ARBOR REALTY TRUST INC
Form 10-Q
November 02, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

or

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

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**20-0057959**

(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
333 Earle Ovington Boulevard, Suite 900 **Uniondale, NY**	**11553**
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

		Accelerated filer	**x**
Large accelerated filer	o	Smaller reporting company	o
Non-accelerated filer	o	Emerging growth company	o

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

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

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Forward-Looking Statements

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

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

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

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

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

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

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest income	$ 67,500	$ 42,140	$ 178,408	$ 110,133
Interest expense	39,548	23,850	110,819	63,698
Net interest income	27,952	18,290	67,589	46,435
Other revenue:				
Gain on sales, including fee-based services, net	17,451	17,126	51,266	55,127
Mortgage servicing rights	25,216	18,897	62,787	56,182
Servicing revenue, net	14,244	8,520	34,662	19,923
Property operating income	2,651	2,668	8,525	8,755
Other income, net	(3,982)	778	(1,574)	(931)
Total other revenue	55,580	47,989	155,666	139,056
Other expenses:				
Employee compensation and benefits	27,775	25,194	84,084	66,861
Selling and administrative	9,994	7,607	27,783	23,136
Property operating expenses	2,437	2,583	8,089	7,843
Depreciation and amortization	1,848	1,829	5,539	5,542
Impairment loss on real estate owned			2,000	2,700
Provision for loss sharing (net of recoveries)	2,019	(2,617)	2,840	(405)
Provision for loan losses (net of recoveries)	836	2,000	(967)	(457)
Litigation settlement gain	(10,170)		(10,170)	
Management fee - related party				6,673
Total other expenses	34,739	36,596	119,198	111,893
Income before extinguishment of debt, (loss) income from equity affiliates and income taxes	48,793	29,683	104,057	73,598
(Loss) gain on extinguishment of debt	(4,960)		(4,960)	7,116
(Loss) income from equity affiliates	(1,028)	996	1,104	1,756
Provision for income taxes	(5,381)	(6,708)	(1,096)	(16,244)
Net income	37,424	23,971	99,105	66,226
Preferred stock dividends	1,888	1,888	5,665	5,665
Net income attributable to noncontrolling interest	7,799	5,662	22,347	16,597
Net income attributable to common stockholders	$ 27,737	$ 16,421	$ 71,093	$ 43,964
Basic earnings per common share	$ 0.37	$ 0.27	$ 1.05	$ 0.78
Diluted earnings per common share	$ 0.36	$ 0.26	$ 1.03	$ 0.77
Weighted average shares outstanding:				
Basic	74,802,582	61,582,796	67,490,132	56,602,504
Diluted	98,435,964	83,918,117	91,133,607	78,942,919
Dividends declared per common share	$ 0.25	$ 0.18	$ 0.71	$ 0.53

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in thousands)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	$ 37,424	$ 23,971	$ 99,105	$ 66,226
Unrealized loss on securities available-for-sale, at fair value		(235)		(353)
Reclassification of net unrealized gains on available-for-sale securities into accumulated deficit (Note 2)			(176)	
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings				237
Comprehensive income	37,424	23,736	98,929	66,110
Less:				
Comprehensive income attributable to noncontrolling interest	7,799	5,602	22,303	16,574
Preferred stock dividends	1,888	1,888	5,665	5,665
Comprehensive income attributable to common stockholders	$ 27,737	$ 16,246	$ 70,961	$ 43,871

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

($ in thousands, except shares)

Nine Months Ended September 30, 2018

	Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Arbor Realty Trust, Inc. Stockholders Equity	Noncontrolling Interest	Total Equity
Balance December 31, 2017	24,942,269	$ 89,508	61,723,387	$ 617	$ 707,450	$ (101,926)	$ 176	$ 695,825	$ 168,731	$ 864,556
Issuance of common stock from debt exchange			6,820,196	68	74,322			74,390		74,390
Extinguishment of convertible senior unsecured notes					(66,518)			(66,518)		(66,518)
Issuance of convertible senior unsecured notes, net					9,436			9,436		9,436
Issuance of common stock, net			6,452,700	65	55,843			55,908		55,908
Stock-based compensation			691,015	7	4,831			4,838		4,838
Forfeiture of unvested restricted stock			(2,334)							
Distributions - common stock						(47,648)		(47,648)		(47,648)
Distributions - preferred stock						(5,665)		(5,665)		(5,665)
Distributions - preferred stock of private REIT						(11)		(11)		(11)
Distributions - noncontrolling interest									(15,074)	(15,074)
Redemption of operating partnership units									(6,845)	(6,845)
Net income						76,758		76,758	22,347	99,105
Reclassification of net unrealized gains on available-for-sale securities into accumulated deficit						176	(176)			
Balance September 30, 2018	24,942,269	$ 89,508	75,684,964	$ 757	$ 785,364	$ (78,316)	$	$ 797,313	$ 169,159	$ 966,472

