EverBank Financial Corp
Form 10-Q
October 28, 2015

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

Q	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2015.

or

o	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 Q 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 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 Q 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Q	Accelerated filer o
Non-accelerated filer o (Do not check if a 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 Q
As of October 22, 2015, there were 124,955,383 shares of common stock outstanding.

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Part I - Financial Information

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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)

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$64,822	$49,436
Interest-bearing deposits in banks	534,354	317,228
Total cash and cash equivalents	599,176	366,664
Investment securities:		
Available for sale, at fair value	574,104	776,311
Held to maturity (fair value of $115,885 and $118,230 as of September 30, 2015 and December 31, 2014, respectively)	112,219	115,084
Other investments	240,832	196,609
Total investment securities	927,155	1,088,004
Loans held for sale (includes $1,101,341 and $728,378 carried at fair value as of September 30, 2015 and December 31, 2014, respectively)	1,483,754	973,507
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	20,877,381	17,760,253
Allowance for loan and lease losses	(71,897)	(60,846)
Total loans and leases held for investment, net	20,805,484	17,699,407
Mortgage servicing rights (MSR), net	357,550	435,619
Premises and equipment, net	52,425	56,457
Other assets	989,199	998,130
Total Assets	$25,214,743	$21,617,788
Liabilities		
Deposits:		
Noninterest-bearing	$1,389,644	$984,703
Interest-bearing	16,176,445	14,523,994
Total deposits	17,566,089	15,508,697
Other borrowings	5,297,000	4,004,000
Trust preferred securities and subordinated notes payable	276,103	103,750
Accounts payable and accrued liabilities	252,682	253,747
Total Liabilities	23,391,874	19,870,194
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 September 30, 2015 and December 31, 2014)	150,000	150,000
Common Stock, $0.01 par value (500,000,000 shares authorized; 124,954,523 and 123,679,049 issued and outstanding at September 30, 2015 and December 31, 2014, respectively)	1,250	1,237
Additional paid-in capital	873,175	851,158
Retained earnings	871,160	810,796

Accumulated other comprehensive income (loss) (AOCI)	(72,716)	(65,597)
Total Shareholders' Equity	1,822,869	1,747,594
Total Liabilities and Shareholders' Equity	$25,214,743	$21,617,788

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest Income				
Interest and fees on loans and leases	$215,881	$180,913	$621,077	$509,708
Interest and dividends on investment securities	7,520	9,627	22,989	29,276
Other interest income	226	116	545	388
Total Interest Income	223,627	190,656	644,611	539,372
Interest Expense				
Deposits	31,921	26,755	91,904	72,804
Other borrowings	22,866	17,565	59,404	49,197
Total Interest Expense	54,787	44,320	151,308	122,001
Net Interest Income	168,840	146,336	493,303	417,371
Provision for Loan and Lease Losses	11,131	6,735	28,063	15,929
Net Interest Income after Provision for Loan and Lease Losses	157,709	139,601	465,240	401,442
Noninterest Income				
Loan servicing fee income	27,157	35,900	90,858	122,934
Amortization of mortgage servicing rights	(16,760)	(19,572)	(56,065)	(59,170)
Recovery (impairment) of mortgage servicing rights	(4,450)	3,071	(32,075)	8,012
Net loan servicing income (loss)	5,947	19,399	2,718	71,776
Gain on sale of loans	18,037	47,920	101,248	129,474
Loan production revenue	5,861	5,783	17,443	15,709
Deposit fee income	3,844	3,828	10,946	11,696
Other lease income	3,714	3,910	9,876	12,621
Other	3,792	7,374	15,299	20,790
Total Noninterest Income	41,195	88,214	157,530	262,066
Noninterest Expense				
Salaries, commissions and other employee benefits expense	89,369	90,781	277,124	283,734
Equipment expense	15,576	16,623	46,879	52,616
Occupancy expense	6,679	7,209	19,691	23,166
General and administrative expense	39,882	43,140	141,822	126,769
Total Noninterest Expense	151,506	157,753	485,516	486,285
Income before Provision for Income Taxes	47,398	70,062	137,254	177,223
Provision for Income Taxes	17,815	26,543	51,874	67,162
Net Income	$29,583	$43,519	$85,380	$110,061
Less: Net Income Allocated to Preferred Stock	(2,532)	(2,532)	(7,594)	(7,594)
Net Income Allocated to Common Shareholders	$27,051	$40,987	$77,786	$102,467
Basic Earnings Per Common Share	$0.22	$0.33	$0.63	$0.83
Diluted Earnings Per Common Share	$0.21	$0.33	$0.61	$0.82
Dividends Declared Per Common Share	$0.06	$0.04	$0.14	$0.10

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$29,583	$43,519	$85,380	$110,061
Unrealized Gains (Losses) on Debt Securities				
Reclassification of unrealized gains to noninterest income	(568)	—	(637)	(1,250)
Unrealized gains (losses) due to changes in fair value	(995)	(2,134)	(3,090)	(4,731)
Other-than-temporary impairment (OTTI) (noncredit portion), net of accretion	—	—	—	685
Tax effect	594	810	1,417	2,013
Change in unrealized gains (losses) on debt securities	(969)	(1,324)	(2,310)	(3,283)
Interest Rate Swaps				
Net unrealized gains (losses) due to changes in fair value	(41,292)	1,932	(20,449)	(5,543)
Reclassification of net unrealized losses to interest expense	4,050	4,763	12,693	13,269
Tax effect	14,154	(2,544)	2,947	(2,936)
Change in interest rate swaps	(23,088)	4,151	(4,809)	4,790
Other Comprehensive Income (Loss)	(24,057)	2,827	(7,119)	1,507
Comprehensive Income (Loss)	$5,526	$46,346	$78,261	$111,568

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					
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Equity
Balance, January 1, 2015	$150,000	$1,237	$851,158	$810,796	$(65,597)	$1,747,594
Net income	—	—	—	85,380	—	85,380
Other comprehensive income (loss)	—	—	—	—	(7,119)	(7,119)
Issuance of common stock	—	13	13,150	—	—	13,163
Share-based grants (including income tax benefits)	—	—	8,867	—	—	8,867
Cash dividends on common stock	—	—	—	(17,422)	—	(17,422)
Cash dividends on preferred stock	—	—	—	(7,594)	—	(7,594)
Balance, September 30, 2015	$150,000	$1,250	$873,175	$871,160	$(72,716)	$1,822,869
Balance, January 1, 2014	$150,000	$1,226	$832,351	$690,051	$(52,615)	$1,621,013
Net income	—	—	—	110,061	—	110,061
Other comprehensive income (loss)	—	—	—	—	1,507	1,507
Issuance of common stock	—	4	1,727	—	—	1,731
Share-based grants (including income tax benefits)	—	—	6,589	—	—	6,589
Cash dividends on common stock	—	—	—	(12,284)	—	(12,284)
Cash dividends on preferred stock	—	—	—	(7,594)	—	(7,594)
Balance, September 30, 2014	$150,000	$1,230	$840,667	$780,234	$(51,108)	$1,721,023

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)

