

Edgar Filing: EverBank Financial Corp - Form 10-Q

EverBank Financial Corp
Form 10-Q
July 26, 2016

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2016.

or

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

EverBank Financial Corp

(Exact name of registrant as specified in its charter)

Delaware

001-35533

52-2024090

(State of incorporation)

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

501 Riverside Ave., Jacksonville, FL

32202

(Address of principal executive offices)

(Zip Code)

904-281-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes No

As of July 22, 2016, there were 125,324,413 shares of common stock outstanding.

Table of Contents

EverBank Financial Corp

Form 10-Q

Index

Part I - Financial Information

Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015	<u>3</u>
Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2016 and 2015	<u>4</u>
Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2016 and 2015	<u>5</u>
Condensed Consolidated Statements of Shareholders' Equity for the Six Months Ended June 30, 2016 and 2015	<u>6</u>
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>37</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>81</u>
Item 4. <u>Controls and Procedures</u>	<u>81</u>
Part II - Other Information	
Item 1. <u>Legal Proceedings</u>	<u>82</u>
Item 1A. <u>Risk Factors</u>	<u>82</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>83</u>
Item 3. <u>Default Upon Senior Securities</u>	<u>83</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>83</u>
Item 5. <u>Other Information</u>	<u>83</u>
Item 6. <u>Exhibits</u>	<u>83</u>

Table of Contents

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)

	June 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$62,512	\$55,300
Interest-bearing deposits in banks	559,434	527,151
Total cash and cash equivalents	621,946	582,451
Investment securities:		
Available for sale, at fair value	461,141	555,019
Held to maturity (fair value of \$109,575 and \$105,448 as of June 30, 2016 and December 31, 2015, respectively)	104,205	103,746
Other investments	271,606	265,431
Total investment securities	836,952	924,196
Loans held for sale (includes \$1,325,149 and \$1,307,741 carried at fair value as of June 30, 2016 and December 31, 2015, respectively)	1,485,747	1,509,268
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	23,218,614	22,227,492
Allowance for loan and lease losses	(84,250)	(78,137)
Total loans and leases held for investment, net	23,134,364	22,149,355
Mortgage servicing rights (MSR), net	274,356	335,280
Premises and equipment, net	48,486	51,599
Other assets	952,459	1,048,877
Total Assets	\$27,354,310	\$26,601,026
Liabilities		
Deposits:		
Noninterest-bearing	\$1,510,198	\$1,141,357
Interest-bearing	17,301,564	17,100,685
Total deposits	18,811,762	18,242,042
Other borrowings	6,022,000	5,877,000
Trust preferred securities and subordinated notes payable	360,079	276,170
Accounts payable and accrued liabilities	303,110	337,493
Total Liabilities	25,496,951	24,732,705
Commitments and Contingencies (Note 14)		
Shareholders' Equity		
Series A 6.75% Non-Cumulative Perpetual Preferred Stock, \$0.01 par value (liquidation preference of \$25,000 per share; 10,000,000 shares authorized; 6,000 issued and outstanding at June 30, 2016 and December 31, 2015)	150,000	150,000
Common Stock, \$0.01 par value (500,000,000 shares authorized; 125,324,413 and 125,020,843 issued and outstanding at June 30, 2016 and December 31, 2015, respectively)	1,253	1,250
Additional paid-in capital	879,169	874,806
Retained earnings	935,670	906,278

Edgar Filing: EverBank Financial Corp - Form 10-Q

Accumulated other comprehensive income (loss) (AOCI)	(108,733)	(64,013)
Total Shareholders' Equity	1,857,359	1,868,321
Total Liabilities and Shareholders' Equity	\$27,354,310	\$26,601,026

See notes to unaudited condensed consolidated financial statements.

3

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Interest Income				
Interest and fees on loans and leases	\$236,168	\$210,347	\$467,227	\$405,196
Interest and dividends on investment securities	6,965	7,447	14,369	15,469
Other interest income	385	159	781	319
Total Interest Income	243,518	217,953	482,377	420,984
Interest Expense				
Deposits	39,078	30,219	78,168	59,983
Other borrowings	27,000	18,709	52,988	36,538
Total Interest Expense	66,078	48,928	131,156	96,521
Net Interest Income	177,440	169,025	351,221	324,463
Provision for Loan and Lease Losses	6,012	7,932	14,931	16,932
Net Interest Income after Provision for Loan and Lease Losses	171,428	161,093	336,290	307,531
Noninterest Income				
Loan servicing fee income	22,814	29,569	46,255	63,701
Amortization of mortgage servicing rights	(16,550)	(19,006)	(31,281)	(39,305)
Recovery (impairment) of mortgage servicing rights	(36,872)	15,727	(59,414)	(27,625)
Net loan servicing income (loss)	(30,608)	26,290	(44,440)	(3,229)
Gain on sale of loans	31,973	40,588	60,724	83,211
Loan production revenue	6,729	6,195	11,989	11,582
Deposit fee income	1,953	3,052	5,055	7,102
Other lease income	3,316	2,082	7,683	6,162
Other	5,805	5,607	7,910	11,507
Total Noninterest Income	19,168	83,814	48,921	116,335
Noninterest Expense				
Salaries, commissions and other employee benefits expense	94,922	95,769	186,562	187,755
Equipment expense	16,052	15,258	31,969	31,303
Occupancy expense	7,266	7,156	13,530	13,012
General and administrative expense	37,600	59,785	73,209	101,940
Total Noninterest Expense	155,840	177,968	305,270	334,010
Income before Provision for Income Taxes	34,756	66,939	79,941	89,856
Provision for Income Taxes	13,201	25,372	30,462	34,059
Net Income	\$21,555	\$41,567	\$49,479	\$55,797
Less: Net Income Allocated to Preferred Stock	(2,531)	(2,531)	(5,062)	(5,062)
Net Income Allocated to Common Shareholders	\$19,024	\$39,036	\$44,417	\$50,735
Basic Earnings Per Common Share	\$0.15	\$0.31	\$0.35	\$0.41
Diluted Earnings Per Common Share	\$0.15	\$0.31	\$0.35	\$0.40
Dividends Declared Per Common Share	\$0.06	\$0.04	\$0.12	\$0.08

See notes to unaudited condensed consolidated financial statements.

