

ARBOR REALTY TRUST INC

Form 10-Q

November 02, 2018

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

or

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

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

20-0057959

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(State or other jurisdiction of
incorporation)

(I.R.S. Employer
Identification No.)

333 Earle Ovington Boulevard, Suite 900
Uniondale, NY
(Address of principal executive offices)

11553
(Zip Code)

(Registrant's telephone number, including area code): **(516) 506-4200**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

		Accelerated filer	☒
Large accelerated filer	☐	Smaller reporting company	☐
Non-accelerated filer	☐	Emerging growth company	☐

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

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

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock, \$0.01 par value per share: 75,684,964 outstanding as of October 26, 2018.

Table of Contents

INDEX

<u>PART I. FINANCIAL INFORMATION</u>	2
<u>Item 1. Financial Statements (Unaudited)</u>	2
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Income</u>	3
<u>Consolidated Statements of Comprehensive Income</u>	4
<u>Consolidated Statement of Changes in Equity</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	48
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	62
<u>Item 4. Controls and Procedures</u>	63
<u>PART II. OTHER INFORMATION</u>	63
<u>Item 1. Legal Proceedings</u>	63
<u>Item 1A. Risk Factors</u>	63
<u>Item 6. Exhibits</u>	63
<u>Signatures</u>	65

Table of Contents

Forward-Looking Statements

The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in Arbor Realty Trust, Inc. We urge you to carefully review and consider the various disclosures made by us in this report.

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments and financing needs. We use words such as anticipate, expect, believe, intend, should, will, may and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically; adverse changes in our status with government-sponsored enterprises affecting our ability to originate loans through such programs; changes in interest rates; the quality and size of the investment pipeline and the rate at which we can invest our cash; impairments in the value of the collateral underlying our loans and investments; changes in federal and state laws and regulations, including changes in tax laws; the availability and cost of capital for future investments; and competition. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Additional information regarding these and other risks and uncertainties we face is contained in our annual report on Form 10-K for the year ended December 31, 2017 (the 2017 Annual Report) filed with the Securities and Exchange Commission (SEC) on February 23, 2018 and in our other reports and filings with the SEC.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ARBOR REALTY TRUST, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(\$ in thousands, except share and per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
Assets:		
Cash and cash equivalents	\$ 92,598	\$ 104,374
Restricted cash	202,736	139,398
Loans and investments, net	3,097,689	2,579,127
Loans held-for-sale, net	500,281	297,443
Capitalized mortgage servicing rights, net	259,401	252,608
Securities held-to-maturity, net	50,520	27,837
Investments in equity affiliates	22,101	23,653
Real estate owned, net	14,563	16,787
Due from related party	97,505	688
Goodwill and other intangible assets	117,565	121,766
Other assets	79,301	62,264
Total assets	\$ 4,534,260	\$ 3,625,945
Liabilities and Equity:		
Credit facilities and repurchase agreements	\$ 1,169,586	\$ 528,573
Collateralized loan obligations	1,592,089	1,418,422
Debt fund	68,099	68,084
Senior unsecured notes	122,358	95,280
Convertible senior unsecured notes, net	263,653	231,287
Junior subordinated notes to subsidiary trust issuing preferred securities	140,084	139,590
Related party financing		50,000
Due to related party	538	
Due to borrowers	77,006	99,829
Allowance for loss-sharing obligations	33,405	30,511
Other liabilities	100,970	99,813
Total liabilities	3,567,788	2,761,389
Commitments and contingencies (Note 14)		
Equity:		
Arbor Realty Trust, Inc. stockholders' equity:		
Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized; special voting preferred shares; 20,653,584 and 21,230,769 shares issued and outstanding, respectively; 8.25% Series A, \$38,788 aggregate liquidation preference; 1,551,500 shares issued and outstanding; 7.75% Series B, \$31,500 aggregate liquidation preference; 1,260,000 shares issued and outstanding; 8.50% Series C, \$22,500 aggregate liquidation preference;	89,508	89,508

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900,000 shares issued and outstanding			
Common stock, \$0.01 par value: 500,000,000 shares authorized; 75,684,964 and 61,723,387			
shares issued and outstanding, respectively		757	617
Additional paid-in capital		785,364	707,450
Accumulated deficit		(78,316)	(101,926)
Accumulated other comprehensive income			176
Total Arbor Realty Trust, Inc. stockholders' equity		797,313	695,825
Noncontrolling interest		169,159	168,731
Total equity		966,472	864,556
Total liabilities and equity	\$	4,534,260	\$ 3,625,945

See Notes to Consolidated Financial Statements.

Table of Contents

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(\$ in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income	\$ 67,500	\$ 42,140	\$ 178,408	\$ 110,133
Interest expense	39,548	23,850	110,819	63,698
Net interest income	27,952	18,290	67,589	46,435
Other revenue:				
Gain on sales, including fee-based services, net	17,451	17,126	51,266	55,127
Mortgage servicing rights	25,216	18,897	62,787	56,182
Servicing revenue, net	14,244	8,520	34,662	19,923
Property operating income	2,651	2,668		