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EverBank Financial Corp
Form 10-Q
April 27, 2016

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2016.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

EverBank Financial Corp

(Exact name of registrant as specified in its charter)

Delaware

001-35533

52-2024090

(State of incorporation)

(Commission File Number) (I.R.S. Employer Identification No.)

501 Riverside Ave., Jacksonville, FL

32202

(Address of principal executive offices)

(Zip Code)

904-281-6000

(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 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 22, 2016, there were 125,247,143 shares of common stock outstanding.

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Part I. Financial Information

Item 1. Financial Statements (unaudited)

EverBank Financial Corp and Subsidiaries

Condensed Consolidated Balance Sheets (unaudited)

(Dollars in thousands, except per share data)

	March 31, 2016	December 31, 2015
Assets		
Cash and due from banks	\$90,478	\$55,300
Interest-bearing deposits in banks	510,167	527,151
Total cash and cash equivalents	600,645	582,451
Investment securities:		
Available for sale, at fair value	504,769	555,019
Held to maturity (fair value of \$105,791 and \$105,448 as of March 31, 2016 and December 31, 2015, respectively)	101,305	103,746
Other investments	234,406	265,431
Total investment securities	840,480	924,196
Loans held for sale (includes \$1,021,949 and \$1,307,741 carried at fair value as of March 31, 2016 and December 31, 2015, respectively)	1,137,702	1,509,268
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	22,756,113	22,227,492
Allowance for loan and lease losses	(83,485)	(78,137)
Total loans and leases held for investment, net	22,672,628	22,149,355
Mortgage servicing rights (MSR), net	312,671	335,280
Premises and equipment, net	50,901	51,599
Other assets	1,026,372	1,048,877
Total Assets	\$26,641,399	\$26,601,026
Liabilities		
Deposits:		
Noninterest-bearing	\$1,499,063	\$1,141,357
Interest-bearing	17,497,414	17,100,685
Total deposits	18,996,477	18,242,042
Other borrowings	5,147,000	5,877,000
Trust preferred securities and subordinated notes payable	365,167	276,170
Accounts payable and accrued liabilities	276,852	337,493
Total Liabilities	24,785,496	24,732,705
Commitments and Contingencies (Note 14)		
Shareholders' Equity		
Series A 6.75% Non-Cumulative Perpetual Preferred Stock, \$0.01 par value (liquidation preference of \$25,000 per share; 10,000,000 shares authorized; 6,000 issued and outstanding at March 31, 2016 and December 31, 2015)	150,000	150,000
Common Stock, \$0.01 par value (500,000,000 shares authorized; 125,247,099 and 125,020,843 issued and outstanding at March 31, 2016 and December 31, 2015, respectively)	1,252	1,250
Additional paid-in capital	877,275	874,806
Retained earnings	924,165	906,278

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Accumulated other comprehensive income (loss) (AOCI)	(96,789)	(64,013)
Total Shareholders' Equity	1,855,903		1,868,321	
Total Liabilities and Shareholders' Equity	\$26,641,399		\$26,601,026	

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Interest Income		
Interest and fees on loans and leases	\$231,059	\$194,849
Interest and dividends on investment securities	7,404	8,022
Other interest income	396	160
Total Interest Income	238,859	203,031
Interest Expense		
Deposits	39,090	29,764
Other borrowings	25,988	17,829
Total Interest Expense	65,078	47,593
Net Interest Income	173,781	155,438
Provision for Loan and Lease Losses	8,919	9,000
Net Interest Income after Provision for Loan and Lease Losses	164,862	146,438
Noninterest Income		
Loan servicing fee income	23,441	34,132
Amortization of mortgage servicing rights	(14,731)	(20,299)
Recovery (impairment) of mortgage servicing rights	(22,542)	(43,352)
Net loan servicing income (loss)	(13,832)	(29,519)
Gain on sale of loans	28,751	42,623
Loan production revenue	5,260	5,387
Deposit fee income	3,102	4,050
Other lease income	4,367	4,080
Other	2,105	5,900
Total Noninterest Income	29,753	32,521
Noninterest Expense		
Salaries, commissions and other employee benefits expense	91,640	91,986
Equipment expense	15,917	16,045
Occupancy expense	6,264	5,856
General and administrative expense	35,609	42,155
Total Noninterest Expense	149,430	156,042
Income before Provision for Income Taxes	45,185	22,917
Provision for Income Taxes	17,261	8,687
Net Income	\$27,924	\$14,230
Less: Net Income Allocated to Preferred Stock	(2,531)	(2,531)
Net Income Allocated to Common Shareholders	\$25,393	\$11,699
Basic Earnings Per Common Share	\$0.20	\$0.09
Diluted Earnings Per Common Share	\$0.20	\$0.09
Dividends Declared Per Common Share	\$0.06	\$0.04