Table of Contents

EverBank Financial Corp and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	\$21,555	\$41,567	\$49,479	\$55,797
Unrealized Gains (Losses) on Debt Securities				
Net unrealized gains (losses) due to changes in fair value	2,879	(2,690)	(167)	(2,095)
Reclassification of unrealized losses (gains) to noninterest income	—	(69)	97	(69)
Tax effect	(1,095)	1,049	26	823
Change in unrealized gains (losses) on debt securities	1,784	(1,710)	(44)	(1,341)
Interest Rate Swaps				
Net unrealized gains (losses) due to changes in fair value	(26,035)	32,987	(79,998)	20,843
Reclassification of net unrealized losses to interest expense	3,890	4,023	7,934	8,643
Tax effect	8,417	(14,066)	27,388	(11,207)
Change in interest rate swaps	(13,728)	22,944	(44,676)	18,279
Other Comprehensive Income (Loss)	(11,944)	21,234	(44,720)	16,938
Comprehensive Income (Loss)	\$9,611	\$62,801	\$4,759	\$72,735

See notes to unaudited condensed consolidated financial statements.

Table of Contents

EverBank Financial Corp and Subsidiaries

Condensed Consolidated Statements of Shareholders' Equity (unaudited)

(Dollars in thousands)

	Shareholders' Equity				Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Equity
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings		
Balance, January 1, 2016	\$ 150,000	\$ 1,250	\$ 874,806	\$ 906,278	\$ (64,013)	\$ 1,868,321
Net income	—	—	—	49,479	—	49,479
Other comprehensive income (loss)	—	—	—	—	(44,720)	(44,720)
Issuance of common stock	—	3	429	—	—	432
Share-based grants (including income tax benefits)	—	—	3,934	—	—	3,934
Cash dividends on common stock	—	—	—	(15,025)	—	(15,025)
Cash dividends on preferred stock	—	—	—	(5,062)	—	(5,062)
Balance, June 30, 2016	\$ 150,000	\$ 1,253	\$ 879,169	\$ 935,670	\$ (108,733)	\$ 1,857,359
Balance, January 1, 2015	\$ 150,000	\$ 1,237	\$ 851,158	\$ 810,796	\$ (65,597)	\$ 1,747,594
Net income	—	—	—	55,797	—	55,797
Other comprehensive income (loss)	—	—	—	—	16,938	16,938
Issuance of common stock	—	9	9,186	—	—	9,195
Share-based grants (including income tax benefits)	—	—	5,288	—	—	5,288
Cash dividends on common stock	—	—	—	(9,929)	—	(9,929)
Cash dividends on preferred stock	—	—	—	(5,062)	—	(5,062)
Balance, June 30, 2015	\$ 150,000	\$ 1,246	\$ 865,632	\$ 851,602	\$ (48,659)	\$ 1,819,821

See notes to unaudited condensed consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
Operating Activities		
Net income	\$49,479	\$55,797
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and deferred origination costs	37,269	26,268
Depreciation and amortization of tangible and intangible assets	13,249	13,483
Reclassification of net loss on settlement of interest rate swaps	7,934	8,643
Amortization and impairment of mortgage servicing rights, net of recoveries	90,695	66,930
Deferred income taxes (benefit)	(21,401)	(346)
Provision for loan and lease losses	14,931	16,932
Loss on other real estate owned (OREO)	447	1,342
Share-based compensation expense	3,936	3,881
Gain on extinguishment of debt	(1,478)	—
Other operating activities	(131)	1,689
Changes in operating assets and liabilities:		
Loans held for sale, including proceeds from sales and repayments	(31,906)	(535,066)
Other assets	59,201	120,744
Accounts payable and accrued liabilities	(53,108)	29,858
Net cash provided by (used in) operating activities	169,117	(189,845)
Investing Activities		
Investment securities available for sale:		
Proceeds from prepayments and maturities	93,074	117,022
Investment securities held to maturity:		
Purchases	(6,566)	(5,099)
Proceeds from prepayments and maturities	5,782	10,379
Purchases of other investments	(272,863)	(288,388)
Proceeds from sales of other investments	266,688	245,907
Net change in loans and leases held for investment	(1,639,117)	(2,510,272)
Purchases of premises and equipment, including equipment under operating leases	(12,598)	(11,790)
Proceeds related to sale or settlement of other real estate owned	8,615	8,730
Proceeds from insured foreclosure claims	644,492	402,945
Proceeds from sale of mortgage servicing rights	971	34,040
Other investing activities	12,602	132
Net cash provided by (used in) investing activities	(898,920)	(1,996,394)
Financing Activities		
Net increase (decrease) in nonmaturity deposits	510,489	329,037
Net increase (decrease) in time deposits	48,256	637,386
Net change in short-term Federal Home Loan Bank (FHLB) advances	250,000	149,000
Proceeds from long-term FHLB advances	200,000	1,350,000
Repayments of long-term FHLB advances	(305,000)	(256,000)
Repurchase of trust preferred securities	(3,522)	—
Proceeds from issuance of subordinated notes payable, net of issuance costs	88,731	172,702
Proceeds from issuance of common stock	1,167	9,195
Dividends paid	(20,087)	(14,991)

Edgar Filing: EverBank Financial Corp - Form 10-Q

Other financing activities	(736) 1,406
Net cash provided by (used in) financing activities	769,298	2,377,735
Net change in cash and cash equivalents	39,495	191,496
Cash and cash equivalents at beginning of period	582,451	366,664
Cash and cash equivalents at end of period	\$621,946	\$558,160

See Note 1 and Note 4 for disclosures related to supplemental noncash information.

