating the effect that the adoption of SFAS 166 could have on its consolidated financial statements of condition, results of operations or liquidity.

In June 2009, the FASB issued SFAS 167, Amendments to FASB Interpretation No. 46(R). SFAS 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 will become effective for the Company on January 1, 2010. The Company is currently evaluating the effect that the adoption of SFAS 167 could have on its consolidated financial statements of condition, results of operations or liquidity.

In June 2009, the FASB issued guidance now codified within FASB ASC Topic 105, Generally Accepted Accounting Principles, related to the FASB Accounting Standards Codification which became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF), and related accounting literature. This guidance reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant SEC guidance organized using the same topical structure in separate sections. This guidance will be effective for financial statements issued for reporting periods that end after September 15, 2009. This guidance has impacted the Company s disclosures in its consolidated financial statements because all references to authoritative accounting literature must now be referenced in accordance with the new guidance.

Note 4. Fair Value Accounting

On January 1, 2008, the Company adopted guidance related to fair value measurements and additional guidance for financial instruments. This guidance establishes a framework for measuring fair value and expands disclosures about fair value measurements. The updated guidance was issued to establish a uniform definition of fair value. The definition of fair value under this guidance is market-based as opposed to company-specific and includes the following:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in either case through an orderly transaction between market participants at a measurement date, and establishes a framework for measuring fair value;

- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

- Nullifies previous fair value guidance, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;

Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company s creditworthiness when valuing liabilities; and

Expands disclosures about instruments that are measured at fair value.

The accounting guidance for financial instruments provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized Company commitments and written loan commitments not previously recorded at fair value. In accordance with the provisions of this guidance, the Company, as of January 1, 2008, elected the fair value option for certain non-investment grade residual securities from private-label securitizations. The Company elected fair value on these residual securities and reclassified these investments to securities trading to provide consistency in the accounting for the Company s residual interests.

Effective January 1, 2008, the Company elected the fair value measurement method for residential MSRs under guidance related to servicing assets and liabilities. Upon election, the carrying value of the residential MSRs was increased to fair value by recognizing a cumulative effect adjustment to retained earnings of $43.7 million before tax, or $28.4 million after tax. Management elected the fair value measurement method of accounting for residential MSRs to be consistent with the fair value accounting method required for its risk management strategy to hedge the fair value of these assets. Changes in the fair value of MSRs, as well as changes in fair value of the related derivative instruments, are recognized each period within loan administration income (loss) on the consolidated statement of operations.

Effective January 1, 2009, the Company elected the fair value option for the majority of its loans available for sale in accordance with the accounting guidance for financial instruments. Only loans available for sale originated subsequent to January 1, 2009 are affected. Prior to the Company s fair value election, loans available for sale were carried at the lower of aggregate cost or estimated fair value; therefore, any increase in fair value to such loans was not realized until such loans were sold. The effect on consolidated operations of this election amounted to recording additional gains on loan sales of $14.7 million and $57.0 million for the three and nine months ended September 30, 2009, respectively, based upon an increase in fair value during the period rather than at a later time when the loans were sold. See Note 6, Loans Available for Sale.

Determination of Fair Value

The Company has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves and option volatilities. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, creditworthiness, liquidity and unobservable parameters that are applied consistently over time. Any changes to the valuation methodology are reviewed by management to determine appropriateness of the changes. As markets develop and the pricing for certain products becomes more transparent, the Company expects to continue to refine its valuation methodologies.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair values of the same financial instruments at the reporting date.

Valuation Hierarchy

The accounting guidance for fair value measurements and disclosures establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date and thereby favors use of Level 1 if appropriate information is available, and otherwise Level 2 and finally Level 3 if Level 2 input is not available. The three levels are defined as follows.

Level 1 Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Company can participate.

Level 2 Fair value is based upon quoted prices for similar (i.e., not identical) assets and liabilities in active markets, and other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Fair value is based upon financial models using primarily unobservable inputs.

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

The following is a description of the valuation methodologies used by the Company for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy

Assets

Securities classified as trading. These securities are comprised of U.S. government sponsored agency mortgage-backed securities, U.S. Treasury bonds and non-investment grade residual securities that arose from private-label securitizations of the Company. The U.S. government sponsored agency mortgage-backed securities and U.S. Treasury bonds trade in an active, open market with readily observable prices and are therefore classified within the Level 1 valuation hierarchy. The non-investment grade residual securities do not trade in an active, open market with readily observable prices and are therefore classified within the Level 3 valuation hierarchy. Under Level 3, the fair value of residual securities is determined by discounting estimated net future cash flows using expected prepayment rates and discount rates that

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approximate current market rates. Estimated net future cash flows include assumptions related to expected credit losses on these securities. The Company maintains a model that evaluates the default rate and severity of loss on the residual securities collateral, considering such factors as loss experience, delinquencies, loan-to-value ratios, borrower credit scores and property type. See Note 9, Private Label Securitization Activity for the key assumptions used in the residual interest valuation process.