	Nine Months Ended September 30, 2015	2014
Operating Activities		
Net income	$85,380	$110,061
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and deferred origination costs	41,313	26,313
Depreciation and amortization of tangible and intangible assets	20,411	24,405
Reclassification of net loss on settlement of interest rate swaps	12,693	13,269
Amortization and impairment of mortgage servicing rights, net of recoveries	88,140	51,158
Deferred income taxes (benefit)	(1,859)	47,276
Provision for loan and lease losses	28,063	15,929
Loss on other real estate owned (OREO)	3,171	2,957
Share-based compensation expense	5,916	5,334
Payments for settlement of forward interest rate swaps	—	(32,445)
Other operating activities	(760)	(2,859)
Changes in operating assets and liabilities:		
Loans held for sale, including proceeds from sales and repayments	(330,844)	(83,475)
Other assets	150,169	184,188
Accounts payable and accrued liabilities	(29,569)	17
Net cash provided by (used in) operating activities	72,224	362,128
Investing Activities		
Investment securities available for sale:		
Purchases	(29,772)	(125,387)
Proceeds from sales	48,527	3,875
Proceeds from prepayments and maturities	179,846	241,018
Investment securities held to maturity:		
Purchases	(11,947)	(19,997)
Proceeds from prepayments and maturities	14,541	12,524
Purchases of other investments	(429,764)	(384,527)
Proceeds from sales of other investments	385,540	318,277
Net change in loans and leases held for investment	(4,226,475)	(3,859,849)
Purchases of premises and equipment, including equipment under operating leases	(15,476)	(20,255)
Proceeds related to sale or settlement of other real estate owned	10,933	21,778
Proceeds from insured foreclosure claims	688,772	131,373
Proceeds from sale of mortgage servicing rights	35,938	37,738
Other investing activities	733	(217)
Net cash provided by (used in) investing activities	(3,348,604)	(3,643,649)
Financing Activities		
Net increase (decrease) in nonmaturity deposits	1,072,756	(30,001)
Net increase (decrease) in time deposits	979,752	1,244,736
Net change in short-term Federal Home Loan Bank (FHLB) advances	(1,000)	1,425,000
Proceeds from long-term FHLB advances	1,600,000	250,000
Repayments of long-term FHLB advances	(306,000)	(75,000)
Proceeds from issuance of subordinated notes payable, net of issuance costs	172,286	—

Proceeds from issuance of common stock	13,163	1,731
Dividends paid	(25,016)	(19,878)
Other financing activities	2,951	1,255
Net cash provided by (used in) financing activities	3,508,892	2,797,843
Net change in cash and cash equivalents	232,512	(483,678)
Cash and cash equivalents at beginning of period	366,664	847,778
Cash and cash equivalents at end of period	$599,176	$364,100

See Note 1 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 and commercial entities; (b) originates, purchases, services, sells and securitizes residential real estate mortgage loans, commercial real estate loans and commercial loans and leases; (c) originates consumer and home equity loans; and (d) 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.

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 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, 2014. 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, 2015. 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 financial position, results of operations, comprehensive income, and changes in cash flows have been made.

Accounting principles generally accepted in the United States of America require 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:

	Nine Months Ended September 30,	
	2015	2014
Supplemental Schedules of Noncash Activities:		
Loans transferred to foreclosure claims	$826,295	$431,488

See Note 4 for disclosures relating to noncash activities relating to loan transfers.

2. Recent Accounting Pronouncements

Consolidation - In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Upon adoption, ASU 2015-02 provides for transition through either a full retrospective approach or a modified retrospective approach, which requires restatement as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to retained earnings. ASU 2015-02 is 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 is not expected to 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

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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 with early adoption prohibited. 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.

Presentation of Residential Mortgage Loans Upon Foreclosure - In January 2014, the FASB issued ASU 2014-04, Receivables- Troubled Debt Restructurings by Creditors (Subtopic 310-40), which will eliminate diversity in practice regarding the timing of derecognition for residential mortgage loans when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. Under ASU 2014-04, physical possession of residential real estate property is achieved when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or the borrower conveys all interest in the residential real estate property through completion of a deed in lieu of foreclosure in order to satisfy that loan. Once physical possession has been achieved, the loan is derecognized and the property recorded within other assets at the lower of cost or fair value (less estimated costs to sell). In addition, the guidance requires interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective for annual reporting periods beginning on or after December 15, 2014, and interim periods within those annual periods. The guidance set forth in ASU 2014-04 was consistent with the Company’s current practice for derecognizing residential mortgage loans. As such, the adoption of ASU 2014-04 did not have a material impact on the Company's consolidated financial statements but resulted in additional disclosure, which can be found in Note 6.

3. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value and carrying value of investment securities were as follows as of September 30, 2015 and December 31, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
September 30, 2015					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	$576,481	$2,581	$6,726	$572,336	$572,336
Asset-backed securities (ABS)	1,664	—	289	1,375	1,375
Other	254	139	—	393	393
Total available for sale securities	$578,399	$2,720	$7,015	$574,104	$574,104
Held to maturity:					
Residential CMO securities - agency	$15,933	$438	$—	$16,371	$15,933
Residential mortgage-backed securities (MBS) - agency	96,286	3,255	27	99,514	96,286
Total held to maturity securities	$112,219	$3,693	$27	$115,885	$112,219
December 31, 2014					
Available for sale:					

Residential CMO securities - nonagency	$774,804	$5,631	$6,200	$774,235	$774,235
ABS	1,800	—	405	1,395	1,395
Other	275	406	—	681	681
Total available for sale securities	$776,879	$6,037	$6,605	$776,311	$776,311
Held to maturity:					
Residential CMO securities - agency	$27,801	$788	$—	$28,589	$27,801
Residential MBS - agency	87,283	2,680	322	89,641	87,283
Total held to maturity securities	$115,084	$3,468	$322	$118,230	$115,084

At September 30, 2015 and December 31, 2014, investment securities with a carrying value of $164,872 and $166,836, respectively, were pledged to secure other borrowings and for other purposes as required or permitted by law.

For the three and nine months ended September 30, 2015, there were $568 and $637 gross gains realized on available for sale investments, respectively, with no gross losses having been realized. For the three and nine months ended September 30, 2014, gross gains of $1,250 were realized on available for sale investments with no gross losses having been realized. The cost of investments sold is calculated using the specific identification method.

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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 September 30, 2015 and December 31, 2014 were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2015						
Debt securities:						
Residential CMO securities - nonagency	$107,552	$844	$225,113	$5,882	$332,665	$6,726
Residential MBS - agency	2,583	2	9,429	25	12,012	27
ABS	—	—	1,375	289	1,375	289
Total debt securities	$110,135	$846	$235,917	$6,196	$346,052	$7,042
December 31, 2014						
Debt securities:						
Residential CMO securities - nonagency	$317,042	$3,900	$31,010	$2,300	$348,052	$6,200
Residential MBS - agency	6,788	63	11,670	259	18,458	322
ABS	—	—	1,395	405	1,395	405
Total debt securities	$323,830	$3,963	$44,075	$2,964	$367,905	$6,927

The Company had unrealized losses at September 30, 2015 and December 31, 2014 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 September 30, 2015, the Company had 56 debt securities in an unrealized loss position. A total of 17 were in an unrealized loss position for less than 12 months. These 17 securities consisted of 15 residential nonagency CMO securities and two residential agency MBS. The remaining 39 debt securities were in an unrealized loss position for 12 months or longer. These 39 securities consisted of 34 residential nonagency CMO securities, three ABS, and two residential agency MBS. Of the $7,042 in unrealized losses, $4,707 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, 2014, the Company had 58 debt securities in an unrealized loss position. A total of 39 were in an unrealized loss position for less than 12 months. These 39 securities consisted of 36 residential nonagency CMO securities and three residential agency MBS. The remaining 19 debt securities were in an unrealized loss position for 12 months or longer. These 19 securities consisted of three ABS, three residential agency MBS and 13 residential nonagency CMO securities. Of the $6,927 in unrealized losses, $5,061 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 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 OTTI losses recognized on available for sale or held to maturity securities during the three and nine months ended September 30, 2015. For the three and nine months ended September 30, 2014, the Company recognized non-credit OTTI in earnings of $685 on available for sale residential nonagency CMO securities with no OTTI recognized on held to maturity securities. These OTTI losses represented additional declines in fair value on securities originally OTTI at December 31, 2013 as a result of regulatory changes created by the Volcker rule, which classifies these investments as covered funds that cannot be held by an insured depository institution. As a result, management could not assert at September 30, 2014 that the Company had the ability to hold these investments to recovery.