See notes to unaudited condensed consolidated financial statements.

7

Table of Contents

EverBank Financial Corp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

(Dollars in thousands, except per share data)

1. Organization and Basis of Presentation

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

EB's subsidiaries are:

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

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

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

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

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

Six Months Ended	
June 30,	
2016	2015

Supplemental Schedules of Noncash Activities:

Loans transferred to foreclosure claims \$601,921 \$477,075

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

2. Recent Accounting Pronouncements

Credit Losses - In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments, which eliminates the probable initial recognition threshold for credit losses requiring, instead, that all financial assets (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected inclusive of the entity's current estimate of all lifetime expected credit losses. The ASU also applies to certain off-balance-sheet credit exposures such as unfunded commitments and non-derivative financial guarantees. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) in order to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The income statement under this ASU will reflect the initial recognition of current expected credit losses for newly recognized assets, as well as any increases or decreases of expected credit losses that have occurred during the period. ASU 2016-13 retains many currently-existing disclosures related to the credit quality of an entity's assets and the related allowance for credit losses amended to reflect the change to an expected credit loss methodology, as well as enhanced disclosures to provide information to users at a more disaggregated level. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition is provided in order to maintain the same amortized cost prior to and subsequent to the effective date of the ASU. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods with early adoption permitted for fiscal years beginning after

Table of Contents

December 15, 2018, and interim periods within those annual periods. The Company is currently evaluating the pending adoption of ASU 2016-13 and its impact on the Company's consolidated financial statements.

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

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

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

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

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

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity, which will

eliminate diversity in practice associated with the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 clarifies

that no single term or feature, stated or implied, would necessarily determine the economic characteristics and risks of the host contract in

determining whether it is more akin to debt or equity. Although an individual term or feature may weigh more heavily in the evaluation, the final

determination must be made based on all economic characteristics and risks of the entire hybrid financial instrument.

Once the nature of the host contract is determined, any embedded features considered to be derivatives would be evaluated for bifurcation from the host contract. ASU

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

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Subtopic 606), which supersedes the guidance in former Accounting Standards Codification (ASC) 605, Revenue Recognition. ASU 2014-09 clarifies the principles for recognizing revenue in order to improve comparability of revenue recognition practices across entities and industries with certain scope exceptions including financial instruments, leases, and guarantees. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To satisfy this objective, ASU 2014-09 provides guidance intended to assist in the identification of contracts with customers and separate performance obligations within those contracts, the determination and allocation of the transaction price to those identified performance obligations and the recognition of revenue when a performance obligation has been satisfied. ASU 2014-09 also implements enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash

Table of Contents

flows from contracts with customers. The effective date of ASU 2014-09 has been deferred by one year from its original effective date through the August 2015 issuance of ASU 2015-14 and thus is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Upon adoption, ASU 2014-09 provides for transition through either a full retrospective approach requiring the restatement of all presented prior periods or a modified retrospective approach, which allows the new recognition standard to be applied to only those contracts that are not completed at the date of transition. If the modified retrospective approach is adopted, a cumulative-effect adjustment to retained earnings is performed with additional disclosures required including the amount by which each line item is affected by the transition as compared to the guidance in effect before adoption and an explanation of the reasons for significant changes in these amounts. The Company is currently evaluating the pending adoption of ASU 2014-09 and its impact on its consolidated financial statements and has not yet identified which transition method will be applied upon adoption.

3. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value and carrying amount of investment securities were as follows as of June 30, 2016 and December 31, 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
June 30, 2016					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	\$ 464,939	\$ 1,680	\$ 7,093	\$ 459,526	\$ 459,526
Asset-backed securities (ABS)	1,518	—	290	1,228	1,228
Other	235	152	—	387	387
Total available for sale securities	\$ 466,692	\$ 1,832	\$ 7,383	\$ 461,141	\$ 461,141
Held to maturity:					
Residential CMO securities - agency	\$ 8,937	\$ 291	\$ —	\$ 9,228	\$ 8,937
Residential mortgage-backed securities (MBS) - agency	95,268	5,080	1	100,347	95,268
Total held to maturity securities	\$ 104,205	\$ 5,371	\$ 1	\$ 109,575	\$ 104,205
December 31, 2015					
Available for sale:					
Residential CMO securities - nonagency	\$ 558,621	\$ 1,728	\$ 7,091	\$ 553,258	\$ 553,258
ABS	1,632	—	280	1,352	1,352
Other	248	161	—	409	409
Total available for sale securities	\$ 560,501	\$ 1,889	\$ 7,371	\$ 555,019	\$ 555,019
Held to maturity:					
Residential CMO securities - agency	\$ 13,065	\$ 269	\$ —	\$ 13,334	\$ 13,065
Residential MBS - agency	90,681	1,973	540	92,114	90,681
Total held to maturity securities	\$ 103,746	\$ 2,242	\$ 540	\$ 105,448	\$ 103,746

At June 30, 2016 and December 31, 2015, investment securities with a carrying value of \$133,049 and \$145,904, respectively, were pledged to secure other borrowings and for other purposes as required or permitted by law.

For the three and six months ended June 30, 2016 and 2015, no gross gains or losses have been realized. The cost of investments sold is calculated using the specific identification method.