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Net Income	\$27,924	\$14,230
Unrealized Gains (Losses) on Debt Securities		
Net unrealized gains (losses) due to changes in fair value	(3,046)	595
Reclassification of unrealized losses (gains) to noninterest income	97	—
Tax effect	1,121	(226)
Change in unrealized gains (losses) on debt securities	(1,828)	369
Interest Rate Swaps		
Net unrealized gains (losses) due to changes in fair value	(53,963)	(12,144)
Reclassification of net unrealized losses to interest expense	4,044	4,620
Tax effect	18,971	2,859
Change in interest rate swaps	(30,948)	(4,665)
Other Comprehensive Income (Loss)	(32,776)	(4,296)
Comprehensive Income (Loss)	\$(4,852)	\$9,934

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries

Condensed Consolidated Statements of Shareholders' Equity (unaudited)

(Dollars in thousands)

	Shareholders' Equity				Accumulated	
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss), Net of Tax	Total Equity
Balance, January 1, 2016	\$ 150,000	\$ 1,250	\$ 874,806	\$ 906,278	\$ (64,013)	\$ 1,868,321
Net income	—	—	—	27,924	—	27,924
Other comprehensive income (loss)	—	—	—	—	(32,776)	(32,776)
Issuance of common stock	—	2	(130)	—	—	(128)
Share-based grants (including income tax benefits)	—	—	2,599	—	—	2,599
Cash dividends on common stock	—	—	—	(7,506)	—	(7,506)
Cash dividends on preferred stock	—	—	—	(2,531)	—	(2,531)
Balance, March 31, 2016	\$ 150,000	\$ 1,252	\$ 877,275	\$ 924,165	\$ (96,789)	\$ 1,855,903
Balance, January 1, 2015	\$ 150,000	\$ 1,237	\$ 851,158	\$ 810,796	\$ (65,597)	\$ 1,747,594
Net income	—	—	—	14,230	—	14,230
Other comprehensive income (loss)	—	—	—	—	(4,296)	(4,296)
Issuance of common stock	—	4	5,462	—	—	5,466
Share-based grants (including income tax benefits)	—	—	2,305	—	—	2,305
Cash dividends on common stock	—	—	—	(4,956)	—	(4,956)
Cash dividends on preferred stock	—	—	—	(2,531)	—	(2,531)
Balance, March 31, 2015	\$ 150,000	\$ 1,241	\$ 858,925	\$ 817,539	\$ (69,893)	\$ 1,757,812

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Operating Activities		
Net income	\$27,924	\$14,230
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and deferred origination costs	18,274	13,004
Depreciation and amortization of tangible and intangible assets	6,658	6,737
Reclassification of net loss on settlement of interest rate swaps	4,044	4,620
Amortization and impairment of mortgage servicing rights, net of recoveries	37,273	63,651
Deferred income taxes (benefit)	(2,787)) 2,181
Provision for loan and lease losses	8,919	9,000
Loss on other real estate owned (OREO)	104	1,097
Share-based compensation expense	2,631	1,886
Other operating activities	(215)) 501
Changes in operating assets and liabilities:		
Loans held for sale, including proceeds from sales and repayments	279,134	(317,755)
Other assets	24,479	52,685
Accounts payable and accrued liabilities	(83,635)) (33,545)
Net cash provided by (used in) operating activities	322,803	(181,708)
Investing Activities		
Investment securities available for sale:		
Proceeds from prepayments and maturities	47,051	56,952
Investment securities held to maturity:		
Purchases	—	(5,099)
Proceeds from prepayments and maturities	2,351	4,298
Purchases of other investments	(109,225)) (143,080)
Proceeds from sales of other investments	140,250	103,195
Net change in loans and leases held for investment	(799,700)	(1,552,524)
Purchases of premises and equipment, including equipment under operating leases	(9,841)) (2,835)
Purchases of mortgage servicing assets	—	(1,024)
Proceeds related to sale or settlement of other real estate owned	2,674	5,927
Proceeds from insured foreclosure claims	327,234	164,873
Other investing activities	8,474	2,139
Net cash provided by (used in) investing activities	(390,732)	(1,367,178)
Financing Activities		
Net increase (decrease) in nonmaturity deposits	909,640	342,507
Net increase (decrease) in time deposits	(172,230)) 219,365
Net change in short-term Federal Home Loan Bank (FHLB) advances	(800,000)) 1,124,000
Proceeds from long-term FHLB advances	100,000	225,000
Repayments of long-term FHLB advances	(30,000)) (175,000)
Proceeds from issuance of subordinated notes payable, net of issuance costs	88,910	—
Proceeds from issuance of common stock	607	5,466
Dividends paid	(10,037)) (7,488)
Other financing activities	(767)) 420
Net cash provided by (used in) financing activities	86,123	1,734,270