During the three and nine months ended September 30, 2015 and 2014, interest and dividend income on investment securities was comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest income on available for sale securities	$4,279	$7,243	$14,066	$24,020
Interest income on held to maturity securities	755	837	2,347	2,473
Other interest and dividend income	2,486	1,547	6,576	2,783
	$7,520	$9,627	$22,989	$29,276

All investment interest income recognized by the Company during the three and nine months ended September 30, 2015 and 2014 was fully taxable.

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4. Loans Held for Sale

Loans held for sale as of September 30, 2015 and December 31, 2014, consisted of the following:

	September 30, 2015	December 31, 2014
Mortgage warehouse (carried at fair value)	$347,038	$410,948
Other residential (carried at fair value)	754,303	317,430
Total loans held for sale carried at fair value	1,101,341	728,378
Government insured pool buyouts	288	12,583
Other residential	90,874	232,546
Commercial and commercial real estate	291,251	—
Total loans held for sale carried at lower of cost or market	382,413	245,129
Total loans held for sale	$1,483,754	$973,507

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 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 preferred 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 loans, government insured pool buyouts and commercial and commercial real estate loans because the Company expects to hold these loans for the foreseeable future. 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 market represent loans that were transferred from the held for investment portfolio to the held for sale portfolio. Government insured pool buyouts held at the lower of cost or market represent government insured loans that have re-performed and are now eligible to be re-securitized or sold to third parties. Once the loan re-performs and becomes eligible for securitization or sale, the loan is transferred to the held for sale portfolio and sold. Other residential loans held at the lower of cost or market represent jumbo preferred adjustable rate mortgage (ARM) 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. Commercial and commercial real estate loans represent multi-family loans for 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.

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 and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014

Proceeds received from residential agency securitizations	$1,240,727	$1,426,139	$3,416,119	$3,638,161
Proceeds received from nonsecuritization sales - residential	610,080	821,010	2,258,236	1,422,271
Proceeds received from nonsecuritization sales - commercial and commercial real estate	61,388	15,363	164,667	94,617
Proceeds received from nonsecuritization sales - equipment financing receivables	3,312	9,401	43,441	13,412
Proceeds received from nonsecuritization sales	$674,780	$845,774	$2,466,344	$1,530,300
Repurchased loans from residential agency sales and securitizations	$2,212	$1,122	$4,733	$3,666
Repurchased loans from residential nonagency sales	2,420	—	7,797	4,078
Repurchased loans from commercial sales and securitizations (1)	—	—	105,651	—

(1) Represents loans that were voluntarily repurchased out of the Business Lending Trusts through a clean-up call, which were subsequently sold in third-party sales.

In connection with these transfers, the Company recorded servicing assets in the amount of $17,287 and $46,110 for the three and nine months ended September 30, 2015. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to

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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 Company periodically transfers conforming residential Ginnie Mae (GNMA) mortgages in exchange for mortgage-backed securities. As of September 30, 2015 and December 31, 2014, the Company retained zero and $9,001, respectively, of these securities backed by the transferred loans and maintained effective control over these pools of transferred assets. Accordingly, the Company did not record these transfers as sales. These transferred assets were recorded in the condensed consolidated balance sheets as loans held for sale. The remaining securities were sold to unrelated third parties and were recorded as sales.

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 and nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Loans Transferred from Held for investment (HFI) to Held for Sale (HFS)	2015	2014	2015	2014
Residential mortgages	$89,849	$26,614	$799,570	$1,185,050
Government insured pool buyouts	218,413	159,243	704,085	401,499
Commercial and commercial real estate	348,875	13,060	348,875	44,438
Equipment financing receivables	3,130	9,401	40,320	13,271
Total transfers from HFI to HFS	$660,267	$208,318	$1,892,850	$1,644,258
Loans Transferred from HFS to HFI				
Residential mortgages	$1,706	167,745	195,760	206,530
Government Insured Pool Buyouts	—	24,904	—	24,904
Total transfers from HFS to HFI	$1,706	$192,649	$195,760	$231,434

Loans and leases are transferred from loans and leases 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 these 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.

5. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of September 30, 2015 and December 31, 2014 were comprised of the following:

	September 30, 2015	December 31, 2014
Residential mortgages	$11,311,881	$9,920,070
Commercial and commercial real estate	6,940,875	5,646,690
Equipment financing receivables	2,287,532	2,031,570
Home equity lines	332,183	156,869
Consumer and credit card	4,910	5,054
Total loans and leases held for investment, net of unearned income	20,877,381	17,760,253
Allowance for loan and lease losses	(71,897)	(60,846)
Total loans and leases held for investment, net	$20,805,484	$17,699,407

As of September 30, 2015 and December 31, 2014, the carrying values presented above include net purchased loan and lease discounts and net deferred loan and lease origination costs as follows:

	September 30, 2015	December 31, 2014
Net purchased loan and lease discounts	$43,166	$47,108

Net deferred loan and lease origination costs	115,990	94,778

During the nine months ended September 30, 2015, significant purchases that impacted the Company's held for investment portfolio included government insured buyouts with an unpaid principal balance (UPB) of $2,138,426, which are categorized as residential mortgages in the table above, and commercial real estate with a UPB of $105,652. The Company also purchased into commercial credit facilities with an outstanding commitment of $818,287 and outstanding balances of $415,374. Please see Note 4 for disclosure of the Company's transfers and sales of financing receivables.

Of the $415,374 in commercial credit facility balances purchased during the nine months ended September 30, 2015, $91,721 of net recorded investment was purchased on May 11, 2015, representing the purchase of a portfolio of asset based lending loans. The purchase was funded entirely by cash with the transaction being accounted for using the acquisition method of accounting. Based on the acquisition method of accounting, consideration paid totaling $91,829 was allocated to the purchased loans and related accrued interest and fees with no additional assets recognized or liabilities assumed in the transaction. No goodwill was recognized in the transaction. The portfolio will continue to be operated out of New York as the Company hired several professionals who previously worked with the purchased portfolio.

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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 nine months ended September 30, 2015 and 2014 are as follows:

	September 30, 2015	September 30, 2014
Contractual payments receivable for acquired loans and leases at acquisition	$3,319,606	$4,334,951
Expected cash flows for acquired loans and leases at acquisition	2,152,753	2,689,008
Basis in acquired loans and leases at acquisition	1,986,531	2,533,686

Information pertaining to the ACI portfolio as of September 30, 2015 and December 31, 2014 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
September 30, 2015			
Carrying value, net of allowance	$3,101,072	$129,625	$3,230,697
Outstanding unpaid principal balance	3,147,692	134,539	3,282,231
Allowance for loan and lease losses, beginning of period	5,974	2,042	8,016
Allowance for loan and lease losses, end of period	7,417	346	7,763
December 31, 2014			
Carrying value, net of allowance	$2,616,728	$194,599	$2,811,327
Outstanding unpaid principal balance	2,655,497	198,061	2,853,558
Allowance for loan and lease losses, beginning of year	4,925	9,834	14,759
Allowance for loan and lease losses, end of year	5,974	2,042	8,016

The Company recorded a reduction of provision for loan loss of $253 and provision for loan loss of $427 for the ACI portfolio for the nine months ended September 30, 2015 and 2014, respectively. The adjustments to provision are the result of changes in expected cash flows on ACI loans.