Table of Contents

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 June 30, 2016 and December 31, 2015 were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2016						
Debt securities:						
Residential CMO securities - nonagency	\$ 105,463	\$ 1,060	\$ 214,662	\$ 6,033	\$ 320,125	\$ 7,093
Residential MBS - agency	—	—	942	1	942	1
ABS	—	—	1,228	290	1,228	290
Total debt securities	\$ 105,463	\$ 1,060	\$ 216,832	\$ 6,324	\$ 322,295	\$ 7,384
December 31, 2015						
Debt securities:						
Residential CMO securities - nonagency	\$ 173,705	\$ 1,003	\$ 221,180	\$ 6,088	\$ 394,885	\$ 7,091
Residential MBS - agency	28,514	313	9,171	227	37,685	540
ABS	—	—	1,352	280	1,352	280
Total debt securities	\$ 202,219	\$ 1,316	\$ 231,703	\$ 6,595	\$ 433,922	\$ 7,911

The Company had unrealized losses at June 30, 2016 and December 31, 2015 on residential nonagency CMO securities, residential agency MBS, and ABS. These unrealized losses are primarily attributable to weak market conditions. Based on the nature of the impairment, these unrealized losses are considered temporary. The Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before their anticipated recoveries.

At June 30, 2016, the Company had 65 debt securities in an unrealized loss position. A total of 20 were in an unrealized loss position for less than 12 months. These 20 securities consisted of residential nonagency CMO securities. The remaining 45 debt securities were in an unrealized loss position for 12 months or longer. These 45 securities consisted of 41 residential nonagency CMO securities, three ABS, and one residential agency MBS. Of the \$7,384 in unrealized losses, \$3,275 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

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

When certain triggers indicate the likelihood of an other than temporary impairment (OTTI) or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analyses that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI.

There were no credit related OTTI recognized for the three months ended June 30, 2016. During the six months ended June 30, 2016, the Company recognized credit-related OTTI of \$97 on available for sale nonagency residential CMO securities. These credit-related OTTI losses represented additional declines in fair value on a security that was deemed OTTI at December 31, 2015. During the three and six months ended June 30, 2015, the Company recognized no credit-related OTTI related to available for sale or held to maturity securities. There were no non-credit related OTTI losses recognized on available for sale securities or held to maturity securities for the three and six months ended June 30, 2016 or 2015.

Edgar Filing: EverBank Financial Corp - Form 10-Q

During the three and six months ended June 30, 2016 and 2015, interest and dividend income on investment securities was comprised of the following:

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Interest income on available for sale securities	\$3,352	\$4,607	\$7,166	\$9,787
Interest income on held to maturity securities	715	778	1,463	1,592
Other interest and dividend income	2,898	2,062	5,740	4,090
	\$6,965	\$7,447	\$14,369	\$15,469

All investment interest income recognized by the Company during the three and six months ended June 30, 2016 and 2015 was fully taxable.

Table of Contents

4. Loans Held for Sale

Loans held for sale as of June 30, 2016 and December 31, 2015, consisted of the following:

	June 30, 2016	December 31, 2015
Mortgage warehouse (carried at fair value)	\$734,807	\$624,726
Other residential (carried at fair value)	590,342	683,015
Total loans held for sale carried at fair value	1,325,149	1,307,741
Other residential	67,665	22,774
Commercial and commercial real estate	92,933	178,753
Total loans held for sale carried at lower of cost or market	160,598	201,527
Total loans held for sale	\$1,485,747	\$1,509,268

The Company has elected the fair value option for loans it originates with the intent to market and sell in the secondary market either through third party sales or securitizations. Mortgage warehouse loans are largely comprised of agency deliverable products that the Company typically sells within three months subsequent to origination. The Company economically hedges the mortgage warehouse portfolio with forward purchase and sales commitments designed to protect against potential changes in fair value. Due to the short duration that these loans are present on the balance sheet and in part due to the burden of complying with the requirement of hedge accounting, the Company has elected fair value accounting on this portfolio of loans. The Company has also elected the fair value option for originated fixed-rate jumbo loans due to the short duration that these loans are present on the balance sheet. Electing to use fair value accounting allows a better offset of the changes in the fair values of the loans and the derivative instruments used to economically hedge these loans without the burden of complying with the requirements for hedge accounting. The Company has not elected the fair value option for other residential mortgage and commercial and commercial real estate loans as the majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period subsequent to transfer. These loans are carried at the lower of cost or market value.

A majority of the loans held for sale that are carried at the lower of cost or market value represent loans that were transferred from the held for investment portfolio. Other residential loans held at the lower of cost or market value represent government insured pool buyouts that have re-performed and are now eligible to be re-securitized or sold to third parties and other residential mortgage loans for which the Company has changed its intent and has made a decision to sell the loans and as such transferred the loans to held for sale. A majority of these other residential mortgage loans consist of jumbo preferred adjustable rate mortgage (ARM) loans. Commercial and commercial real estate loans represent multi-family loans which the Company is actively marketing to sell. As the Company no longer has the intent to hold these loans for the foreseeable future, the loans were transferred to held for sale. Residential loans, commercial and commercial real estate loans and equipment financing receivables are transferred to the held for sale portfolio when the Company has entered into a commitment to sell a specific portion of its held for investment portfolio or when the Company has a formal marketing strategy and intends 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 six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Proceeds received from residential agency securitizations	\$989,604	\$1,116,314	\$1,845,568	\$2,175,392

Edgar Filing: EverBank Financial Corp - Form 10-Q

Proceeds received from nonsecuritization sales - residential	1,236,681	1,281,941	2,668,183	1,648,156
Proceeds received from nonsecuritization sales - commercial and commercial real estate	193,372	103,279	405,439	103,279
Proceeds received from nonsecuritization sales - equipment financing receivables	47,993	28,071	123,577	40,129
Proceeds received from nonsecuritization sales	\$1,478,046	\$1,413,291	\$3,197,199	\$1,791,564
Repurchased loans from residential agency sales and securitizations	\$2,569	\$1,866	\$4,157	\$2,521
Repurchased loans from residential nonagency sales	1,935	4,073	2,635	5,377
Repurchased loans from commercial sales and securitizations ⁽¹⁾	74,987	105,652	74,987	105,652

Represents loans that were voluntarily repurchased out of the Business Lending Trusts through a clean-up call. Of those loans repurchased during the three months ended June 30, 2016, all were subsequently sold to third parties by (1) June 30, 2016. Of those loans repurchased in 2015, \$103,279 were subsequently sold to third parties during the three and six months ended June 30, 2015 and \$2,524 were held for sale as of June 30, 2015.