Securities classified as available for sale. These securities are comprised of U.S. government sponsored agency mortgage-backed securities and CMOs. Where quoted prices for securities are available in an active market, those securities are classified within Level 1 of the valuation hierarchy. If such quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Due to illiquidity in the markets, the Company determined the fair value of certain non-agency securities using internal valuation models and therefore classified them within the Level 3 valuation hierarchy as these models utilize significant inputs which are unobservable.

Other investments-restricted. Other investments are primarily comprised of various mutual fund holdings. These mutual funds trade in an active market and quoted prices are available. Other investments are classified within Level 1 of the valuation hierarchy.

Loans available for sale. At September 30, 2009, the majority of the Company s loans originated and classified as available for sale were reported at fair value and classified as Level 2. The Company estimates the fair value of mortgage loans based on quoted market prices for securities backed by similar types of loans. Otherwise, the fair value of loans is estimated using discounted cash flows based upon management s best estimate of market interest rates for similar collateral. At September 30, 2009, the Company continued to have a relatively small number of loans which were originated prior to the fair value election and accounted for at lower of cost or market.

Loans held for investment. The Company does not record these loans at fair value on a recurring basis. However, from time to time a loan is considered impaired and an allowance for loan losses is established. Loans are considered impaired if it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Once a loan is identified as impaired, the fair value of the impaired loan is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value or discounted cash flows. Impaired loans do not require an allowance if the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At September 30, 2009, substantially all of the total impaired loans were evaluated based on the fair value of the collateral rather than on discounted cash flows. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as a nonrecurring Level 2 valuation.

Repossessed assets. Loans on which the underlying collateral has been repossessed are adjusted to fair value upon transfer to repossessed assets. Subsequently, repossessed assets are carried at the lower of carrying value or fair value, less anticipated marketing and selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management s estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the repossessed asset as a nonrecurring Level 2 valuation.

Mortgage Servicing Rights. The Company has obligations to service residential first mortgage loans, and consumer loans (i.e. home equity lines of credit (HELOCs) and second mortgage loans obtained through private-label securitization transactions). Residential MSRs are accounted for at fair value on a recurring basis. Servicing rights associated with consumer loans are carried at amortized cost and are periodically evaluated for impairment.

Residential Mortgage Servicing Rights. The current market for residential mortgage servicing rights is not sufficiently liquid to provide participants with quoted market prices. Therefore, the Company uses an option-adjusted spread valuation approach to determine the fair value of residential MSRs. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key assumptions used in the valuation of residential MSRs include mortgage prepayment speeds and discount rates. Management periodically obtains third-party valuations of the residential MSR portfolio to assess the reasonableness of the fair value calculated by its internal valuation model. Due to the nature of the valuation inputs, residential MSRs are classified within Level 3 of the valuation hierarchy. See Note 10, Mortgage Servicing Rights for the key assumptions used in the residential MSR valuation process.

Consumer Loan Servicing Rights. Consumer servicing assets are subject to periodic impairment testing. A valuation model, which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management, is used in the completion of impairment testing. If the valuation model reflects a value less than the carrying value, consumer servicing assets are adjusted to fair value through a valuation allowance as determined by the model. As such, the Company classifies consumer servicing assets subject to nonrecurring fair value adjustments as Level 3 valuations.

Derivative Financial Instruments. Certain classes of derivative contracts are listed on an exchange and are actively traded, and they are therefore classified within Level 1 of the valuation hierarchy. These include U.S. Treasury futures, U.S. Treasury options and interest rate swaps. The Company s forward loan sale commitments may be valued based on quoted prices for similar assets in an active market with inputs that are observable and are classified within Level 2 of the valuation hierarchy. Rate lock commitments are valued using internal models with significant unobservable market parameters and therefore are classified within Level 3 of the valuation hierarchy.

Liabilities

Warrants. Warrant liabilities are valued using a binomial lattice model and are classified within Level 2 of the valuation hierarchy. Significant assumptions include expected volatility, a risk free rate and an expected life.