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Nine Months Ended September 30, 2018	2017
Operating activities:		
Net income	$ 99,105	$ 66,226
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,539	5,542
Stock-based compensation	4,838	3,833
Amortization and accretion of interest and fees, net	8,758	3,296
Amortization of capitalized mortgage servicing rights	35,639	35,427
Originations of loans held-for-sale	(3,455,237)	(3,287,578)
Proceeds from sales of loans held-for-sale, net of gain on sale	3,254,490	3,621,276
Payoffs and paydowns of loans held-for-sale	30	116
Mortgage servicing rights	(62,787)	(56,182)
Write-off of capitalized mortgage servicing rights from payoffs	17,228	10,713
Impairment loss on real estate owned	2,000	2,700
Provision for loan losses (net of recoveries)	(967)	(457)
Provision for loss sharing (net of recoveries)	2,840	(405)
Recoveries (charge-offs) for loss sharing obligations, net	54	(1,844)
Deferred tax (benefit) provision	(14,454)	15
Income from equity affiliates	(1,104)	(1,756)
Loss (gain) on extinguishment of debt	4,960	(7,116)
Changes in operating assets and liabilities	(96,468)	(6,368)
Net cash (used in) provided by operating activities	(195,536)	387,438
Investing Activities:		
Loans and investments funded and originated, net	(1,163,908)	(1,051,446)
Payoffs and paydowns of loans and investments	688,032	758,139
Internalization of management team		(25,000)
Deferred fees	8,556	7,214
Investments in real estate, net	(309)	(562)
Contributions to equity affiliates	(2,480)	(693)
Distributions from equity affiliates	3,110	2,341
Purchase of securities held-to-maturity, net	(21,637)	(18,339)
Payoffs and paydowns of securities held-to-maturity	1,223	76
Proceeds from insurance settlements, net	493	493
Due to borrowers and reserves	(63,296)	(22,571)
Net cash used in investing activities	(550,216)	(350,348)
Financing activities:		
Proceeds from repurchase agreements and credit facilities	6,376,333	6,073,385
Payoffs and paydowns of repurchase agreements and credit facilities	(5,734,858)	(6,417,834)
Payoffs and paydowns of collateralized loan obligations	(267,750)	(219,000)
Exchange of convertible senior unsecured notes	(219,922)	
Payoffs of senior unsecured notes	(97,860)	
Payoff of related party financing	(50,000)	
Payoffs of junior subordinated notes to subsidiary trust issuing preferred securities		(12,691)
Proceeds from issuance of collateralized loan obligations	441,000	561,874
Proceeds from issuance of senior unsecured notes	125,000	

Proceeds from issuance of convertible senior unsecured notes	264,500	13,750
Proceeds from issuance of common stock, net	55,908	76,225
Receipts on swaps and returns of margin calls from counterparties		430
Redemption of operating partnership units	(6,845)	
Distributions paid on common stock	(47,648)	(30,889)
Distributions paid on noncontrolling interest	(15,074)	(11,252)
Distributions paid on preferred stock	(5,665)	(5,665)
Distributions paid on preferred stock of private REIT	(11)	(11)
Payment of deferred financing costs	(19,794)	(11,482)
Net cash provided by financing activities	797,314	16,840
Net increase in cash, cash equivalents and restricted cash	51,562	53,930
Cash, cash equivalents and restricted cash at beginning of period	243,772	167,960
Cash, cash equivalents and restricted cash at end of period	$ 295,334	$ 221,890

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

(in thousands)

	Nine Months Ended September 30, 2018		2017	
Supplemental cash flow information:				
Cash used to pay interest	$	82,140	$	53,150
Cash used to pay taxes	$	16,551	$	14,653
Supplemental schedule of non-cash investing and financing activities:				
Distributions accrued on 8.25% Series A preferred stock	$	267	$	267
Distributions accrued on 7.75% Series B preferred stock	$	203	$	203
Distributions accrued on 8.50% Series C preferred stock	$	159	$	159
Fair value of conversion feature of convertible senior unsecured notes	$	9,750	$	
Issuance of common stock from debt exchange	$	74,322	$	
Extinguishment of convertible senior unsecured notes	$	(66,518)	$	

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

September 30, 2018

Note 1 Description of Business

Arbor Realty Trust, Inc. (we, us, or our) is a Maryland corporation formed in 2003. We operate through two business segments: our Structured Loan Origination and Investment Business (Structured Business) and our Agency Loan Origination and Servicing Business (Agency Business). Through our Structured Business, we invest in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets, primarily consisting of bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity. We may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. Through our Agency Business, we originate, sell and service a range of multifamily finance products through the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac, and together with Fannie Mae, the government-sponsored enterprises, or the GSEs), the Government National Mortgage Association (Ginnie Mae), Federal Housing Authority (FHA) and the U.S. Department of Housing and Urban Development (together with Ginnie Mae and FHA, HUD) and conduit/commercial mortgage-backed securities (CMBS) programs. We retain the servicing rights and asset management responsibilities on substantially all loans we originate and sell under the GSE and HUD programs. We are an approved Fannie Mae Delegated Underwriting and Servicing (DUS) lender nationally, a Freddie Mac Multifamily Conventional Loan lender, seller/servicer, in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and small balance loan (SBL) lender, seller/servicer, nationally and a HUD MAP and LEAN senior housing/healthcare lender nationally.