In connection with these transfers, the Company recorded servicing assets in the amount of \$16,207 and \$30,966 for the three and six months ended June 30, 2016 and \$16,531 and \$28,823 for the three and six months ended June 30, 2015. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 7 for information relating to servicing activities and MSR and Note 13 for a description of the valuation process. The gains and losses on the transfers which qualified as sales are recorded in the condensed

Table of Contents

consolidated statements of income in gain on sale of loans, which includes the gain or loss on sale, change in fair value related to fair value option loans, and the change in fair value related to offsetting hedging positions. The following is a summary of transfers of loans from held for investment to held for sale and transfers of loans from held for sale to held for investment for the three and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Loans Transferred from Held for Investment (LHFI) to Held for Sale (LHFS)				
Residential mortgages	\$367,727	\$1,339	\$864,090	\$709,722
Government insured pool buyouts	476,332	217,253	901,536	485,672
Commercial and commercial real estate	100,453	—	270,861	—
Equipment financing receivables	45,560	26,040	117,732	37,190
Total transfers from LHFI to LHFS	\$990,072	\$244,632	\$2,154,219	\$1,232,584
Loans Transferred from LHFS to LHFI				
Residential mortgages	\$—	\$80,029	26,155	194,054
Commercial and commercial real estate	—	—	28,753	—
Total transfers from LHFS to LHFI	\$—	\$80,029	\$54,908	\$194,054

Loans and leases are transferred from LHFI to LHFS when the Company no longer has the intent to hold the loans and leases for the foreseeable future. Loans and leases are transferred from LHFS to LHFI when the Company determines that it intends to hold the loans and leases for the foreseeable future and no longer has the intent to sell. Loan transfers from LHFS to LHFI and transfers from LHFI to LHFS 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 June 30, 2016 and December 31, 2015 are comprised of the following:

	June 30, 2016	December 31, 2015
Residential mortgages	\$11,365,084	\$11,717,122
Commercial and commercial real estate	8,317,399	7,607,676
Equipment financing receivables	2,462,475	2,400,909
Home equity lines and other	1,073,656	501,785
Total loans and leases held for investment, net of unearned income	23,218,614	22,227,492
Allowance for loan and lease losses	(84,250)	(78,137)
Total loans and leases held for investment, net	\$23,134,364	\$22,149,355

As of June 30, 2016 and December 31, 2015, the carrying values presented above include net purchased loan and lease discounts and net deferred loan and lease origination costs as follows:

	June 30, 2016	December 31, 2015
Net purchased loan and lease discounts	\$71,636	\$45,770
Net deferred loan and lease origination costs	125,555	123,255

During the six months ended June 30, 2016 and 2015, unpaid principal balance (UPB) for significant third-party purchases of loans that impacted the Company's LHFI portfolio are as follows:

	June 30, 2016	June 30, 2015
Residential mortgages ⁽¹⁾	\$1,948,784	\$1,335,130
Commercial credit facilities	221,086	460,582

Home equity lines of credit 256,926 —

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

13

Table of Contents

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 six months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Contractual payments receivable for acquired loans and leases at acquisition	\$3,084,207	\$2,080,441
Expected cash flows for acquired loans and leases at acquisition	1,938,394	1,359,961
Basis in acquired loans and leases at acquisition	1,815,277	1,244,608

Information pertaining to the ACI portfolio as of June 30, 2016 and December 31, 2015 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
June 30, 2016			
Carrying value, net of allowance	\$3,697,543	\$ 75,490	\$3,773,033
Outstanding unpaid principal balance	3,766,541	80,025	3,846,566
Allowance for loan and lease losses, beginning of period	7,031	346	7,377
Allowance for loan and lease losses, end of period	5,804	11	5,815
December 31, 2015			
Carrying value, net of allowance	\$3,449,385	\$ 110,984	\$3,560,369
Outstanding unpaid principal balance	3,503,138	117,051	3,620,189
Allowance for loan and lease losses, beginning of year	5,974	2,042	8,016
Allowance for loan and lease losses, end of year	7,031	346	7,377

The Company recorded reductions of provision for loan loss of \$1,565 and \$2,439 for the ACI portfolio for the six months ended June 30, 2016 and 2015, 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 six months ended June 30, 2016 and 2015:

	Residential	Commercial and Commercial Real Estate	Total
June 30, 2016			
Balance, beginning of period	\$252,841	\$ 43,690	\$296,531
Additions	123,117	—	123,117
Accretion	(93,468)	(3,870)	(97,338)
Reclassifications to (from) accretable yield	(7,705)	(1,357)	(9,062)
Transfer from loans held for investment to loans held for sale	—	(3,304)	(3,304)
Balance, end of period	\$274,785	\$ 35,159	\$309,944
June 30, 2015			
Balance, beginning of period	\$240,650	\$ 61,256	\$301,906
Additions	115,353	—	115,353
Accretion	(60,615)	(6,238)	(66,853)
Reclassifications to (from) accretable yield	(8,456)	276	(8,180)

Edgar Filing: EverBank Financial Corp - Form 10-Q

Balance, end of period	\$286,932	\$ 55,294	\$342,226
------------------------	-----------	-----------	-----------