Assets and liabilities measured at fair value on a recurring basis

The following table presents the financial instruments carried at fair value as of September 30, 2009, by caption on the Consolidated Statement of Financial Condition and by the valuation hierarchy (as described above) (in thousands):

	Level 1	Level 2	Level 3	Total carrying value in the Consolidated Statement of Financial Condition
Securities classified as trading:				
Residual interests	$	$	$ 3,269	$ 3,269
Mortgage-backed securities	1,009,040			1,009,040
Securities classified as available for sale	168,422		649,002	817,424
Loans available for sale		2,051,058		2,051,058
Residential mortgage servicing rights			564,029	564,029
Other investments-restricted	41,519			41,519
Derivative financial instruments:				
Rate lock commitments			40,605	40,605
Forward loan commitments		(33,074)		(33,074)
Agency forwards	14,180			14,180
Treasury futures	673			673
Interest rate swaps	(1,177)			(1,177)
Warrant liabilities		(9,334)		(9,334)
Total assets and liabilities at fair value	$1,232,657	$2,008,650	$1,256,905	$4,498,212

Changes in Level 3 fair value measurements

A determination to classify a financial instrument within Level 3 of the valuation hierarchy is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources). Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are included within the valuation methodology. Also, the Company manages the risk associated with the observable components of Level 3 financial instruments using securities and derivative positions that are classified within Level 1 or Level 2 of the valuation hierarchy; these Level 1 and Level 2 risk management instruments are not included below, and therefore the gains and losses in the tables do not reflect the effect of the Company s risk management activities related to such Level 3 instruments.

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Fair value measurements using significant unobservable inputs

The table below includes a rollforward of the Consolidated Statement of Financial Condition amounts for the nine months ended September 30, 2009 (including the change in fair value) for financial instruments classified by the Company within Level 3 of the valuation hierarchy (in thousands).

Nine months ended September 30, 2009	Fair value, January 1, 2009	Total realized/ unrealized gains/(losses)	Purchases, issuances and settlements, net	Transfers in and/or out of Level 3	Fair value, September 30, 2009	Changes in unrealized gains and (losses) related to financial instruments held at September 30, 2009
Securities classified as trading:						
Residual interests	$ 24,808	$ (21,539)	$	$	$ 3,269	$
Securities classified as available for sale[(a)]	563,083	87,420	(1,501)		649,002	107,863
Residential mortgage servicing rights	511,294	(215,222)	267,957		564,029	
Derivative financial Instruments:						
Rate lock commitments	78,613		(38,008)		40,605	
Totals	$1,177,798	$(149,341)	$228,448	$	$1,256,905	$107,863

(a) Realized gains (losses), including unrealized losses deemed other-than-temporary and related to credit issues, are reported in non-interest income. Unrealized gains (losses) are reported in accumulated other comprehensive loss.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These include assets that are measured at the lower of cost or market and had a fair value below cost at the end of the period as summarized below (in thousands).

Assets Measured at Fair Value on a Nonrecurring Basis

	Balance at September 30, 2009	Level 1	Level 2	Level 3
Loans held for investment	$550,365	$	$550,365	$
Repossessed assets	164,898		164,898	
Consumer loan servicing rights	3,771			3,771
Totals	$719,034	$	$715,263	$3,771

Required Financial Disclosures about Fair Value of Financial Instruments

The accounting guidance for financial instruments requires disclosures of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Certain financial instruments and all nonfinancial instruments are excluded from the scope of this guidance. Accordingly, the fair value disclosures required by this guidance are only indicative of the value of individual financial instruments as of the dates indicated and should not be considered an indication of the fair value of the Company.

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The following table presents the carrying amount and estimated fair value of certain financial instruments (in thousands).

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial instruments:				
Assets:				
Cash and cash equivalents	$ 835,877	$ 835,877	$ 506,905	$ 506,905
Securities trading	1,012,309	1,012,309	542,539	542,539
Securities available for sale	817,424	817,424	1,118,453	1,118,453
Other investments-restricted	41,519	41,519	34,532	34,532
Loans available for sale	2,070,878	2,050,726	1,484,680	1,526,031
Loans held for investment, net	7,605,497	7,599,315	8,706,121	8,845,398
FHLB stock	373,443	373,443	373,443	373,443
Liabilities:				
Retail deposits:				
Demand deposits and savings accounts	(1,880,140)	(1,880,140)	(1,386,330)	(1,386,330)
Certificates of deposit	(3,819,351)	(3,820,358)	(3,967,985)	(4,098,135)
Public funds	(650,666)	(648,864)	(597,638)	(599,849)
National certificates of deposit	(1,232,031)	(1,273,805)	(1,353,558)	(1,412,506)
Company controlled deposits	(951,780)	(951,780)	(535,494)	(535,494)
FHLB advances	(4,800,000)	(5,097,964)	(5,200,000)	(5,612,624)
Security repurchase agreements	(108,000)	(111,428)	(108,000)	(113,186)
Long term debt	(300,182)	(281,583)	(248,660)	(247,396)
Warrant liabilities	(9,334)	(9,334)		
Derivative Financial Instruments:				
Forward delivery contracts	(33,074)	(33,074)	(61,256)	(61,256)
Commitments to extend credit	40,605	40,605	78,613	78,613
Interest rate swaps	(1,177)	(1,177)	(1,280)	(1,280)
Treasury and agency futures/forwards	14,853	14,853	60,813	60,813
Options			17,219	17,219

The methods and assumptions that were used to estimate the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The following methods and assumptions were used to estimate the fair value for other financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents. Due to their short term nature, the carrying amount of cash and cash equivalents approximates fair value.