We have operated the Agency Business since July 2016 when we acquired it from Arbor Commercial Mortgage, LLC (ACM or our Former Manager). We were externally managed and advised by ACM and, effective May 31, 2017, terminated the existing management agreement with ACM to fully internalize our management team. Refer to our 2017 Annual Report for details of our acquisition of the Agency Business (the Acquisition) and termination of the management agreement.

Substantially all of our operations are conducted through our operating partnership, Arbor Realty Limited Partnership (ARLP), for which we serve as the general partner, and ARLP s subsidiaries. We are organized to qualify as a real estate investment trust (REIT) for U.S. federal income tax purposes. Certain of our assets that produce non-qualifying income, primarily within the Agency Business, are operated through taxable REIT subsidiaries (TRS), which is part of our TRS consolidated group (the TRS Consolidated Group) and is subject to U.S. federal, state and local income taxes. See Note 17 Income Taxes for details.

Note 2 Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP), for interim financial statements and the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared under GAAP have been condensed or omitted. In our opinion, all adjustments considered necessary for a fair presentation of our financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with our financial statements and notes thereto included in our 2017 Annual Report.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. See the following Recently Adopted Accounting Pronouncements section for the cash flows impact of the retrospective adoption of Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows: Restricted Cash and ASU 2016-15, Statement of Cash Flows.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

September 30, 2018

Principles of Consolidation

These consolidated financial statements include our financial statements and the financial statements of our wholly owned subsidiaries, partnerships and other joint ventures in which we own a controlling interest, including variable interest entities (VIEs) of which we are the primary beneficiary. Entities in which we have a significant influence are accounted for under the equity method. See Note 15 Variable Interest Entities for information about our VIEs. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that could materially affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Accounting Policies

We describe our significant accounting policies in our 2017 Annual Report. There have been no significant changes in our significant accounting policies since December 31, 2017.

Recently Adopted Accounting Pronouncements

Description	Adoption Date	Effect on Financial Statements
Since 2014, the Financial Accounting Standards Board (FASB) has issued several amendments to its guidance on revenue recognition. The amended guidance, among other things, introduces a new framework for a single comprehensive model that can be used when accounting for revenue and supersedes most current revenue recognition guidance, including that which pertains to specific industries. The core principle states that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in	First quarter of 2018	The adoption of this guidance did not have a material impact on our consolidated financial statements. This standard may impact the timing of gains on certain future sales of real estate.

exchange for such goods and services. It also requires expanded quantitative and qualitative disclosures that will enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Most revenue associated with financial instruments, including interest and loan origination fees, along with gains and losses on investment securities, derivatives and sales of financial instruments are excluded from the scope of the guidance.		
In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows: Restricted Cash. This ASU requires changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents to be shown in the statement of cash flows. Previous guidance required the change in cash and cash equivalents be shown on the statement of cash flows, with cash used to fund restricted cash and restricted cash equivalents shown as a component of operating, investing, or financing activities. Entities are now also required to reconcile the total of cash, cash equivalents, restricted cash, and restricted cash equivalents as presented in the statement of cash flows to the related captions in the balance sheet when these balances are presented separately in the balance sheet.	First quarter of 2018	This guidance required retrospective adoption, therefore, we adjusted the cash flow statement for the comparable prior period. The following table shows the impact of the adoption of this guidance, as well as the adoption of ASU 2016-15 described below.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

September 30, 2018

Description	Adoption Date	Effect on Financial Statements
In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows, which provides eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows.	First quarter of 2018	This guidance required retrospective adoption, therefore, we reclassified $0.5 million of net proceeds from insurance settlements from net cash provided by operating activities to net cash used in investing activities for the nine months ended September 30, 2017. We also chose the cummulative earnings approach for distributions received from equity method investees, which did not result in any changes in how we account for such distributions. The following table shows the impact of the adoption of ASU 2016-15 and ASU 2016-18.

(in thousands)		Nine Months Ended September 30, 2017
As previously reported under GAAP applicable at the time		
Cash and cash equivalents at beginning of period	$	138,645
Net decrease in cash and cash equivalents		(53,894)
Cash and cash equivalents at end of period		84,751
Net cash provided by operating activities: changes in operating assets and liabilities		(6,252)
Net cash used in investing activities		(350,841)
Net cash used in financing activities		(90,954)
As currently reported under ASU 2016-18 and ASU 2016-15		
Cash, cash equivalents and restricted cash at beginning of period	$	167,960
Net increase in cash, cash equivalents and restricted cash		53,930
Cash, cash equivalents and restricted cash at end of period		221,890
Net cash (used in) provided by operating activities: changes in operating assets and liabilities		(6,368)
Net cash used in investing activities		(350,348)
Net cash provided by financing activities		16,840

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Consensuses of the FASB Emerging Issues Task Force. This ASU requires that unconsolidated equity investments not accounted for under the equity method be recorded at fair value, with changes in fair value recorded through net income. The accounting principles that permitted available-for-sale classification with unrealized holding gains and losses recorded in other comprehensive income for equity securities will no longer be applicable. In addition, financial liabilities measured using the fair value option will need to present any change in fair value caused by a change in instrument-specific credit risk separately in other comprehensive income.	First quarter of 2018	The adoption of this guidance did not have a material impact on our consolidated financial statements. In connection with the adoption of this ASU, we reclassified $0.2 million of unrealized gains on available-for-sale securities from accumulated other comprehensive income to accumulated deficit.