14

Table of Contents

6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the three and six months ended June 30, 2016 and 2015 are as follows:

	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines and Other	Total
Three Months Ended June 30, 2016					
Balance, beginning of period	\$ 28,309	\$ 36,774	\$ 14,054	\$ 4,348	\$ 83,485
Provision for loan and lease losses	(618)	666	4,278	1,686	6,012
Charge-offs	(2,176)	—	(3,935)	(275)	(6,386)
Recoveries	272	4	794	69	1,139
Balance, end of period	\$ 25,787	\$ 37,444	\$ 15,191	\$ 5,828	\$ 84,250
Three Months Ended June 30, 2015					
Balance, beginning of period	\$ 23,478	\$ 24,999	\$ 10,071	\$ 4,298	\$ 62,846
Provision for loan and lease losses	3,301	1,725	2,623	283	7,932
Charge-offs	(2,447)	—	(2,838)	(305)	(5,590)
Recoveries	53	218	535	97	903
Balance, end of period	\$ 24,385	\$ 26,942	\$ 10,391	\$ 4,373	\$ 66,091
Six Months Ended June 30, 2016					
Balance, beginning of period	\$ 26,951	\$ 34,875	\$ 12,187	\$ 4,124	\$ 78,137
Provision for loan and lease losses	2,353	2,557	7,972	2,049	14,931
Charge-offs	(4,021)	(68)	(6,499)	(495)	(11,083)
Recoveries	504	80	1,531	150	2,265
Balance, end of period	\$ 25,787	\$ 37,444	\$ 15,191	\$ 5,828	\$ 84,250
Six Months Ended June 30, 2015					
Balance, beginning of period	\$ 25,098	\$ 23,095	\$ 8,649	\$ 4,004	\$ 60,846
Provision for loan and lease losses	4,162	5,645	6,310	815	16,932
Charge-offs	(4,986)	(2,018)	(5,469)	(626)	(13,099)
Recoveries	111	220	901	180	1,412
Balance, end of period	\$ 24,385	\$ 26,942	\$ 10,391	\$ 4,373	\$ 66,091

Table of Contents

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 June 30, 2016 and December 31, 2015:

June 30, 2016	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	\$ 2,132	\$ 17,851	\$ 5,804	\$ 25,787
Commercial and commercial real estate	8,854	28,579	11	37,444
Equipment financing receivables	945	14,246	—	15,191
Home equity lines and other	—	5,828	—	5,828
Total allowance for loan and lease losses	\$ 11,931	\$ 66,504	\$ 5,815	\$ 84,250
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	\$ 17,725	\$ 7,644,012	\$ 3,703,347	\$ 11,365,084
Commercial and commercial real estate	78,118	8,163,780	75,501	8,317,399
Equipment financing receivables	14,832	2,447,643	—	2,462,475
Home equity lines and other	—	1,073,656	—	1,073,656
Total loans and leases held for investment	\$ 110,675	\$ 19,329,091	\$ 3,778,848	\$ 23,218,614

December 31, 2015	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	\$ 2,206	\$ 17,714	\$ 7,031	\$ 26,951
Commercial and commercial real estate	7,743	26,786	346	34,875
Equipment financing receivables	91	12,096	—	12,187
Home equity lines and other	—	4,124	—	4,124
Total allowance for loan and lease losses	\$ 10,040	\$ 60,720	\$ 7,377	\$ 78,137
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	\$ 18,185	\$ 8,242,521	\$ 3,456,416	\$ 11,717,122
Commercial and commercial real estate	81,304	7,415,042	111,330	7,607,676
Equipment financing receivables	4,393	2,396,516	—	2,400,909
Home equity lines and other	—	501,785	—	501,785
Total loans and leases held for investment	\$ 103,882	\$ 18,555,864	\$ 3,567,746	\$ 22,227,492

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

Table of Contents

The following tables present the recorded investment for loans and leases by credit quality indicator as of June 30, 2016 and December 31, 2015:

	Performing	Non-performing		Total
		Accrual	Nonaccrual	
June 30, 2016				
Residential mortgages:				
Residential ⁽¹⁾	\$6,934,351	\$—	\$ 27,395	\$6,961,746
Government insured pool buyouts ^{(2) (3)}	4,128,243	275,095	—	4,403,338
Equipment financing receivables	2,433,642	—	28,833	2,462,475
Home equity lines and other	1,066,968	—	6,688	1,073,656
Total	\$14,563,204	\$275,095	\$ 62,916	\$14,901,215

	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2016					
Commercial and commercial real estate:					
Commercial real estate	\$3,450,661	\$46,363	\$ 96,164	\$—	\$3,593,188
Mortgage warehouse finance	3,035,328	—	—	—	3,035,328
Lender finance	1,450,638	—	—	—	1,450,638
Other commercial finance	214,486	23,759	—	—	238,245
Total commercial and commercial real estate	\$8,151,113	\$70,122	\$ 96,164	\$—	\$8,317,399

	Performing	Non-performing		Total
		Accrual	Nonaccrual	
December 31, 2015				
Residential mortgages:				
Residential ⁽¹⁾	\$7,469,855	\$—	\$ 31,912	\$7,501,767
Government insured pool buyouts ^{(2) (3)}	3,873,603	341,752	—	4,215,355
Equipment financing receivables	2,383,502	—	17,407	2,400,909
Home equity lines and other	498,446	—	3,339	501,785
Total	\$14,225,406	\$341,752	\$ 52,658	\$14,619,816

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2015					
Commercial and commercial real estate:					
Commercial real estate	\$3,609,808	\$23,070	\$ 111,134	\$ —	—\$3,744,012
Mortgage warehouse finance	2,372,731	—	—	—	2,372,731
Lender finance	1,280,423	—	—	—	1,280,423
Other commercial finance	208,763	—	1,747	—	210,510
Total commercial and commercial real estate	\$7,471,725	\$23,070	\$ 112,881	\$ —	—\$7,607,676

(1) For the periods ended June 30, 2016 and December 31, 2015, performing residential mortgages included \$4,130 and \$5,148, respectively, of ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended June 30, 2016 and December 31, 2015, performing government insured pool buyouts included \$2,936,809 and \$2,855,632, respectively, of ACI loans 90 days or greater past due and still accruing.