Loans held for investment. The fair value of loans is estimated by using internally developed discounted cash flow models using market interest rate inputs as well as management s best estimate of spreads for similar collateral.

FHLB stock. No secondary market exists for FHLB stock. The stock is bought and sold at par by the FHLB. Management believes that the recorded value is the fair value.

Deposit Accounts. The fair value of demand deposits and savings accounts approximates the carrying amount. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for certificates of deposits with similar remaining maturities.

FHLB Advances. Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of the existing debt.

Security Repurchase Agreements. Rates currently available for repurchase agreements with similar terms and maturities are used to estimate fair values for these agreements.

Long Term Debt. The fair value of the long-term debt is estimated based on a discounted cash flow model that incorporates the Company s current borrowing rates for similar types of borrowing arrangements.

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Note 5. Investment Securities

As of September 30, 2009 and December 31, 2008, investment securities were comprised of the following (in thousands):

	September 30, 2009	Range of Maturities	December 31, 2008
Securities trading			
U.S. government sponsored agencies	$ 1,009,040	2038-2039	$ 517,731
Non-investment grade residual interests	3,269		24,808
Total securities trading	$ 1,012,309		$ 542,539
Securities available-for-sale			
Non-agencies	$ 649,002	2035-2037	$ 563,083
U.S. government sponsored agencies	168,422	2010-2046	555,370
Total securities available-for-sale	$ 817,424		$ 1,118,453
Other investments restricted			
Mutual funds	$ 41,519		$ 34,532

Trading

Securities classified as trading are comprised of AAA-rated U.S. government sponsored agency mortgage-backed securities, U.S. Treasury bonds, and non-investment grade residual interests from private-label securitizations. U.S. government sponsored agency mortgage-backed securities held in trading are distinguished from available-for-sale based upon the intent of the Company to use them as an economic offset against changes in the valuation of the MSR portfolio; however, these securities do not qualify as an accounting hedge as defined in current accounting guidance for derivatives and hedges.

The non-investment grade residual interests resulting from the Company s private label securitizations were $3.3 million at September 30, 2009 versus $24.8 million at December 31, 2008. Non-investment grade residual securities classified as trading decreased as a result of the increase in the actual and expected losses in the second mortgages and HELOCs that underly these assets.

The fair value of residual interests is determined by discounting estimated net future cash flows using discount rates that approximate current market rates and expected prepayment rates. Estimated net future cash flows include assumptions related to expected credit losses on these securities. The Company maintains a model that evaluates the default rate and severity of loss on the residual interests collateral, considering such factors as loss experience, delinquencies, loan-to-value ratio, borrower credit scores and property type.

Available-for-Sale

At September 30, 2009 and December 31, 2008, the Company had $0.8 billion and $1.1 billion, respectively, in securities classified as available-for-sale which were comprised of U.S. government sponsored agency and non-agency collateralized mortgage obligations. Securities available-for-sale are carried at fair value, with unrealized gains and losses reported as a component of other comprehensive loss to the extent they are temporary in nature or other-than-temporary impairments (OTTI) as to non-credit related issues. If losses are, at any time, deemed to have arisen from OTTI, then the credit related portion is reported as an expense for that period.

The following table summarizes the amortized cost and estimated fair value of U.S. government sponsored agency and non-agency collateralized mortgage obligations classified as available-for-sale (in thousands):

	September 30, 2009	December 31, 2008
Amortized cost	$ 890,786	$ 1,244,145
Gross unrealized holding gains	9,150	10,522
Gross unrealized holding losses	(82,512)	(136,214)
Estimated fair value	$ 817,424	$ 1,118,453

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The following table summarizes by duration the unrealized loss positions, at September 30, 2009, on securities (dollars in thousands):

	Unrealized Loss Position with Duration 12 Months and Over			Unrealized Loss Position with Duration Under 12 Months		
Type of Security	**Principal**	**Number of Securities**	**Current Unrealized Loss**	**Principal**	**Number of Securities**	**Current Unrealized Loss**
U.S. government sponsored agency securities	$ 700	1				