Recently Issued Accounting Pronouncements

The following table is not intended to represent all recently issued accounting pronouncements that are not yet effective and which have not yet been adopted by us. This table should be read in conjunction with the recently issued accounting pronouncements section included in our 2017 Annual Report.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

September 30, 2018

Description	Effective Date	Effect on Financial Statements
In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement, which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with changes between hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. Early adoption is permitted upon issuance of the update.	First quarter of 2020	We do not expect the adoption of this guidance to have a significant impact to our consolidated financial statements.
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to record most leases on their balance sheet through operating and finance lease liabilities and corresponding right-of-use assets, as well as adding additional footnote disclosures of key information about those arrangements. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842) - Targeted Improvements, which provides transition releif on comparative period reporting through a cummulative-effect adjustment at the beginning of the period of adoption.	First quarter of 2019	We are currently evaluating this ASU and expect the adoption to increase both our total assets and total liabilities by less than 1%. We do not currently expect the adoption to have an impact on our consolidated results of operations.

Note 3 Loans and Investments

Our Structured Business loan and investment portfolio consists of ($ in thousands):

	September 30, 2018	Percent of Total	Loan Count	Wtd. Avg. Pay Rate (1)	Wtd. Avg. Remaining Months to Maturity	Wtd. Avg. First Dollar LTV Ratio (2)	Wtd. Avg. Last Dollar LTV Ratio (3)
Bridge loans	$ 2,919,582	92%	170	6.70%	19.6	0%	74%
Preferred equity investments	154,202	5%	10	8.18%	70.5	62%	87%
Mezzanine loans	96,333	3%	11	10.49%	19.5	25%	71%
	3,170,117	100%	191	6.88%	22.0	4%	74%
Allowance for loan losses	(60,951)						
Unearned revenue	(11,477)						
Loans and investments, net	$ 3,097,689						
	December 31, 2017						
Bridge loans	$ 2,422,105	91%	150	6.10%	20.9	0%	72%
Preferred equity investments	142,892	6%	12	6.47%	68.7	64%	90%

Mezzanine loans		87,541	3%	8	10.78%	24.8	20%	63%
		2,652,538	100%	170	6.28%	23.6	4%	73%
Allowance for loan losses		(62,783)						
Unearned revenue		(10,628)						
Loans and investments, net	$	2,579,127						

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(1) Weighted Average Pay Rate is a weighted average, based on the unpaid principal balance (UPB) of each loan in our portfolio, of the interest rate that is required to be paid monthly as stated in the individual loan agreements. Certain loans and investments that require an additional rate of interest Accrual Rate to be paid at maturity are not included in the weighted average pay rate as shown in the table.

(2) The First Dollar Loan-to-Value (LTV) Ratio is calculated by comparing the total of our senior most dollar and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which we will absorb a total loss of our position.

(3) The Last Dollar LTV Ratio is calculated by comparing the total of the carrying value of our loan and all senior lien positions within the capital stack to the fair value of the underlying collateral to determine the point at which we will initially absorb a loss.

Concentration of Credit Risk

We are subject to concentration risk in that, at September 30, 2018, the UPB related to 48 loans with five different borrowers represented 23% of total assets. At December 31, 2017, the UPB related to 42 loans with five different borrowers represented 24% of total assets. During both the nine months ended September 30, 2018 and the year ended December 31, 2017, no single loan or investment represented more than 10% of our total assets and no single investor group generated over 10% of our revenue.

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We assign a credit risk rating of pass, pass/watch, special mention, substandard or doubtful to each loan and investment, with a pass rating being the lowest risk and a doubtful rating being the highest risk. Each credit risk rating has benchmark guidelines that pertain to debt-service coverage ratios, LTV ratios, borrower strength, asset quality, and funded cash reserves. Other factors such as guarantees, market strength, and remaining loan term and borrower equity are also reviewed and factored into determining the credit risk rating assigned to each loan. This metric provides a helpful snapshot of portfolio quality and credit risk. All portfolio assets are subject to, at a minimum, a thorough quarterly financial evaluation in which historical operating performance and forward-looking projections are reviewed, however, we maintain a higher level of scrutiny and focus on loans that we consider high risk and that possess deteriorating credit quality.

Generally speaking, given our typical loan profile, risk ratings of pass, pass/watch and special mention suggest that we expect the loan to make both principal and interest payments according to the contractual terms of the loan agreement, and is not considered impaired. A risk rating of substandard indicates we anticipate the loan may require a modification of some kind. A risk rating of doubtful indicates we expect the loan to underperform over its term, and there could be loss of interest and/or principal. Further, while the above are the primary guidelines used in determining a certain risk rating, subjective items such as borrower strength, market strength or asset quality may result in a rating that is higher or lower than might be indicated by any risk rating matrix.