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

Table of Contents

The following tables present an aging analysis of the recorded investment for loans and leases by class as of June 30, 2016 and December 31, 2015:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
June 30, 2016						
Residential mortgages:						
Residential	\$ 8,963	\$ 10,689	\$ 27,395	\$ 47,047	\$ 6,877,841	\$ 6,924,888
Government insured pool buyouts ⁽¹⁾	31,193	16,970	275,095	323,258	413,591	736,849
Commercial and commercial real estate:						
Commercial real estate	—	3,535	1,767	5,302	3,512,404	3,517,706
Mortgage warehouse finance	—	—	—	—	3,035,329	3,035,329
Lender finance	—	—	—	—	1,450,638	1,450,638
Other commercial finance	—	—	—	—	238,225	238,225
Equipment financing receivables	20,176	5,621	5,580	31,377	2,431,098	2,462,475
Home equity lines and other	2,650	1,654	6,688	10,992	1,062,664	1,073,656
Total loans and leases held for investment	\$ 62,982	\$ 38,469	\$ 316,525	\$ 417,976	\$ 19,021,790	\$ 19,439,766
December 31, 2015						
Residential mortgages:						
Residential	\$ 9,963	\$ 6,150	\$ 31,912	\$ 48,025	\$ 7,408,905	\$ 7,456,930
Government insured pool buyouts ⁽¹⁾	30,645	21,117	341,752	393,514	410,262	803,776
Commercial and commercial real estate:						
Commercial real estate	—	—	3,741	3,741	3,632,301	3,636,042
Mortgage warehouse finance	—	—	—	—	2,372,731	2,372,731
Lender finance	—	—	—	—	1,280,423	1,280,423
Other commercial finance	—	—	—	—	207,150	207,150
Equipment financing receivables	17,579	5,131	4,737	27,447	2,373,462	2,400,909
Home equity lines and other	1,760	1,496	3,340	6,596	495,189	501,785
Total loans and leases held for investment	\$ 59,947	\$ 33,894	\$ 385,482	\$ 479,323	\$ 18,180,423	\$ 18,659,746

⁽¹⁾ Government insured pool buyouts remain on accrual status after 89 days as the interest earned is insured and thus 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, that 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 June 30, 2016 and December 31, 2015, the Company had loans collateralized by residential real estate with carrying values of \$3,094,544 and \$2,994,749, respectively, that were 120 days or more past due and therefore considered to be in the foreclosure process. Of the residential loans that were 120 days or more past due, \$3,059,895 and \$2,960,397 represented loans that were government insured at June 30, 2016 and December 31, 2015, respectively.

At June 30, 2016 and December 31, 2015, the Company had foreclosure claims receivable of \$495,670 and \$530,624, net of valuation allowances of \$6,001 and \$11,187, respectively. At June 30, 2016 and December 31, 2015, the Company had residential other real estate owned of \$15,881 and \$8,069, net of valuation allowances of \$363 and

\$275, respectively. Of the residential other real estate owned, \$9,474 and \$1,989, respectively, were government insured at June 30, 2016 and December 31, 2015.

Table of Contents

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 UPB, the recorded investment and the related allowance for impaired loans as of June 30, 2016 and December 31, 2015:

	June 30, 2016			December 31, 2015		
	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance
With an allowance recorded:						
Residential	\$11,158	\$ 10,151	\$ 2,132	\$11,578	\$ 10,510	\$ 2,206
Commercial real estate	39,813	37,725	8,854	52,811	52,029	7,743
Equipment financing receivables	2,055	2,055	945	380	380	91
Total impaired loans with an allowance recorded	\$53,026	\$ 49,931	\$ 11,931	\$64,769	\$ 62,919	\$ 10,040
Without a related allowance recorded:						
Residential	\$8,359	\$ 7,574		\$8,432	\$ 7,675	
Commercial real estate	43,407	40,393		31,718	29,275	
Equipment finance receivables	12,777	12,777		4,013	4,013	
Total impaired loans without an allowance recorded	\$64,543	\$ 60,744		\$44,163	\$ 40,963	

(1)The primary difference between the UPB 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 six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,			
	2016		2015	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
With and without a related allowance recorded:				
Residential	\$17,387	\$ 134	\$17,451	\$ 135
Commercial real estate	76,334	349	44,132	177
Equipment financing receivables	13,397	(2)	493	—
Total impaired loans	\$107,118	\$ 481	\$62,076	\$ 312
	Six Months Ended June 30,			
	2016		2015	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
With and without a related allowance recorded:				
Residential	\$17,653	\$ 257	\$17,181	\$ 265
Commercial real estate	77,990	438	43,530	200
Equipment financing receivables	10,395	1	328	4
Total impaired loans	\$106,038	\$ 696	\$61,039	\$ 469

Table of Contents

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 June 30, 2016 and December 31, 2015:

	June 30, 2016		December 31, 2015	
	Nonaccrual Status	90 Days and Greater Past Due and Accruing	Nonaccrual Status	90 Days and Greater Past Due and Accruing
Residential mortgages:				
Residential ⁽¹⁾	\$27,395	\$ —	\$31,912	\$ —
Government insured pool buyouts ^{(2) (3)}	—	275,095	—	341,752
Commercial real estate	65,952	—	71,913	—
Equipment financing receivables	28,833	—	17,407	—
Home equity lines and other	6,688	—	3,339	—
Total non-performing loans and leases	\$128,868	\$ 275,095	\$124,571	\$ 341,752

(1) For the periods ended June 30, 2016 and December 31, 2015, the Company has excluded from the preceding table \$4,130 and \$5,148, respectively, of performing residential ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended June 30, 2016 and December 31, 2015 the Company has excluded from the preceding table \$2,936,809 and \$2,855,632, respectively, of performing government insured pool buyout ACI loans 90 days or greater past due and still accruing.