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Net change in cash and cash equivalents	18,194	185,384
Cash and cash equivalents at beginning of period	582,451	366,664
Cash and cash equivalents at end of period	\$600,645	\$552,048

See Note 1 and Note 4 for disclosures related to supplemental noncash information.
See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

(Dollars in thousands, except per share data)

1. Organization and Basis of Presentation

a) Organization — EverBank Financial Corp (the Company) is a savings and loan holding company with two direct operating subsidiaries, EverBank (EB) and EverBank Funding, LLC (EBF). EB is a federally chartered thrift institution with its home office located in Jacksonville, Florida. EB's direct banking services are offered nationwide. In addition, EB operates financial centers in Florida and commercial and consumer lending centers across the United States. EB (a) accepts deposits from the general public; (b) originates, purchases, services, sells and securitizes residential real estate mortgage loans, home equity loans, commercial real estate loans and commercial loans and leases; and (c) offers full-service securities brokerage and investment advisory services.

EB's subsidiaries are:

- AMC Holding, Inc., the parent of CustomerOne Financial Network, Inc.;
- Tygris Commercial Finance Group, Inc., the parent of EverBank Commercial Finance, Inc.;
- EverInsurance, Inc.;
- Elite Lender Services, Inc.;
- EverBank Wealth Management, Inc.; and
- Business Property Lending, Inc.

EBF facilitates the pooling and securitization of mortgage loans for issuance into the secondary market.

b) Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes necessary for a complete presentation of the Company's financial position, results of operations, comprehensive income, and cash flows in conformity with generally accepted accounting principles. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for acquired companies are included from their respective dates of acquisition. In management's opinion, all adjustments (which include normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations, comprehensive income, and changes in cash flows have been made.

GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates relate to the Company's allowance for loan and lease losses, loans and leases acquired with evidence of credit deterioration, contingent liabilities, and the fair values of investment securities, loans held for sale, MSR and derivative instruments. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

c) Supplemental Cash Flow Information - Noncash investing activities are presented in the following table:

Three Months	
Ended	
March 31,	
2016	2015

Supplemental Schedules of Noncash Activities:

Loans transferred to foreclosure claims	\$312,790	\$177,685
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See Note 4 for disclosures relating to noncash activities relating to loan transfers.

2. Recent Accounting Pronouncements

Share-Based Payment - In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, Compensation-Stock Compensation (Topic 718)-Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 eliminates equity treatment for tax benefits or deficiencies that result from differences between the compensation cost recognized for GAAP purposes and the related tax deduction at settlement or expiration with such changes recognized in income tax expense and excludes excess tax benefits and tax deficiencies from the calculation of assumed proceeds for earnings per share purposes since such amounts are recognized in the income statement, which will result in greater volatility in earnings per share. In addition, ASU 2016-09 simplifies the statements of cash flows by eliminating the bifurcation of excess tax benefits from operating activities to financing activities. Upon adoption, ASU 2016-09 provides for a tiered transition approach whereby amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-09 and its impact on the Company's consolidated financial statements.

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Leases - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing standards for lease accounting effectively bringing most leases onto the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability, while leaving lessor accounting largely unchanged with only targeted changes incorporated into the update. ASU 2016-02 includes extensive qualitative and quantitative disclosure requirements intended to provide greater insight into the nature of an entity's leasing activities. Upon adoption, ASU 2016-02 must be adopted using a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted with certain practical expedients provided. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-02 and its impact on the Company's consolidated financial statements.

Recognition and Measurement - In January 2016, the FASB issued ASU 2016-01, Financial Instruments (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities, which (1) requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with changes recognized through net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by allowing a qualitative assessment similar to those performed on long-lived assets, goodwill or intangibles to be utilized at each reporting period; (3) eliminates the use of the entry price method requiring all preparers to utilize the exit price notion consistent with Topic 820, Fair Value Measurement in disclosing the fair value of financial instruments measured at amortized cost; (4) requires separate disclosure within OCI of changes in the fair value of liabilities due to instrument-specific credit risk when the fair value option has been elected; and (5) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. Upon adoption, ASU 2016-01 provides for a cumulative-effect adjustment to retained earnings except for the impacts of amendments 2 and 3 above, which are prospective in nature. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods with early adoption allowable only for amendment 4 above. The Company is currently evaluating the pending adoption of ASU 2016-01 and its impact on the Company's consolidated financial statements.