As a result of the loan review process, at September 30, 2018 and December 31, 2017, we identified eight loans and investments that we consider higher-risk loans that had a carrying value, before loan loss reserves, of $128.7 million and $126.5 million, respectively, and a weighted average last dollar LTV ratio of 92% and 93%, respectively.

A summary of the loan portfolio s weighted average internal risk ratings and LTV ratios by asset class is as follows ($ in thousands):

	September 30, 2018				
Asset Class	**UPB**	**Percentage of Portfolio**	**Wtd. Avg. Internal Risk Rating**	**Wtd. Avg. First Dollar LTV Ratio**	**Wtd. Avg. Last Dollar LTV Ratio**
Multifamily	$ 2,378,771	75%	pass/watch	4%	74%
Self Storage	301,830	10%	pass/watch	0%	72%
Land	151,628	5%	substandard	0%	84%
Office	127,055	4%	special mention	0%	66%
Healthcare	107,775	3%	pass/watch	0%	81%
Hotel	55,975	2%	pass/watch	23%	74%
Retail	45,383	1%	pass/watch	7%	66%
Commercial	1,700	<1%	doubtful	63%	63%
Total	$ 3,170,117	100%	pass/watch	4%	74%

December 31, 2017

Multifamily	$	1,925,529	73%	pass/watch	4%	72%
Self Storage		301,830	11%	pass	0%	71%
Land		132,828	5%	substandard	0%	90%
Office		107,853	4%	pass/watch	1%	64%
Healthcare		55,615	2%	pass/watch	0%	74%
Hotel		90,725	3%	special mention	37%	81%
Retail		36,458	1%	pass/watch	8%	66%
Commercial		1,700	<1%	doubtful	63%	63%
Total	$	2,652,538	100%	pass/watch	4%	73%

Geographic Concentration Risk

As of September 30, 2018, 22% and 19% of the outstanding balance of our loan and investment portfolio had underlying properties in New York and Texas, respectively. As of December 31, 2017, 23%, 21% and 11% of the

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outstanding balance of our loan and investment portfolio had underlying properties in Texas, New York and California, respectively. No other states represented 10% or more of the total loan and investment portfolio.

Impaired Loans and Allowance for Loan Losses

A summary of the changes in the allowance for loan losses is as follows (in thousands):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Allowance at beginning of period	$ 58,733	$ 81,256	$ 62,783	$ 83,712
Provision for loan losses	2,218	2,000	3,868	2,000
Recoveries of reserves			(2,527)	(2,456)
Charge-offs			(3,173)	
Allowance at end of period	$ 60,951	$ 83,256	$ 60,951	$ 83,256

During the three and nine months ended September 30, 2018, we determined that the fair value of the underlying collateral (land development project) securing six loans with a carrying value of $121.4 million was less than the net carrying value of the loans, which resulted in a provision for loan losses of $0.5 million and $2.2 million, respectively. In addition, we fully reserved a bridge loan and recorded a provision for loan loss of $1.7 million during the three and nine months ended September 30, 2018.

During the nine months ended September 30, 2018, we received $31.6 million to settle a non-performing preferred equity investment in a hotel property with a UPB of $34.8 million and a net carrying value of $29.1 million, resulting in a reserve recovery of $2.5 million and a charge-off of $3.2 million. In addition, during the three and nine months ended September 30, 2018, we received payments and recorded reserve recoveries of $1.4 million and $2.3 million, respectively, related to previously written-off loans and investments.

During the three and nine months ended September 30, 2017, we determined that the fair value of the underlying collateral securing a preferred equity investment with an aggregate carrying value of $34.8 million was less than the net carrying value of the investment, resulting in a $2.0 million provision for loan losses. In addition, during the nine months ended September 30, 2017, a fully reserved mezzanine loan with a UPB of $1.8 million paid off in full, which resulted in a $1.8 million reserve recovery, and we recorded a reserve recovery of $0.7 million on a multifamily bridge loan.

The ratio of net recoveries to the average loans and investments outstanding was de minimus for the three months ended September 30, 2018 and 0.1% for all other periods presented.

There were no loans for which the fair value of the collateral securing the loan was less than the carrying value of the loan for which we had not recorded a provision for loan loss as of September 30, 2018 and 2017.

We have six loans with a carrying value totaling $121.4 million at September 30, 2018 that are collateralized by a land development project. These loans were scheduled to mature in September 2018 and were extended to September 2019. The loans do not carry a current pay rate of interest, but five of the loans with a carrying value totaling $112.0 million entitle us to a weighted average accrual rate of interest of 8.97%. In 2008, we suspended the recording of the accrual rate of interest on these loans, as they were impaired and we deemed the collection of this interest to be doubtful. At September 30, 2018 and December 31, 2017, we had cumulative allowances for loan losses of $51.2 million and $49.1 million, respectively, related to these loans. The loans are subject to certain risks associated with a development project including, but not limited to, availability of construction financing, increases in projected construction costs, demand for the development s outputs upon completion of the project, and litigation risk. Additionally, these loans were not classified as non-performing as the borrower is in compliance with all of the terms and conditions of the loans.