The following is a summary of the accretable yield activity for the ACI loans during the nine months ended September 30, 2015 and 2014:

	Residential	Commercial and Commercial Real Estate	Total
September 30, 2015			
Balance, beginning of period	$240,650	$61,256	$301,906
Additions	166,222	—	166,222
Accretion	(97,781)	(8,986)	(106,767)
Reclassifications to (from) accretable yield	(83,712)	(6,022)	(89,734)
Balance, end of period	$225,379	$46,248	$271,627
September 30, 2014			
Balance, beginning of period	$101,183	$59,663	$160,846
Additions	155,372	—	155,372
Accretion	(51,930)	(14,878)	(66,808)
Reclassifications to (from) accretable yield	(9,440)	25,879	16,439
Transfer from loans held for investment to loans held for sale	(2,522)	(344)	(2,866)

Balance, end of period	$192,663	$70,320	$262,983

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6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the three and nine months ended September 30, 2015 and 2014 are as follows:

Three Months Ended September 30, 2015	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of period	$24,385	$26,942	$ 10,391	$4,236	$137	$66,091
Provision for loan and lease losses	4,142	5,279	2,761	(1,051)	—	11,131
Charge-offs	(2,630)	(406)	(2,703)	(353)	—	(6,092)
Recoveries	91	4	602	70	—	767
Balance, end of period	$25,988	$31,819	$ 11,051	$2,902	$137	$71,897
Three Months Ended September 30, 2014						
Balance, beginning of period	$20,421	$27,943	$ 5,565	$2,667	$132	$56,728
Transfers to loans held for sale	—	(2,482)	—	—	—	(2,482)
Provision for loan and lease losses	5,115	(1,659)	2,917	299	63	6,735
Charge-offs	(2,023)	(568)	(1,548)	(171)	(28)	(4,338)
Recoveries	127	6	180	289	—	602
Balance, end of period	$23,640	$23,240	$ 7,114	$3,084	$167	$57,245

Nine Months Ended September 30, 2015	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of period	$25,098	$23,095	$ 8,649	$3,814	$190	$60,846
Provision for loan and lease losses	8,304	10,924	9,071	(245)	9	28,063
Charge-offs	(7,616)	(2,424)	(8,172)	(917)	(62)	(19,191)
Recoveries	202	224	1,503	250	—	2,179
Balance, end of period	$25,988	$31,819	$ 11,051	$2,902	$137	$71,897
Nine Months Ended September 30, 2014						
Balance, beginning of period	$26,497	$29,987	$ 4,273	$2,812	$121	$63,690
Transfers to loans held for sale	(5,052)	(2,482)	—	(191)	—	(7,722)
Provision for loan and lease losses	8,249	1,015	5,950	609	109	15,929
Charge-offs	(6,998)	(5,287)	(3,675)	(650)	(63)	(16,673)
Recoveries	944	7	566	504	—	2,021
Balance, end of period	$23,640	$23,240	$ 7,114	$3,084	$167	$57,245

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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 September 30, 2015 and December 31, 2014:

September 30, 2015	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 2,606	$ 15,965	$ 7,417	$ 25,988
Commercial and commercial real estate	7,334	24,139	346	31,819
Equipment financing receivables	281	10,770	—	11,051
Home equity lines	—	2,902	—	2,902
Consumer and credit card	—	137	—	137
Total allowance for loan and lease losses	$ 10,221	$ 53,913	$ 7,763	$ 71,897
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 17,419	$ 8,185,973	$ 3,108,489	$ 11,311,881
Commercial and commercial real estate	86,237	6,724,667	129,971	6,940,875
Equipment financing receivables	448	2,287,084	—	2,287,532
Home equity lines	—	332,183	—	332,183
Consumer and credit card	—	4,910	—	4,910
Total loans and leases held for investment	$ 104,104	$ 17,534,817	$ 3,238,460	$ 20,877,381

December 31, 2014	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 2,896	$ 16,228	$ 5,974	$ 25,098
Commercial and commercial real estate	720	20,333	2,042	23,095
Equipment financing receivables	—	8,649	—	8,649
Home equity lines	—	3,814	—	3,814
Consumer and credit card	—	190	—	190
Total allowance for loan and lease losses	$ 3,616	$ 49,214	$ 8,016	$ 60,846
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 16,642	$ 7,280,726	$ 2,622,702	$ 9,920,070
Commercial and commercial real estate	42,267	5,407,782	196,641	5,646,690
Equipment financing receivables	—	2,031,570	—	2,031,570
Home equity lines	—	156,869	—	156,869
Consumer and credit card	—	5,054	—	5,054
Total loans and leases held for investment	$ 58,909	$ 14,882,001	$ 2,819,343	$ 17,760,253

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 September 30, 2015 and December 31, 2014:

	Performing	Non-performing Accrual	Nonaccrual	Total
September 30, 2015				
Residential mortgages:				
Residential [1]	$7,337,233	$—	$27,289	$7,364,522
Government insured pool buyouts [2] [3]	3,537,434	409,925	—	3,947,359
Equipment financing receivables	2,273,871	—	13,661	2,287,532
Home equity lines	327,997	—	4,186	332,183
Consumer and credit card	4,905	—	5	4,910
Total	$13,481,440	$409,925	$45,141	$13,936,506

	Pass	Special Mention	Substandard	Doubtful	Total
September 30, 2015					
Commercial and commercial real estate:					
Mortgage warehouse finance	$2,162,627	$—	$—	$—	$2,162,627
Lender finance	1,117,886	—	—	—	1,117,886
Other commercial finance	208,489	2,990	148	—	211,627
Commercial real estate	3,312,148	14,759	121,828	—	3,448,735
Total commercial and commercial real estate	$6,801,150	$17,749	$121,976	$—	$6,940,875

	Performing	Non-performing Accrual	Nonaccrual	Total
December 31, 2014				
Residential mortgages:				
Residential [1]	$6,302,172	$—	$22,793	$6,324,965
Government insured pool buyouts [2] [3]	3,096,877	498,228	—	3,595,105
Equipment financing receivables	2,020,613	—	10,957	2,031,570
Home equity lines	154,506	—	2,363	156,869
Consumer and credit card	5,016	—	38	5,054
Total	$11,579,184	$498,228	$36,151	$12,113,563

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2014					
Commercial and commercial real estate:					
Mortgage warehouse finance	$1,356,651	$—	$—	$—	$1,356,651
Lender finance	749,393	13,060	—	—	762,453
Other commercial finance	63,460	—	351	—	63,811
Commercial real estate	3,325,936	34,010	103,829	—	3,463,775
Total commercial and commercial real estate	$5,495,440	$47,070	$104,180	$—	$5,646,690

(1) For the periods ended September 30, 2015 and December 31, 2014, performing residential mortgages included $4,871 and $6,287, respectively, of ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended September 30, 2015 and December 31, 2014, performing government insured pool buyouts included $2,404,581 and $2,143,384, 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 September 30, 2015 and December 31, 2014:

	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
September 30, 2015						
Residential mortgages:						
Residential	$7,399	$7,046	$27,289	$41,734	$7,276,242	$7,317,976
Government insured pool buyouts (1)	29,174	23,603	409,925	462,702	422,714	885,416
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	2,162,627	2,162,627
Lender finance	—	—	—	—	1,117,886	1,117,886
Other commercial finance	—	—	—	—	208,076	208,076
Commercial real estate	3,741	—	3,406	7,147	3,315,168	3,322,315
Equipment financing receivables	20,795	5,480	4,126	30,401	2,257,131	2,287,532
Home equity lines	1,044	665	4,186	5,895	326,288	332,183
Consumer and credit card	49	5	5	59	4,851	4,910
Total loans and leases held for investment	$62,202	$36,799	$448,937	$547,938	$17,090,983	$17,638,921
December 31, 2014						
Residential mortgages:						
Residential	$9,941	$4,817	$22,793	$37,551	$6,230,161	$6,267,712
Government insured pool buyouts (1)	50,955	32,869	498,228	582,052	447,604	1,029,656
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	1,356,651	1,356,651
Lender finance	—	—	—	—	762,453	762,453
Other commercial finance	1	—	—	1	59,654	59,655
Commercial real estate	1,139	—	2,498	3,637	3,267,653	3,271,290
Equipment financing receivables	18,521	4,114	3,263	25,898	2,005,672	2,031,570
Home equity lines	1,040	845	2,363	4,248	152,621	156,869
Consumer and credit card	16	7	38	61	4,993	5,054
Total loans and leases held for investment	$81,613	$42,652	$529,183	$653,448	$14,287,462	$14,940,910

(1) Government insured pool buyouts remain on accrual status after 89 days as the interest earned is collectible from the insuring governmental agency.