Consolidation - In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which (1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIE) or voting interest entities; (2) eliminates the presumption that a general partner should consolidate a limited partnership; (3) affects the consolidation analysis of reporting entities involved with VIEs that have fee arrangements and related party relationships; and (4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 was effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods with early adoption permitted. The adoption of ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

Hybrid Financial Instruments - In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815) -

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity, which will eliminate diversity in practice associated with the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 clarifies that no single term or feature, stated or implied, would necessarily determine the economic characteristics and risks of the host contract in determining whether it is more akin to debt or equity. Although an individual term or feature may weigh more heavily in the evaluation, the final determination must be made based on all economic characteristics and risks of the entire hybrid financial instrument. Once the nature of the host contract is determined, any embedded features considered to be derivatives would be evaluated for bifurcation from the host contract. ASU

2014-16 was effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company notes that its Series A Preferred Shares were determined upon issuance to be more akin to equity with no embedded features having been determined to be derivatives. As such, the adoption of ASU 2014-16 did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Subtopic 606), which supersedes the guidance in former Accounting Standards Codification (ASC) 605, Revenue Recognition. ASU 2014-09 clarifies the principles for recognizing revenue in order to improve comparability of revenue recognition practices across entities and industries with certain scope exceptions including financial instruments, leases, and guarantees. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To satisfy this objective, ASU 2014-09 provides guidance intended to assist in the identification of contracts with customers and separate performance obligations within those contracts, the determination and allocation of the transaction price to those identified performance obligations and the recognition of revenue when a performance obligation has been satisfied. ASU 2014-09 also implements enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. The effective date of ASU 2014-09 has been deferred by one year from its original effective date through the August 2015 issuance of ASU 2015-14 and thus is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Upon adoption, ASU 2014-09 provides for transition through either a full retrospective approach requiring the restatement of all presented prior periods or a modified retrospective approach, which allows the new recognition standard to be applied to only those contracts that are not completed at the date of transition. If the modified retrospective approach is adopted, a cumulative-effect adjustment to retained earnings is performed with additional disclosures required including the amount by which each line item is affected by the transition as compared to the guidance in effect before adoption and an explanation of the reasons for significant changes in these amounts. The Company is currently evaluating the pending adoption of ASU 2014-09 and its impact on its consolidated financial statements and has not yet identified which transition method will be applied upon adoption.

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3. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value and carrying amount of investment securities were as follows as of March 31, 2016 and December 31, 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
March 31, 2016					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	\$ 511,364	\$ 1,043	\$ 9,338	\$ 503,069	\$ 503,069
Asset-backed securities (ABS)	1,593	—	295	1,298	1,298
Other	242	160	—	402	402
Total available for sale securities	\$ 513,199	\$ 1,203	\$ 9,633	\$ 504,769	\$ 504,769
Held to maturity:					
Residential CMO securities - agency	\$ 11,347	\$ 313	\$ —	\$ 11,660	\$ 11,347
Residential mortgage-backed securities (MBS) - agency	89,958	4,193	20	94,131	89,958
Total held to maturity securities	\$ 101,305	\$ 4,506	\$ 20	\$ 105,791	\$ 101,305
December 31, 2015					
Available for sale:					
Residential CMO securities - nonagency	\$ 558,621	\$ 1,728	\$ 7,091	\$ 553,258	\$ 553,258
ABS	1,632	—	280	1,352	1,352
Other	248	161	—	409	409
Total available for sale securities	\$ 560,501	\$ 1,889	\$ 7,371	\$ 555,019	\$ 555,019
Held to maturity:					
Residential CMO securities - agency	\$ 13,065	\$ 269	\$ —	\$ 13,334	\$ 13,065
Residential MBS - agency	90,681	1,973	540	92,114	90,681
Total held to maturity securities	\$ 103,746	\$ 2,242	\$ 540	\$ 105,448	\$ 103,746

At March 31, 2016 and December 31, 2015, investment securities with a carrying value of \$137,576 and \$145,904, respectively, were pledged to secure other borrowings and for other purposes as required or permitted by law.

For the three months ended March 31, 2016 and 2015, no gross gains and no gross losses have been realized. The cost of investments sold is calculated using the specific identification method.

The gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and the length of time individual securities have been in a continuous unrealized loss position, at March 31, 2016 and December 31, 2015 were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
Debt securities:						
Residential CMO securities - nonagency	\$ 136,513	\$ 1,922	\$ 216,271	\$ 7,416	\$ 352,784	\$ 9,338
Residential MBS - agency	—	—	9,321	20	9,321	20
ABS	—	—	1,298	295	1,298	295
Total debt securities	\$ 136,513	\$ 1,922	\$ 226,890	\$ 7,731	\$ 363,403	\$ 9,653
December 31, 2015						
Debt securities:						
Residential CMO securities - nonagency	\$ 173,705	\$ 1,003	\$ 221,180	\$ 6,088	\$ 394,885	\$ 7,091
Residential MBS - agency	28,514	313	9,171	227	37,685	540
ABS	—	—	1,352	280	1,352	280
Total debt securities	\$ 202,219	\$ 1,316	\$ 231,703	\$ 6,595	\$ 433,922	\$ 7,911

The Company had unrealized losses at March 31, 2016 and December 31, 2015 on residential nonagency CMO securities, residential agency MBS, and ABS. These unrealized losses are primarily attributable to weak market conditions. Based on the nature of the impairment, these unrealized losses are considered temporary. The Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before their anticipated recovery.

At March 31, 2016, the Company had 69 debt securities in an unrealized loss position. A total of 25 were in an unrealized loss position for less than 12 months. These 25 securities consisted of residential nonagency CMO securities. The remaining 44 debt securities were in an

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unrealized loss position for 12 months or longer. These 44 securities consisted of 39 residential nonagency CMO securities, three ABS, and two residential agency MBS. Of the \$9,653 in unrealized losses, \$9,431 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

At December 31, 2015, the Company had 72 debt securities in an unrealized loss position. A total of 30 were in an unrealized loss position for less than 12 months. These 30 securities consisted of 20 residential nonagency CMO securities and ten residential agency MBS. The remaining 42 debt securities were in an unrealized loss position for 12 months or longer. These 42 securities consisted of three ABS, two residential agency MBS and 37 residential nonagency CMO securities. Of the \$7,911 in unrealized losses, \$5,298 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

When certain triggers indicate the likelihood of an Other than temporary impairment (OTTI) or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analyses that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI. There were no non-credit related OTTI losses recognized on available for sale securities for the three months ended March 31, 2016 or 2015. There were no non-credit OTTI losses on held to maturity securities during the three months ended March 31, 2016 or 2015.

During the three months ended March 31, 2016, the Company recognized credit-related OTTI of \$97 on available for sale nonagency residential CMO securities. These credit-related OTTI losses represented additional declines in fair value on a security that was deemed OTTI at December 31, 2015. During the three months ended March 31, 2015, the Company recognized no credit-related OTTI related to available for sale or held to maturity securities.

During the three months ended March 31, 2016 and 2015, interest and dividend income on investment securities was comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Interest income on available for sale securities	\$3,814	\$5,180
Interest income on held to maturity securities	748	814
Other interest and dividend income	2,842	2,028
	\$7,404	\$8,022

All investment interest income recognized by the Company during the three months ended March 31, 2016 and 2015 was fully taxable.

4. Loans Held for Sale

Loans held for sale as of March 31, 2016 and December 31, 2015, consisted of the following:

	March 31, 2016	December 31, 2015
Mortgage warehouse (carried at fair value)	\$670,739	\$ 624,726
Other residential (carried at fair value)	351,210	683,015
Total loans held for sale carried at fair value	1,021,949	1,307,741
Other residential	2,054	22,774
Commercial and commercial real estate	113,699	178,753
Total loans held for sale carried at lower of cost or market	115,753	201,527
Total loans held for sale	\$1,137,702	\$ 1,509,268

The Company has elected the fair value option for loans it originates with the intent to market and sell in the secondary market either through third party sales or securitizations. Mortgage warehouse loans are largely comprised of agency deliverable products that the Company typically sells within three months subsequent to origination. The

Company economically hedges the mortgage warehouse portfolio with forward purchase and sales commitments designed to protect against potential changes in fair value. Due to the short duration that these loans are present on the balance sheet, the Company has elected fair value accounting on this portfolio of loans due in part to the burden of complying with the requirements of hedge accounting. The Company has also elected the fair value option for originated fixed-rate jumbo loans, due to the short duration that these loans are present on the balance sheet. Electing to use fair value accounting allows a better offset of the changes in the fair values of the loans and the derivative instruments used to economically hedge these loans without the burden of complying with the requirements for hedge accounting. The Company has not elected the fair value option for other residential mortgage, government insured pool buyouts and other commercial and commercial real estate loans as the majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period subsequent to transfer. These loans are carried at the lower of cost or fair value.