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A summary of our impaired loans by asset class is as follows (in thousands):

	September 30, 2018			Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
Asset Class	**UPB**	**Carrying Value (1)**	**Allowance for Loan Losses**	**Average Recorded Investment (2)**	**Interest Income Recognized**	**Average Recorded Investment (2)**	**Interest Income Recognized**
Land	$ 134,215	$ 127,886	$ 57,751	$ 133,387	$ 26	$ 132,651	$ 75
Hotel						17,375	
Office	2,274	2,274	1,500	2,277	33	2,281	93
Commercial	1,700	1,700	1,700	1,700		1,700	
Total	$ 138,189	$ 131,860	$ 60,951	$ 137,364	$ 59	$ 154,007	$ 168

	December 31, 2017			Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
Land	$ 131,086	$ 124,812	$ 53,883	$ 131,086	$	$ 131,086	$
Hotel	34,750	34,750	5,700	34,750		34,750	371
Office	2,288	2,288	1,500	27,551	28	27,556	79
Commercial	1,700	1,700	1,700	1,700		1,700	
Multifamily						1,271	22
Total	$ 169,824	$ 163,550	$ 62,783	$ 195,087	$ 28	$ 196,363	$ 472

(1) Represents the UPB of five and four impaired loans (less unearned revenue and other holdbacks and adjustments) by asset class at September 30, 2018 and December 31, 2017, respectively.

(2) Represents an average of the beginning and ending UPB of each asset class.

At September 30, 2018, two loans with an aggregate net carrying value of $0.8 million, net of related loan loss reserves of $1.7 million, were classified as non-performing. At December 31, 2017, two loans with an aggregate net carrying value of $29.1 million, net of related loan loss reserves of $7.4 million, were classified as non-performing. Income from non-performing loans is generally recognized on a cash basis when it is received. Full income recognition will resume when the loan becomes contractually current and performance has recommenced.

A summary of our non-performing loans by asset class is as follows (in thousands):

September 30, 2018	December 31, 2017

Asset Class	Carrying Value	Less Than 90 Days Past Due	Greater Than 90 Days Past Due	Carrying Value	Less Than 90 Days Past Due	Greater Than 90 Days Past Due
Commercial	$ 1,700	$	$ 1,700	$ 1,700	$	$ 1,700
Hotel				34,750		34,750
Office	831		831			
Total	$ 2,531	$	$ 2,531	$ 36,450	$	$ 36,450

At both September 30, 2018 and December 31, 2017, there were no loans contractually past due 90 days or more that were still accruing interest.

There were no loan modifications, refinancing s and/or extensions during the nine months ended September 30, 2018 that were considered troubled debt restructurings. During the nine months ended September 30, 2017, there was a $34.8 million loan to a hotel property that was modified and considered a troubled debt restructuring as a result of a forbearance agreement entered into with the borrower in the second quarter of 2017. This loan was subsequently classified as non-performing. This loan was modified to increase the total recovery of the combined principal and interest. There were no other loans in which we considered the modifications to be troubled debt restructurings and no additional loans considered to be impaired as a result of our troubled debt restructuring analysis performed during the nine months ended September 30, 2018 and 2017.

Given the transitional nature of some of our real estate loans, we may require funds to be placed into an interest reserve, based on contractual requirements, to cover debt service costs. At September 30, 2018, we had total interest reserves of $41.3 million on 98 loans with an aggregate UPB of $2.01 billion. At December 31, 2017, we had total interest reserves of $52.5 million on 81 loans with an aggregate UPB of $1.57 billion.

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Note 4 Loans Held-for-Sale, Net

Loans held-for-sale, net consists of the following (in thousands):

	September 30, 2018	December 31, 2017
Fannie Mae	$ 332,719	$ 243,717
Freddie Mac	133,441	47,545
FHA	26,806	987
	492,966	292,249
Fair value of future MSR	8,459	5,806
Unearned discount	(1,144)	(612)
Loans held-for-sale, net	$ 500,281	$ 297,443

Our loans held-for-sale, net are typically sold within 60 days of loan origination and the gain on sales are included in gain on sales, including fee-based services, net in the consolidated statements of income. During the three and nine months ended September 30, 2018, we sold $1.19 billion and $3.27 billion, respectively, of loans held-for-sale and recorded gain on sales of $15.9 million and $48.1 million, respectively. During the three and nine months ended September 30, 2017, we sold $1.05 billion and $3.62 billion, respectively, of loans held-for-sale and recorded gains on sales of $16.3 million and $52.1 million, respectively. At September 30, 2018 and December 31, 2017, there were no loans held-for-sale that were 90 days or more past due, and there were no loans held-for-sale that were placed on a non-accrual status.

Note 5 Capitalized Mortgage Servicing Rights

Our capitalized mortgage servicing rights (MSRs) reflect commercial real estate MSRs derived from loans sold in our Agency Business. The discount rates used to determine the present value of our MSRs throughout the periods presented for all MSRs were between 8% - 15% (representing a weighted average discount rate of 12%) based on our best estimate of market discount rates. The weighted average estimated life remaining of our MSRs was 7.4 years and 7.2 years at September 30, 2018 and December 31, 2017, respectively.