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

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 six months ended June 30, 2016 and 2015 that remain TDRs as of the respective balance sheet dates:

Loan Type:	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Pre-modification Recorded Investment	Post-modification Recorded Investment	Pre-modification Number of Recorded Contracts	Post-modification Recorded Investment
Residential	3 \$ 569	\$ 569	6 \$ 1,026	\$ 1,026
Commercial real estate	2 2,904	2,904	3 5,335	5,435
Total	5 \$ 3,473	\$ 3,473	9 \$ 6,361	\$ 6,461

Loan Type:	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Pre-modification Recorded Investment	Post-modification Recorded Investment	Pre-modification Number of Recorded Contracts	Post-modification Recorded Investment
Residential	4 \$ 1,194	\$ 1,198	4 \$ 1,194	\$ 1,198
Commercial real estate	1 2,073	2,073	3 5,434	5,434
Total	5 \$ 3,267	\$ 3,271	7 \$ 6,628	\$ 6,632

Edgar Filing: EverBank Financial Corp - Form 10-Q

A loan is considered to re-default when it is 30 days past due. None of the loans modified within the 12 months preceding June 30, 2015 have subsequently re-defaulted. The number of contracts and recorded investments of loans that were modified during the 12 months preceding June 30, 2016 that subsequently defaulted during the three and six months ended June 30, 2016 are as follows:

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Number of Contracts	1	1
Recorded Investment	\$ 290	\$ 290

Loan Type:

Residential — \$ 290

Table of Contents

The recorded investment of TDRs as of June 30, 2016 and December 31, 2015 are summarized as follows:

	June 30, 2016	December 31, 2015
Loan Type:		
Residential mortgages	\$17,725	\$ 18,185
Commercial and commercial real estate	8,940	12,177
Equipment financing receivables	837	4,013
Total recorded investment of TDRs	\$27,502	\$ 34,375
Accrual Status:		
Current	\$11,971	\$ 13,843
30-89 days past-due accruing	2,789	2,582
Nonaccrual	12,742	17,950
Total recorded investment of TDRs	\$27,502	\$ 34,375
TDRs classified as impaired loans	\$27,502	\$ 34,375
Valuation allowance on TDRs	\$2,740	\$ 2,381

7. Servicing Activities and Mortgage Servicing Rights

A summary of MSR activities for the three and six months ended June 30, 2016 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Balance, beginning of period	\$312,671	\$383,763	\$335,280	\$435,619
Originated servicing rights capitalized upon sale of loans	16,207	16,531	30,966	28,823
Sale of servicing rights	(1,020)	(34,040)	(1,020)	(34,040)
Amortization	(16,550)	(19,006)	(31,281)	(39,305)
Decrease (increase) in valuation allowance	(36,872)	15,727	(59,414)	(27,625)
Other	(80)	(172)	(175)	(669)
Balance, end of period	\$274,356	\$362,803	\$274,356	\$362,803
Valuation allowance:				
Balance, beginning of period	\$34,320	\$43,352	\$11,778	\$—
Increase in valuation allowance	36,872	—	59,414	43,352
Recoveries	—	(15,727)	—	(15,727)
Write-off of impairment	—	(14,541)	—	(14,541)
Balance, end of period	\$71,192	\$13,084	\$71,192	\$13,084

Components of loan servicing fee income, which includes servicing fees related to sales and securitizations, for the three and six months ended June 30, 2016 and 2015 are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Contractually specified service fees, net	\$20,248	\$25,985	\$40,661	\$55,768
Other ancillary fees	1,750	3,080	3,662	6,894
Other	816	504	1,932	1,039
Total	\$22,814	\$29,569	\$46,255	\$63,701

Residential

For loans securitized and sold with servicing retained during the three and six months ended June 30, 2016 and 2015, management used the following assumptions to determine the fair value of residential MSR at the date of securitization:

Edgar Filing: EverBank Financial Corp - Form 10-Q

	Three Months		Six Months	
	Ended		Ended	
	June 30, 2016		June 30, 2016	
Average discount rates	9.62%	9.74%	9.59%	9.92%
Expected prepayment speeds	8.19%	9.43%	8.19%	10.55%
Weighted-average life in years	7.06	7.97	6.88	7.97

21

Table of Contents

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
Average discount rates	10.17%	+0.55%	10.08%	+0.55%
Expected prepayment speeds	8.30%	-9.55%	8.30%	+1.38%
Weighted-average life in years	7.47	-8.28	6.29	-8.28

At June 30, 2016 and December 31, 2015, the Company estimated the fair value of its capitalized residential MSR to be approximately \$275,169 and \$337,835, respectively. The carrying value of its residential MSR was \$274,154 and \$334,572 at June 30, 2016 and December 31, 2015, respectively. The UPB below excludes \$8,898,000 and \$8,686,000 at June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016	December 31, 2015	
Unpaid principal balance	\$30,684,000	\$31,155,000	
Weighted-average discount rate ⁽¹⁾	9.73	% 9.73	%
Gross weighted-average coupon	4.25	% 4.31	%
Weighted-average servicing fee	0.27	% 0.27	%
Expected prepayment speed ⁽²⁾	14.30	% 11.34	