Residential Foreclosures and Repossessed Assets — Once all potential alternatives for loan reinstatement are exhausted, past due loans collateralized by residential real estate are referred for foreclosure proceedings in accordance with local requirements of the applicable jurisdiction. Once possession of the property collateralizing the loan is obtained, the repossessed property is recorded within other assets either as other real estate owned or, where management has both the intent and ability to recover its losses through a government guarantee, as a foreclosure claim receivable.

As the allowable time frame for initiating the loan foreclosure process varies by jurisdiction, the Company has determined, for purposes of disclosure, loans collateralized by residential real estate are considered to be in the process of foreclosure once they are 120 days or more past due. At September 30, 2015 and December 31, 2014, the Company had loans collateralized by residential real estate with carrying values of $2,735,213 and $2,544,314,

respectively that were 120 days or more past due. Of the residential loans that were 120 days or more past due, $2,706,320 and $2,519,022 represented loans that were government insured at September 30, 2015 and December 31, 2014, respectively.
At September 30, 2015 and December 31, 2014, the Company had foreclosure claims receivable of $513,572 and $451,125, net of valuation allowances of $15,243 and $17,336 respectively. At September 30, 2015 and December 31, 2014, the Company had residential other real estate owned of $5,736 and $8,013, net of valuation allowances of $360 and $441, respectively.

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Impaired Loans — Impaired loans include loans identified as troubled loans as a result of a borrower's financial difficulties and other loans on which the accrual of interest income is suspended. The Company continues to collect payments on certain impaired loan balances on which accrual is suspended.

The following tables present the unpaid principal balance, the recorded investment and the related allowance for impaired loans as of September 30, 2015 and December 31, 2014:

	September 30, 2015			December 31, 2014		
	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance
With an allowance recorded:						
Residential mortgages:						
Residential	$12,203	$10,978	$2,606	$10,618	$10,162	$2,896
Commercial and commercial real estate:						
Commercial real estate	49,125	48,857	7,334	14,566	11,290	720
Equipment financing receivables	448	448	281	—	—	—
Total impaired loans with an allowance recorded	$61,776	$60,283	$10,221	$25,184	$21,452	$3,616
Without a related allowance recorded:						
Residential mortgages:						
Residential	$7,352	$6,441		$7,466	$6,480	
Commercial and commercial real estate:						
Commercial real estate	40,831	37,380		41,955	30,977	
Total impaired loans without an allowance recorded	$48,183	$43,821		$49,421	$37,457	

(1) The primary difference between the unpaid principal balance and recorded investment represents charge-offs previously taken.

The following table presents the average investment and interest income recognized on impaired loans for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,			
	2015		2014	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
With and without a related allowance recorded:				
Residential	$17,556	$108	$16,283	$106
Commercial real estate	69,075	25	56,370	454
Equipment financing receivables	565	—	—	—
Total impaired loans	$87,196	$133	$72,653	$560

	Nine Months Ended September 30,			
	2015		2014	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
With and without a related allowance recorded:				
Residential	$17,240	$373	$51,570	$1,141
Commercial real estate	54,207	225	41,404	1,016
Equipment financing receivables	358	4	—	—
Total impaired loans	$71,805	$602	$92,974	$2,157

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The following table presents the recorded investment for loans and leases on nonaccrual status by class and loans 90 days and greater past due and still accruing as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Nonaccrual Status	90 Days and Greater Past Due and Accruing	Nonaccrual Status	90 Days and Greater Past Due and Accruing
Residential mortgages:				
Residential	$27,289	$—	$22,793	$—
Government insured pool buyouts	—	409,925	—	498,228
Commercial and commercial real estate:				
Commercial real estate	78,801	—	39,049	—
Equipment financing receivables	13,661	—	10,957	—
Home equity lines	4,186	—	2,363	—
Consumer and credit card	5	—	38	—
Total non-performing loans and leases	$123,942	$409,925	$75,200	$498,228

Troubled Debt Restructurings (TDR) — Modifications made to residential loans during the period included extension of original contractual maturity date, extension of the period of below market rate interest-only payments, or contingent reduction of past due interest. Commercial loan modifications made during the period included extension of original contractual maturity date, payment forbearance, reduction of interest rates, or extension of interest-only periods.

The following is a summary of information relating to modifications considered to be TDRs for the three and nine months ended September 30, 2015 and 2014 that remain TDRs as of the respective balance sheet dates:

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:						
Residential	1	$198	$198	5	$ 1,392	$ 1,396
Commercial real estate	3	9,141	9,141	6	14,575	14,575
Total	4	$9,339	$9,339	11	$ 15,967	$ 15,971

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:						
Residential	—	$—	$—	3	$ 1,217	$ 1,218

A loan is considered to re-default when it is 30 days past due. The number of contracts and recorded investment of loans that were modified during the 12 months preceding September 30, 2015 and 2014 that subsequently defaulted during the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Loan Type:				
Residential	6	$1,536	6	$1,536

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Loan Type:				
Residential	2	$881	2	$881

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The recorded investment of TDRs as of September 30, 2015 and December 31, 2014 are summarized as follows:

	September 30, 2015	December 31, 2014
Loan Type:		
Residential mortgages	$17,419	$16,642
Commercial and commercial real estate	16,464	9,613
Equipment financing receivables	501	—
Total recorded investment of TDRs	$34,384	$26,255
Accrual Status:		
Current	$14,969	$11,786
30-89 days past-due accruing	1,590	1,848
Nonaccrual	17,825	12,621
Total recorded investment of TDRs	$34,384	$26,255
TDRs classified as impaired loans	$34,384	$26,255
Valuation allowance on TDRs	2,827	3,259

7. Servicing Activities and Mortgage Servicing Rights

A summary of MSR activities for the three and nine months ended September 30, 2015 and 2014 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance, beginning of period	$362,803	$437,595	$435,619	$506,680
Originated servicing rights capitalized upon sale of loans	17,287	20,848	46,110	42,952
Sale of servicing rights	(1,898)	—	(35,938)	(55,547)
Amortization	(16,760)	(19,572)	(56,065)	(59,170)
Decrease (increase) in valuation allowance	(4,450)	3,071	(32,075)	8,012
Other	568	(699)	(101)	(1,684)
Balance, end of period	$357,550	$441,243	$357,550	$441,243
Valuation allowance:				
Balance, beginning of period	$13,084	$3,071	$—	$8,012
Increase in valuation allowance	4,795	—	48,147	—
Recoveries	(345)	(3,071)	(16,072)	(8,012)
Write-off of impairment	(640)	—	(15,181)	—
Balance, end of period	$16,894	$—	$16,894	$—

Components of loan servicing fee income, which includes servicing fees related to sales and securitizations, for the three and nine months ended September 30, 2015 and 2014 are presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Contractually specified service fees, net	$24,131	$31,106	$79,899	$99,499
Other ancillary fees	2,501	4,249	9,395	19,793
Other	525	545	1,564	3,642
Total	$27,157	$35,900	$90,858	$122,934

Residential

For the nine months ended September 30, 2015, the Company recorded residential MSR impairment of $32,075. In addition, as a result of the sale of MSR to Ditech Financial LLC (Ditech), formerly known as GreenTree Servicing LLC, effective May 1, 2015 and the sale to Nationstar Mortgage LLC (NSM) during the third quarter of 2015 the Company determined that $15,181 of the basis of the MSR asset was permanently impaired and non-recoverable and thus wrote off the $15,181 through the valuation allowance upon sale. Therefore, the remaining balance of the valuation allowance is $16,894 at September 30, 2015. The remaining sale to NSM is expected to close in the fourth quarter of 2015 as the Company received Fannie Mae approvals, transferring approximately $3,384,843 of UPB with an estimated net book value of $18,921. Given the evidence provided through the negotiation process regarding the fair value of the Company's MSR, the bid information received was incorporated into the estimate of the fair value of MSR.