A summary of our capitalized MSR activity is as follows (in thousands):

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Acquired	Originated	Total	Acquired	Originated	Total
Balance at beginning of period	$ 120,017	$ 137,004	$ 257,021	$ 143,270	$ 109,338	$ 252,608
Additions		21,368	21,368		59,660	59,660
Amortization	(7,052)	(4,786)	(11,838)	(22,564)	(13,075)	(35,639)
Write-downs and payoffs	(4,419)	(2,731)	(7,150)	(12,160)	(5,068)	(17,228)
Balance at end of period	$ 108,546	$ 150,855	$ 259,401	$ 108,546	$ 150,855	$ 259,401

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
Balance at beginning of period	$ 168,189	$ 74,894	$ 243,083	$ 194,801	$ 32,942	$ 227,743
Additions		20,720	20,720		66,273	66,273
Amortization	(8,952)	(2,759)	(11,711)	(29,074)	(6,353)	(35,427)
Write-downs and payoffs	(4,194)	(22)	(4,216)	(10,684)	(29)	(10,713)
Balance at end of period	$ 155,043	$ 92,833	$ 247,876	$ 155,043	$ 92,833	$ 247,876

We collected prepayment fees of $7.5 million and $16.2 million during the three and nine months ended September 30, 2018, respectively, which are included as a component of servicing revenue, net on the consolidated statements of income. During the three and nine months ended September 30, 2017, we collected prepayment fees totaling $3.8 million and $7.9 million, respectively. As of September 30, 2018 and December 31, 2017, we had no valuation allowance recorded on any of our MSRs.

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The expected amortization of capitalized MSRs recorded as of September 30, 2018 is shown in the table below (in thousands). Actual amortization may vary from these estimates.

Year		Amortization
2018 (three months ending 12/31/2018)	$	12,000
2019		45,946
2020		41,383
2021		34,919
2022		28,357
2023		23,850
Thereafter		72,946
Total	$	259,401

Note 6 Mortgage Servicing

Product and geographic concentrations that impact our servicing revenue are as follows ($ in thousands):

September 30, 2018					
Product Concentrations				Geographic Concentrations	
Product		**UPB**	**Percent of Total**	**State**	**UPB Percentage of Total**
Fannie Mae	$	13,195,643	74%	Texas	21%
Freddie Mac		3,977,619	22%	North Carolina	10%
FHA		621,419	4%	California	8%
Total	$	17,794,681	100%	New York	8%
				Georgia	6%
				Florida	6%
				Other (1)	41%
				Total	100%

December 31, 2017					
Product Concentrations				Geographic Concentrations	
Product		**UPB**	**Percent of Total**	**State**	**UPB Percentage of Total**
Fannie Mae	$	12,502,699	77%	Texas	22%
Freddie Mac		3,166,134	20%	North Carolina	10%

FHA		537,482	3%	California	8%
Total	$	16,206,315	100%	New York	8%
				Georgia	6%
				Florida	6%
				Other (1)	40%
				Total	100%

(1) No other individual state represented 4% or more of the total.

At September 30, 2018 and December 31, 2017, our weighted average servicing fee was 46.2 basis points and 47.7 basis points, respectively. At September 30, 2018 and December 31, 2017, we held total escrow balances of $806.6 million and $750.8 million, respectively, which is not reflected in our consolidated balance sheets. Of the total escrow balances, we held $567.3 million and $477.9 million at September 30, 2018 and December 31, 2017, respectively, related to loans we are servicing within our Agency Business. These escrows are maintained in

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separate accounts at several federally insured depository institutions, which may exceed FDIC insured limits. We earn interest income on the total escrow deposits, generally based on a market rate of interest negotiated with the financial institutions that hold the escrow deposits. Interest earned on total escrows, net of interest paid to the borrower, was $3.7 million and $8.6 million during the three and nine months ended September 30, 2018, respectively, and $1.5 million and $3.3 million during the three and nine months ended September 30, 2017, respectively, and is a component of servicing revenue, net in the consolidated statements of income.

Note 7 Securities Held-to-Maturity

Freddie Mac may choose to hold, sell or securitize loans we sell to them under the Freddie Mac SBL program. As part of the securitizations under the SBL program, we have the option to purchase the bottom tranche bond, generally referred to as the B Piece, that represents the bottom 10%, or highest risk, of the securitization. During the nine months ended September 30, 2018, we purchased two B Piece bonds with an initial face value of $31.2 million, at a discount, for $21.6 million. As of September 30, 2018, we retained 49%, or $72.2 million initial face value, of five B Piece bonds, which were purchased at a discount for $48.8 million, and sold the remaining 51% to a third party at par. These held-to-maturity securities are carried at cost, net of unamortized discounts, and are collateralized by a pool of multifamily mortgage loans, bear interest at an initial weighted average variable rate of 3.63% and have an estimated weighted average maturity of 5.7 years. The weighted average effective interest rate was 11.32% and 12.97% at September 30, 2018 and December 31, 2017, respectively, including the accretion of discount. Approximately $10.7 million is estimated to mature within one year, $30.6 million is estimated to mature after one year through five years, $20.0 million is estimated to mature after five years through ten years and $9.2 million is estimated to mature after ten years.