A majority of the loans held for sale that are carried at the lower of cost or fair value represent loans that were transferred from the held for investment portfolio. Other residential loans held at the lower of cost or fair value represent government insured pool buyouts that have re-performed and are now eligible to be re-securitized or sold to third parties and other residential mortgage loans for which the Company has changed its intent and has made a decision to sell the loans and as such transferred the loans to held for sale. A majority of these other residential mortgage loans consists of jumbo preferred adjustable rate mortgage (ARM) loans. Commercial and commercial real estate loans represent multi-family loans which the Company is actively marketing to sell. As the Company no longer has the intent to hold these loans for the foreseeable future, the loans were transferred to held for sale. Residential loans, commercial and commercial real estate loans and equipment financing receivables are transferred to the held for sale portfolio when the Company has entered into a commitment to sell a specific portion of its held for investment portfolio or when the Company has a formal marketing strategy to sell a certain loan product.

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In conjunction with the sale of loans and leases, the Company may be exposed to limited liability related to recourse agreements and repurchase agreements made to its insurers and purchasers, which are included in commitments and contingencies in Note 14. Commitments and contingencies include amounts related to loans sold that the Company may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to a breach with respect to Government Sponsored Enterprises (GSE) purchasers or a material breach with respect to non-GSE purchasers, of contractual representations and warranties. Refer to Note 14 for the maximum exposure to loss for material breach of contractual representations and warranties.

The following is a summary of cash flows related to transfers accounted for as sales for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Proceeds received from residential agency securitizations	\$855,964	\$1,059,078
Proceeds received from nonsecuritization sales - residential	1,431,502	366,215
Proceeds received from nonsecuritization sales - commercial and commercial real estate	212,068	—
Proceeds received from nonsecuritization sales - equipment financing receivables	75,584	12,058
Proceeds received from nonsecuritization sales	\$1,719,154	\$378,273

Repurchased loans from residential agency sales and securitizations	\$1,588	\$655
Repurchased loans from residential nonagency sales	700	1,304

In connection with these transfers, the Company recorded servicing assets in the amount of \$14,759 and \$12,293 for the three months ended March 31, 2016 and 2015, respectively. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 7 for information relating to servicing activities and MSR and Note 13 for a description of the valuation process. The gains and losses on the transfers which qualified as sales are recorded in the condensed consolidated statements of income in gain on sale of loans, which includes the gain or loss on sale, change in fair value related to fair value option loans, and the change in fair value related to offsetting hedging positions.

The following is a summary of transfers of loans from held for investment to held for sale and transfers of loans from held for sale to held for investment for the three months ended March 31, 2016 and 2015.

	Three Months Ended March 31,	
	2016	2015
Loans Transferred from Held for Investment (HFI) to Held for Sale (HFS)		
Residential mortgages	\$496,363	\$708,383
Government insured pool buyouts	425,204	268,419
Commercial and commercial real estate	170,408	—
Equipment financing receivables	72,172	11,150
Total transfers from HFI to HFS	\$1,164,147	\$987,952
Loans Transferred from HFS to HFI		
Residential mortgages	\$26,155	\$114,025
Commercial and commercial real estate	28,753	—
Total transfers from HFS to HFI	\$54,908	\$114,025

Loans and leases are transferred from HFI to HFS when the Company no longer has the intent to hold the loans and leases for the foreseeable future. Loans and leases are transferred from HFS to HFI when the Company determines that it intends to hold the loans and leases for the foreseeable future and no longer has the intent to sell. Loan transfers from HFS to HFI and transfers from HFI to HFS represent noncash activities within the operating and investing sections of the statement of cash flows.

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5. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of March 31, 2016 and December 31, 2015 are comprised of the following:

	March 31, 2016	December 31, 2015
Residential mortgages	\$11,650,436	\$11,717,122
Commercial and commercial real estate	7,787,238	7,607,676
Equipment financing receivables	2,400,583	2,400,909
Home equity lines and other	917,856	501,785
Total loans and leases held for investment, net of unearned income	22,756,113	22,227,492
Allowance for loan and lease losses	(83,485)	(78,137)
Total loans and leases held for investment, net	\$22,672,628	\$22,149,355

As of March 31, 2016 and December 31, 2015, the carrying values presented above include net purchased loan and lease discounts and net deferred loan and lease origination costs as follows:

	March 31, 2016	December 31, 2015
Net purchased loan and lease discounts	\$63,250	\$45,770
Net deferred loan and lease origination costs	125,877	123,255

During the three months ended March 31, 2016 and 2015, outstanding balances for significant purchases of loans that impacted the Company's HFI portfolio are as follows:

	March 31, 2016	March 31, 2015
Residential mortgages ⁽¹⁾	\$1,052,548	\$408,755
Commercial credit facilities	101,831	101,031
Home equity lines of credit	256,926	—

⁽¹⁾ Included in this amount are government insured pool buyouts.