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For loans securitized and sold with servicing retained during the three and nine months ended September 30, 2015 and 2014, management used the following assumptions to determine the fair value of residential MSR at the date of securitization:

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Average discount rates	10.17 % — 11.39%	10.08 % — 11.39%
Expected prepayment speeds	7.09 % — 9.76%	7.09 % — 11.38%
Weighted-average life in years	7.41 — 8.18	6.29 — 8.28
	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Average discount rates	8.76 % — 14.50%	8.76 % — 14.50%
Expected prepayment speeds	11.35 % — 12.59%	11.35 % — 13.76%
Weighted-average life in years	6.16 — 6.40	6.03 — 6.41

At September 30, 2015 and December 31, 2014, the Company estimated the fair value of its capitalized residential MSR to be approximately $356,530 and $436,727, respectively. The carrying value of its residential MSR was $356,530 and $432,716 at September 30, 2015 and December 31, 2014, respectively. The carrying value and the fair value are equal as of September 30, 2015 as the fair value of all tranches of our residential MSR was below the cost basis. The unpaid principal balance below excludes $8,247,000 and $8,073,000 at September 30, 2015 and December 31, 2014, respectively, for residential loans with no related MSR basis. The MSR portfolio was valued using internally developed estimated cash flows, leading to a level 3 fair value asset. For more information on the fair value of the Company’s MSR portfolio see Note 13.

The characteristics used in estimating the fair value of the residential MSR portfolio at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Unpaid principal balance	$34,786,000	$41,190,000
Gross weighted-average coupon	4.29 %	4.37 %
Weighted-average servicing fee	0.27 %	0.29 %
Expected prepayment speed [1]	12.11 %	12.97 %

(1) The prepayment speed assumptions include a blend of prepayment speeds that are influenced by mortgage interest rates, the current macroeconomic environment and borrower behaviors and may vary over the expected life of the asset.

A sensitivity analysis of the Company’s fair value of residential MSR portfolio to hypothetical adverse changes of 10% and 20% to the weighted-average of certain key assumptions as of September 30, 2015 and December 31, 2014 is presented below.

	September 30, 2015	December 31, 2014
Prepayment Rate		
10% adverse rate change	$14,575	$18,294
20% adverse rate change	28,274	35,347
Discount Rate		
10% adverse rate change	13,393	15,932
20% adverse rate change	25,863	30,770

In the previous table, the effect of a variation in a specific assumption on the fair value is calculated without changing any other assumptions. This analysis typically cannot be extrapolated because the relationship of a change in one key assumption to the change in the fair value of the Company’s residential mortgage servicing rights usually is not linear. The effect of changing one key assumption will likely result in the change of another key assumption which could impact the sensitivities.

Commercial

The carrying value and fair value of the Company's commercial MSR was $1,020 and $2,903 at September 30, 2015 and December 31, 2014, respectively. The Company recognized $2,900 and $5,260 of prepayment penalty income in other noninterest income during the three months ended September 30, 2015 and 2014, respectively, and $9,354 and $10,607 during the nine months ended September 30, 2015 and 2014.

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8. Trust Preferred Securities and Subordinated Notes Payable

Trust preferred securities and subordinated notes payable as of September 30, 2015 and December 31, 2014, consisted of the following:

	September 30, 2015	December 31, 2014
Trust preferred securities	$103,750	$103,750
Subordinated notes payable, net of unamortized debt issuance costs of $2,647 and $0, respectively	172,353	—
Total trust preferred securities and subordinated notes payable	$276,103	$103,750

Subordinated Notes Payable - On June 30, 2015, the Company completed the public offering and sale of $175,000 in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (subordinated notes). The subordinated notes were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The subordinated notes will mature on July 2, 2025 and bear a fixed rate of interest of 5.75% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2016.

The subordinated notes are unsecured and will rank equally with all other unsecured subordinated indebtedness of the Company, including any subordinated indebtedness issued in the future under the indenture governing the subordinated notes. The subordinated notes will be subordinated in right of payment to all senior indebtedness of the Company. The subordinated notes will be obligations of EverBank Financial Corp only and will not be guaranteed by any subsidiaries, including EB. Additionally, the subordinated notes will be structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, which means that creditors of our subsidiaries (including in the case of EB, its depositors) generally will be paid from those subsidiaries' assets before holders of the subordinated notes would have any claim to those assets.

For regulatory capital adequacy purposes, the subordinated notes qualify as tier 2 capital for the Company. If in the future the subordinated notes no longer qualify as tier 2 capital, the subordinated notes may be redeemed by the Company, in whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, subject to prior approval by the Board of Governors of the Federal Reserve System.

On June 30, 2015, the Company made a capital contribution to EB in the amount of $150,000 from the net proceeds received from the issuance of the subordinated notes.

9. Income Taxes

For the three and nine months ended September 30, 2015 the Company's effective income tax rate was 37.6% and 37.8%, respectively. For the three and nine months ended September 30, 2014 the Company's effective income tax rate was 37.9%. The effective income tax rate differed from the statutory federal income tax rate primarily due to state income taxes for all periods.

10. Share-Based Compensation

Option Plans - On March 9, 2015, the Company granted 819,223 options with a fair value per option on the grant date of $5.76. The fair value of each option award was estimated as of the grant date using the Black-Scholes option-pricing model. Significant assumptions used in the Black-Scholes option-pricing model to determine the fair value of stock options are as follows:

Risk-free interest rate	1.91	%
Expected volatility	34	%
Expected term (years)	6.5	
Dividend yield	1.27	%

The risk-free interest rate is based on the United States (U.S.) Treasury constant maturity yield for treasury securities with maturities approximating the expected life of the options granted on the date of grant. The expected option terms were determined using the simplified approach, which is based on the vesting and contractual terms of the options. The Company analyzes a group of publicly-traded peer institutions to determine the expected volatility of its stock. The peer group is assessed for adequacy annually, or as circumstances indicate significant changes to the composition of the peer group are warranted. Volatility for the Company's stock is estimated utilizing the average volatility

calculated for the peer group, which is based upon weekly price observations over the estimated term of the options granted.
Options vest over various periods, generally one to five years, and the term is generally 10 years. Based on historical experience and the characteristics of the grantee, the Company uses estimated forfeiture rates that range from 0% to 20% over the term of the options. Amounts included in compensation expense reflect the fair value of the underlying options as of the grant date multiplied by the number of options expected to vest, accrued on a straight-line basis over the applicable vesting period.
During the nine months ended September 30, 2015, 1,231,116 options were exercised with a total intrinsic value of $10,303.
Nonvested Stock - The Company issued 298,916 nonvested shares of stock to certain employees as an incentive for continued employment and to certain directors in lieu of cash payouts for compensation during the nine months ended September 30, 2015. These shares usually vest based on the grantee's future service with the Company. Compensation expense is based on the estimated fair value of the shares at the date of issuance and is recognized on a straight line basis over the applicable vesting schedule. The weighted-average grant date fair value of these shares was $17.58 per share, which is the fair value of the Company's common stock at grant date adjusted for expected dividends as the Company's restricted shares do not accrue dividends.

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11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$29,583	$43,519	$85,380	$110,061
Less dividends on preferred stock	(2,532)	(2,532)	(7,594)	(7,594)
Net income allocated to common shareholders	$27,051	$40,987	$77,786	$102,467
(Units in Thousands)				
Average common shares outstanding	124,823	122,950	124,373	122,826
Common share equivalents:				
Stock options	1,903	2,323	1,879	2,299
Nonvested stock	373	200	316	167
Average common shares outstanding, assuming dilution	127,099	125,473	126,568	125,292
Basic earnings per share	$0.22	$0.33	$0.63	$0.83
Diluted earnings per share	$0.21	$0.33	$0.61	$0.82

Certain securities were antidilutive and were therefore excluded from the calculation of diluted earnings per share. Common shares attributed to these antidilutive securities had these securities been exercised or converted as of September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock Options	1,457,162	775,715	1,260,909	1,134,422

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12. Derivative Financial Instruments

The fair values of derivatives are reported in other assets, deposits, or accounts payable and accrued liabilities. The fair values are derived using the valuation techniques described in Note 13. The total notional or contractual amounts and fair values as of September 30, 2015 and December 31, 2014 were as follows:

	Notional Amount	Fair Value Asset Derivatives	Liability Derivatives
September 30, 2015			
Qualifying hedge contracts accounted for under ASC 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$1,178,000	$—	$43,051
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
Interest rate lock commitments (IRLCs)	705,415	13,132	76
Forward and optional forward sale commitments	3,052,422	12	27,612
Forward and optional forward purchase commitments	1,572,000	9,661	657
Interest rate swaps and futures	45,658	—	691
Foreign exchange contracts	546,283	1,947	12,934
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	151,355	1,417	—
Options embedded in client deposits	149,951	—	1,410
Indemnification asset	93,584	1,849	—
Total freestanding derivatives		28,018	43,380
Netting and cash collateral adjustments (1)		(10,856)	(81,995)
Total derivatives		$17,162	$4,436

	Notional Amount	Fair Value Asset Derivatives	Liability Derivatives
December 31, 2014			
Qualifying hedge contracts accounted for under ASC 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$578,000	$—	$22,601
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	592,378	10,544	340
Forward and optional forward sale commitments	961,905	38	7,030
Forward and optional forward purchase commitments	274,000	387	7
Interest rate swaps and futures	503,335	—	483
Foreign exchange contracts	656,476	792	17,604
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	152,880	6,127	—
Options embedded in client deposits	151,500	—	6,034
Indemnification asset	101,623	6,658	—
Total freestanding derivatives		24,546	31,498
Netting and cash collateral adjustments (1)		(5,737)	(46,917)

Total derivatives	$18,809	$7,182

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the Company to settle positive and negative positions as well as cash collateral and related accrued interest held or placed with the same counterparties. Amounts as of September 30, 2015 and December 31, 2014 include derivative positions netted totaling $10,516 and $3,437, respectively.

Cash Flow Hedges

As of September 30, 2015, AOCI included $16,562 of deferred pre-tax net losses expected to be reclassified into earnings during the next 12 months for derivative instruments designated as cash flow hedges of forecasted transactions. The Company is hedging its exposure to the variability of future cash flows for forecasted transactions of fixed-rate debt for a maximum of 19 years.

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Freestanding Derivatives

The following table shows the net gains and losses recognized for the three and nine months ended September 30, 2015 and 2014 in the consolidated statements of income related to derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging. These gains and losses are recognized in noninterest income, except for the indemnification assets which are recognized in general and administrative expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Freestanding derivatives				
Gains (losses) on interest rate contracts [1]	$(46,461)	$(3,391)	$(44,191)	$(39,186)
Gains (losses) on indemnification asset [2]	(133)	260	(577)	(811)
Gains (losses) on foreign exchange forward contracts [3]	(32,467)	(38,706)	(52,613)	(14,779)
Other	(77)	8	(145)	(7)

(1) Interest rate contracts include interest rate lock commitments, forward and optional forward purchase and sales commitments, and interest rate swaps and futures.

(2) Refer to Note 13 for additional information relating to the indemnification asset.

(3) Foreign exchange forward contracts act as economic hedges for the foreign currency risk embedded within deposits denominated in foreign currencies. The change in the fair value of the foreign exchange forward contract is marked to fair value, while the deposit is translated to the current spot rate in accordance with ASC 830. Historically, the hedge has been effective in managing the foreign currency risk of foreign-denominated deposits by locking in the U.S. Dollar cash flows.

Interest rate contracts are predominantly used as economic hedges of interest rate lock commitments and loans held for sale. Other derivatives are predominantly used as economic hedges of foreign exchange, commodity, metals, and U.S. Treasury yield risk.

Credit Risk Contingent Features

Certain of the Company’s derivative instruments contain provisions that require the Company to post collateral when derivatives are in a net liability position. The provisions generally are dependent upon the Company’s credit rating based on certain major credit rating agencies or dollar amounts in a liability position at any given time which exceed specified thresholds, as indicated in the relevant contracts. In these circumstances, the counterparties could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features in a net liability position prior to netting on September 30, 2015 and December 31, 2014 was $84,945 and $47,725, respectively. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of September 30, 2015 and December 31, 2014, $71,479 and $43,480, respectively, in collateral was netted against liability derivative positions subject to master netting agreements. As of September 30, 2015 and December 31, 2014, $121,662 and $79,296, respectively, of collateral was posted for derivatives with credit risk contingent features.

Counterparty Credit Risk

The Company is exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If the counterparty fails to perform, counterparty credit risk equals the amount reported as derivative assets in the balance sheet. The amounts reported as derivative assets are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. The Company minimizes this risk through obtaining credit approvals, monitoring credit limits, monitoring procedures, and executing master netting arrangements and obtaining collateral, where appropriate. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of September 30, 2015 and December 31, 2014, $340 and $2,300, respectively, in collateral was netted against asset derivative positions subject to master netting agreements. As of September 30, 2015 and December 31, 2014, the Company held $1,281 and $2,300, respectively, in collateral from its counterparties.

Counterparty credit risk related to derivatives is considered in determining fair value.

13. Fair Value Measurements

Asset and liability fair value measurements have been categorized based upon the fair value hierarchy described below:

Level 1 – Valuation is based upon quoted market prices for identical instruments in active markets.

Level 2 – Valuation is based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the assets or liabilities. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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Recurring Fair Value Measurements

As of September 30, 2015 and December 31, 2014, assets and liabilities measured at fair value on a recurring basis, including certain loans held for sale and certain other assets for which the Company has elected the fair value option, are as follows:

	Fair Value Measurements				
	Level 1	Level 2	Level 3	Netting	Total
September 30, 2015					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$572,336	$—		$572,336
Asset-backed securities	—	1,375	—		1,375
Other	206	187	—		393
Total available for sale securities	206	573,898	—		574,104
Loans held for sale	—	347,038	754,303		1,101,341
Other assets (1)	—	—	784		784
Derivative financial instruments:					
Derivative assets (Note 12)	—	14,886	13,132	(10,856)	17,162
Derivative liabilities (Note 12)	—	86,355	76	(81,995)	4,436

	Fair Value Measurements				
	Level 1	Level 2	Level 3	Netting	Total
December 31, 2014					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$774,235	$—		$774,235
Asset-backed securities	—	1,395	—		1,395
Other	470	211	—		681
Total available for sale securities	470	775,841	—		776,311
Loans held for sale	—	410,948	317,430		728,378
Derivative financial instruments:					
Derivative assets (Note 12)	— (2)	7,344	17,202	(5,737)	18,809
Derivative liabilities (Note 12)	—	53,759	340	(46,917)	7,182

(1) Other assets represent the net position of the Company's extended written loan commitments for which the Company has elected the fair value option of accounting. As of September 30, 2015 the Company had outstanding commitments of $70,533 related to these extended loan commitments.