Acquired Credit Impaired (ACI) Loans and Leases — At acquisition, the Company estimates the fair value of acquired loans and leases by segregating the portfolio into pools with similar risk characteristics. Fair value estimates for acquired loans and leases require estimates of the amounts and timing of expected future principal, interest and other cash flows. For each pool, the Company uses certain loan and lease information, including outstanding principal balance, probability of default and the estimated loss in the event of default to estimate the expected future cash flows for each loan and lease pool.

Acquisition date details of loans and leases acquired with evidence of credit deterioration during the three months ended March 31, 2016 and 2015 are as follows:

	March 31, 2016	March 31, 2015
Contractual payments receivable for acquired loans and leases at acquisition	\$1,662,326	\$688,235
Expected cash flows for acquired loans and leases at acquisition	1,041,310	450,708
Basis in acquired loans and leases at acquisition	976,540	413,371

Information pertaining to the ACI portfolio as of March 31, 2016 and December 31, 2015 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
March 31, 2016			
Carrying value, net of allowance	\$3,668,122	\$91,629	\$3,759,751

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Outstanding unpaid principal balance	3,729,221	96,793	3,826,014
Allowance for loan and lease losses, beginning of period	7,031	346	7,377
Allowance for loan and lease losses, end of period	6,850	324	7,174
December 31, 2015			
Carrying value, net of allowance	\$3,449,385	\$ 110,984	\$3,560,369
Outstanding unpaid principal balance	3,503,138	117,051	3,620,189
Allowance for loan and lease losses, beginning of year	5,974	2,042	8,016
Allowance for loan and lease losses, end of year	7,031	346	7,377

The Company recorded reductions of provision for loan loss of \$203 and \$3,665 for the ACI portfolio for the three months ended March 31, 2016 and 2015, respectively. The adjustments to provision are the result of changes in expected cash flows on ACI loans.

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The following is a summary of the accretable yield activity for the ACI loans during the three months ended March 31, 2016 and 2015:

	Residential	Commercial and Commercial Real Estate	Total
March 31, 2016			
Balance, beginning of period	\$ 252,841	\$ 43,690	\$ 296,531
Additions	64,770	—	64,770
Accretion	(45,000)	(2,043)	(47,043)
Reclassifications to (from) accretable yield	(4,179)	(1,581)	(5,760)
Transfer from loans held for investment to loans held for sale	—	(3,304)	(3,304)
Balance, end of period	\$ 268,432	\$ 36,762	\$ 305,194
March 31, 2015			
Balance, beginning of period	\$ 240,650	\$ 61,256	\$ 301,906
Additions	37,337	—	37,337
Accretion	(27,994)	(3,295)	(31,289)
Reclassifications to (from) accretable yield	(9,672)	1,848	(7,824)
Balance, end of period	\$ 240,321	\$ 59,809	\$ 300,130

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6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the three months ended March 31, 2016 and 2015 are as follows:

Three Months Ended March 31, 2016	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines and Other	Total
Balance, beginning of period	\$ 26,951	\$ 34,875	\$ 12,187	\$4,124	\$78,137
Provision for loan and lease losses	2,971	1,891	3,694	363	8,919
Charge-offs	(1,845)	(69)	(2,564)	(219)	(4,697)
Recoveries	232	77	737	80	1,126
Balance, end of period	\$ 28,309	\$ 36,774	\$ 14,054	\$4,348	\$83,485
Three Months Ended March 31, 2015					
Balance, beginning of period	\$ 25,098	\$ 23,095	\$ 8,649	\$4,004	\$60,846
Provision for loan and lease losses	861	3,920	3,687	532	9,000
Charge-offs	(2,539)	(2,018)	(2,631)	(321)	(7,509)
Recoveries	58	2	366	83	509
Balance, end of period	\$ 23,478	\$ 24,999	\$ 10,071	\$4,298	\$62,846

The following tables provide a breakdown of the allowance for loan and lease losses and the recorded investment in loans and leases based on the method for determining the allowance as of March 31, 2016 and December 31, 2015:

March 31, 2016	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	\$ 2,071	\$19,388	\$6,850	\$28,309
Commercial and commercial real estate	8,544	27,906	324	36,774
Equipment financing receivables	1,366	12,688	—	14,054
Home equity lines and other	—	4,348	—	4,348
Total allowance for loan and lease losses	\$ 11,981	\$64,330	\$7,174	\$83,485
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	\$ 17,048	\$7,958,416	\$3,674,972	\$11,650,436
Commercial and commercial real estate	74,550	7,620,735	91,953	7,787,238
Equipment financing receivables	14,016	2,386,567	—	2,400,583
Home equity lines and other	—	917,856	—	917,856
Total loans and leases held for investment	\$ 105,614	\$18,883,574	\$3,766,925	\$22,756,113

December 31, 2015	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	\$ 2,206	\$17,714	\$7,031	\$26,951
Commercial and commercial real estate	7,743	26,786	346	34,875
Equipment financing receivables	91	12,096	—	12,187
Home equity lines and other	—	4,124	—	4,124

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Total allowance for loan and lease losses	\$ 10,040	\$60,720	\$7,377	\$78,137
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	\$ 18,185	\$8,242,521	\$3,456,416	\$11,717,122
Commercial and commercial real estate	81,304	7,415,042	111,330	7,607,676
Equipment financing receivables	4,393	2,396,516	—	2,400,909
Home equity lines and other	—	501,785	—	501,785
Total loans and leases held for investment	\$ 103,882	\$18,555,864	\$3,567,746	\$22,227,492

The Company uses a risk grading matrix to monitor credit quality for commercial and commercial real estate loans. Risk grades are continuously monitored and updated by credit administration personnel based on current information and events. The Company monitors the credit quality of all other loan types based on performing status.

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The following tables present the recorded investment for loans and leases by credit quality indicator as of March 31, 2016 and December 31, 2015:

	Performing	Non-performing		Total	
		Accrual	Nonaccrual		
March 31, 2016					
Residential mortgages:					
Residential ⁽¹⁾	\$7,226,069	\$—	\$ 28,308	\$7,254,377	
Government insured pool buyouts ^{(2) (3)}	4,083,825	312,234	—	4,396,059	
Equipment financing receivables	2,373,907	—	26,676	2,400,583	
Home equity lines and other	911,695	—	6,161	917,856	
Total	\$14,595,496	\$312,234	\$ 61,145	\$14,968,875	
	Pass	Special Mention	Substandard	Doubtful	Total
March 31, 2016					
Commercial and commercial real estate:					
Commercial real estate	\$3,461,787	\$58,395	\$ 94,802	\$—	\$3,614,984
Mortgage warehouse finance	2,603,163	—	—	—	2,603,163
Lender finance	1,300,254	—	—	—	1,300,254
Other commercial finance	261,340	7,497	—	—	268,837
Total commercial and commercial real estate	\$7,626,544	\$65,892	\$ 94,802	\$—	\$7,787,238
	Performing	Non-performing		Total	
		Accrual	Nonaccrual		
December 31, 2015					
Residential mortgages:					
Residential ⁽¹⁾	\$7,469,855	\$—	\$ 31,912	\$7,501,767	
Government insured pool buyouts ^{(2) (3)}	3,873,603	341,752	—	4,215,355	
Equipment financing receivables	2,383,502	—	17,407	2,400,909	
Home equity lines and other	498,446	—	3,339	501,785	
Total	\$14,225,406	\$341,752	\$ 52,658	\$14,619,816	
	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2015					
Commercial and commercial real estate:					
Commercial real estate	\$3,609,808	\$23,070	\$ 111,134	\$	—\$3,744,012
Mortgage warehouse finance	2,372,731	—	—	—	2,372,731
Lender finance	1,280,423	—	—	—	1,280,423
Other commercial finance	208,763	—	1,747	—	210,510
Total commercial and commercial real estate	\$7,471,725	\$23,070	\$ 112,881	\$	—\$7,607,676

(1) For the periods ended March 31, 2016 and December 31, 2015, performing residential mortgages included \$4,858 and \$5,148, respectively, of ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended March 31, 2016 and December 31, 2015, performing government insured pool buyouts included \$2,943,501 and \$2,855,632, respectively, of ACI loans 90 days or greater past due and still accruing.

(3) Non-performing government insured pool buyouts represent loans that are 90 days or greater past due but remain on accrual status as the interest earned is insured and thus collectible from the insuring governmental agency.

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The following tables present an aging analysis of the recorded investment for loans and leases by class as of March 31, 2016 and December 31, 2015:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
March 31, 2016						
Residential mortgages:						
Residential	\$ 8,551	\$ 8,668	\$28,308	\$45,527	\$7,170,605	\$7,216,132
Government insured pool buyouts ⁽¹⁾	28,540	17,435	312,234	358,209	401,123	759,332
Commercial and commercial real estate:						
Commercial real estate	—	—	1,767	1,767	3,524,540	3,526,307
Mortgage warehouse finance	—	—	—	—	2,603,163	2,603,163
Lender finance	—	—	—	—	1,300,254	1,300,254
Other commercial finance	—	—	—	—	265,561	265,561
Equipment financing receivables	26,253	5,681	6,666	38,600	2,361,983	