(2) Level 1 derivative assets include interest rate swap futures. These futures are settled on a daily basis between the counterparty and the Company, resulting in the Company holding an outstanding notional balance and a zero derivative balance. See Note 12 for additional information regarding the interest rate swap futures.

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Changes in assets and liabilities measured at Level 3 fair value on a recurring basis for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Loans Held for Sale (1)	Other Assets (2)	Freestanding Derivatives, net (3)
Three Months Ended September 30, 2015			
Balance, beginning of period	$653,849	$(381)	$14,213
Issuances	415,136	383	33,079
Sales	(318,915)	—	—
Settlements	(4,910)	(91)	(37,390)
Gains (losses) included in earnings for the period	9,143	873	3,154
Balance, end of period	$754,303	$784	$13,056
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of September 30, 2015	$7,310	$921	$5,056
Three Months Ended September 30, 2014			
Balance, beginning of period	$156,546	$—	$16,712
Issuances	304,213	—	24,191
Sales	(157,977)	—	—
Settlements	(2,754)	—	(26,278)
Gains (losses) included in earnings for the period	546	—	1,029
Balance, end of period	$300,574	$—	$15,654
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of September 30, 2014	$1,273	$—	$(1,058)

	Loans Held for Sale (1)	Other Assets (2)	Freestanding Derivatives, net (3)
Nine Months Ended September 30, 2015			
Balance, beginning of period	$317,430	$—	$16,862
Issuances	1,330,276	(397)	95,631
Sales	(871,661)	—	—
Settlements	(31,159)	445	(97,229)
Gains (losses) included in earnings for the period	9,417	736	(2,208)
Balance, end of period	$754,303	$784	$13,056
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of September 30, 2015	$7,310	$784	$13,056
Nine Months Ended September 30, 2014			
Balance, beginning of period	$58,912	$—	$5,861
Issuances	568,290	—	47,105
Sales	(301,322)	—	—
Settlements	(29,642)	—	(62,244)
Gains (losses) included in earnings for the period	4,336	—	24,932
Balance, end of period	$300,574	$—	$15,654
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of September 30, 2014	$1,273	$—	$9,792

(1) Net realized and unrealized gains (losses) on loans held for sale are included in gain on sale of loans.

(2) Net realized and unrealized gains (losses) on extended written loan commitments are included in gain on sale of loans.

(3) Net realized and unrealized gains (losses) on IRLCs are included in gain on sale of loans. Changes in the fair value of the indemnification asset are recorded in general and administrative expense.

The Company monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the Company reports the transfer at the end of the reporting period.

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The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value			
September 30, 2015				Min.	Max.	Weighted Avg.	
IRLCs, net	$13,056	Discounted cash flow	Loan closing ratio	1.00	% - 99.00%	79.83%	(2)
Loans held for sale	754,303	Discounted cash flow	Cost of funds	2.01	% - 3.15%	2.85%	
			Prepayment rate	5.08	% - 23.97%	9.23%	
			Default rate	0.00	% - 3.46%	0.42%	
			Weighted average life (in years)	3.41	- 10.56	7.60	
			Cumulative loss	0.00	% - 0.73%	0.06%	
			Loss severity	2.30	% - 30.93%	12.34%	
Other assets	784	Discounted cash flow	Loan closing ratio	1.00	% 99.00%	71.57%	(2)
December 31, 2014							
Indemnification asset	$6,658	Discounted cash flow	Discount rate	4.35	% - 4.35%	4.35%	
			Reinstatement rate	5.35	% - 70.23%	31.14%	(1)
			Loss duration (in months)	18	- 90	44	(1)
			Loss severity	(1.77	)% - 16.15%	7.84%	(1)
IRLCs, net	10,204	Discounted cash flow	Loan closing ratio	0.00	% - 99.00%	74.73%	(2)
Loans held for sale	317,430	Discounted cash flow	Cost of funds	2.07	% - 2.91%	2.58%	
			Prepayment rate	5.87	% - 23.77%	14.17%	
			Default rate	0.00	% - 2.36%	0.34%	
			Weighted average life (in years)	3.39	- 9.00	5.62	
			Cumulative loss	0.00	% - 0.43%	0.05%	
			Loss severity	2.05	% - 21.70%	11.68%	

(1) The range represents the sum of the highest and lowest values for all tranches that we use in our valuation process.

(2) The range represents the highest and lowest loan closing rates used in the valuation process. The range includes the closing ratio for rate locks unclosed at the end of the period, as well as the closing ratio for loans which have settled during the period.

Loans Held for Sale Accounted for under the Fair Value Option

The following table presents information on loans held for sale reported under the fair value option at September 30, 2015 and December 31, 2014:

September 30, 2015	
Fair value carrying amount	$1,101,341
Aggregate unpaid principal balance	1,065,004
Fair value carrying amount less aggregate unpaid principal	$36,337
December 31, 2014	
Fair value carrying amount	$728,378
Aggregate unpaid principal balance	704,835

Fair value carrying amount less aggregate unpaid principal	$23,543

No loans recorded under the fair value option were 90 days or more past due or on nonaccrual status at September 30, 2015 or December 31, 2014.

Differences between the fair value carrying amount and the aggregate unpaid principal balance include changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding and premiums or discounts on acquired loans.

The net gains from initial measurement of loans accounted for under the fair value option and subsequent changes in fair value for loans outstanding was $30,875 and $35,427 for the three and nine months ended September 30, 2015, respectively, and $20,697 and $21,861 for the three and nine months ended September 30, 2014, respectively, and are included in gain on sale of loans. These amounts exclude the impact from offsetting hedging arrangements which are also included in gain on sale of loans in the condensed consolidated statements of income. An immaterial portion of the change in fair value was attributable to changes in instrument-specific credit risk.

The Company has elected the fair value option for extended written loan commitments to originate residential mortgage loans in the Company's held for investment portfolio. The Company economically hedges these extended loan commitments with MBS options designed to protect against potential changes in fair value. Due to the longer duration these loan commitments are present on the balance sheet, the Company has elected the fair value option of accounting. The fair value option of accounting was elected for these instruments due to the burden of complying with the requirements of hedge accounting. The Company has not elected the fair value option for loan commitments to originate residential mortgage loans held for investment with lock terms less than 61 days. The net losses from initial measurement of extended written loan commitments accounted for under the fair value option and subsequent changes in fair value for those commitments was $921 and

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$784 for the three and nine months ended September 30, 2015, respectively. An immaterial portion of the change in fair value was attributable to changes in instrument-specific credit risk.

Non-recurring Fair Value Measurements

Certain assets and liabilities are measured at fair value on a non-recurring basis and therefore are not included in the tables above. These measurements primarily result from assets carried at the lower of cost or fair value or from impairment of individual assets. Gains and losses disclosed below represent changes in fair value recognized subsequent to initial classification. The change in the MSR value represents a change due to impairment or recoveries on previous write downs. The carrying value of assets measured at fair value on a non-recurring basis and held at September 30, 2015 and December 31, 2014 and related changes in fair value are as follows:

	Level 1	Level 2	Level 3	Total	Loss (Gain) Due to Change in Fair Value
September 30, 2015					
Collateral-dependent loans	$—	$—	$49,352	$49,352	$6,614
Other real estate owned [1]	—	—	4,155	4,155	2,732
Mortgage servicing rights [2]	—	—	356,530	356,530	16,894
Loans held for sale	—	—	213	213	10
December 31, 2014					
Collateral-dependent loans	$—	$—	$11,282	$11,282	$720
Other real estate owned [1]	—	—	10,207	10,207	3,107
Mortgage servicing rights [2]	—	—	59,731	59,731	(8,012)
Loans held for sale					