The following is a summary of our B Piece bonds classified as securities held-to-maturity (in thousands):

Period	Face Value	Carrying Value	Unrealized Gain	Estimated Fair Value
September 30, 2018	$ 70,518	$ 50,520	$ 1,792	$ 52,312
December 31, 2017	$ 40,566	$ 27,837	$ 602	$ 28,439

As of September 30, 2018, no impairment was recorded on these held-to-maturity securities. During the three and nine months ended September 30, 2018, we recorded interest income of $0.6 million and $1.7 million, respectively, and, during the three and nine months ended September 30, 2017, we recorded interest income of $0.5 million and $0.9 million, respectively, related to these investments.

Note 8 Investments in Equity Affiliates

We account for all investments in equity affiliates under the equity method. The following is a summary of our investments in equity affiliates (in thousands):

Equity Affiliates	Investments in Equity Affiliates at September 30, 2018	Investments in Equity Affiliates at December 31, 2017	UPB of Loans to Equity Affiliates at September 30, 2018
Arbor Residential Investor LLC	$ 19,781	$ 19,193	$
Lightstone Value Plus REIT L.P.	1,895	1,895	
JT Prime	425	425	
West Shore Café		2,140	1,688
East River Portfolio			
Lexford Portfolio			280,500
Total	$ 22,101	$ 23,653	$ 282,188

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Arbor Residential Investor LLC (ARI). During the three and nine months ended September 30, 2018, we recorded income of $0.4 million and $1.2 million, respectively, and, during the three and nine months ended September 30, 2017, we recorded a loss of $1.3 million and $1.9 million, respectively, to (loss) income from equity affiliates in our consolidated statements of income related to our investment in this residential mortgage banking business. In addition, during the first quarter of 2018, we made a $2.4 million payment for our proportionate share of a litigation settlement related to this investment, which was distributed back to us by our equity affiliate.

During the nine months ended September 30, 2018 and 2017, we received cash distributions totaling $0.7 million and $0.9 million, respectively, (which were classified as returns of capital) in connection with a joint venture that invests in non-qualified residential mortgages purchased from ARI s origination platform. The income associated with this investment for all periods presented were de minimus.

West Shore Café. We own a 50% noncontrolling interest in the West Shore Lake Café, a restaurant/inn lakefront property in Lake Tahoe, California. We provided a $1.7 million first mortgage loan to an affiliated entity to acquire property adjacent to the original property, which is scheduled to mature in May 2019 and bears interest at LIBOR plus 4.0%. Current accounting guidance requires investments in equity affiliates to be evaluated periodically to determine whether a decline in their value is other-than-temporary, though it is not intended to indicate a permanent decline in value. During the three months ended September 30, 2018, we determined that this investment exhibited indicators of impairment and, as a result of an impairment analysis performed; we recorded an other-than-temporary impairment of $2.2 million for the full carrying amount of this investment, which was recorded in (loss) income from equity affiliates in the consolidated statement of income. In addition, during the three months ended September 30, 2018, we recorded a provision for loan loss of $1.7 million, fully reserving the first mortgage loan.

Lexford Portfolio. During the three and nine months ended September 30, 2018, we received distributions of $0.7 million and $1.9 million, respectively, and, during the three and nine months ended September 30, 2017, we received distributions of $0.7 million and $2.0 million, respectively, from this equity investment, which was recognized as income. See Note 18 Agreements and Transactions with Related Parties for details.

Equity Participation Interest. In the third quarter of 2017, we received $1.5 million from the redemption of a 25% equity participation interest we held in a multifamily property, which is included in (loss) income from equity affiliates on the consolidated statements of income. Prior to this transaction, our basis in this investment was zero.

Note 9 Real Estate Owned

Our real estate assets at both September 30, 2018 and December 31, 2017 were comprised of a hotel property and an office building.

Real Estate Owned

	September 30, 2018			December 31, 2017		
(in thousands)	**Hotel Property**	**Office Building**	**Total**	**Hotel Property**	**Office Building**	**Total**
Land	$ 3,294	$ 4,509	$ 7,803	$ 3,294	$ 4,509	$ 7,803
Building and intangible assets	31,008	2,010	33,018	30,699	2,010	32,709
Less: Impairment loss	(13,307)	(2,500)	(15,807)	(13,307)	(500)	(13,807)
Less: Accumulated depreciation and amortization	(9,642)	(809)	(10,451)	(9,228)	(690)	(9,918)
Real estate owned, net	$ 11,353	$ 3,210	$ 14,563	$ 11,458	$ 5,329	$ 16,787

For the nine months ended September 30, 2018 and 2017, our hotel property had a weighted average occupancy rate of 54% and 55%, respectively, a weighted average daily rate of $113 for both periods and weighted average revenue per available room of $61 and $62, respectively. The operation of a hotel property is seasonal with the majority of revenues earned in the first two quarters of the calendar year. Of the total impairment losses recorded on our hotel property of $13.3 million, $2.7 million was recorded during the nine months ended September 30, 2017.

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Our office building was fully occupied by a single tenant until April 2017 when the lease expired. The building is currently vacant. During the nine months ended September 30, 2018, based on discussions with market participants, we determined that the office building exhibited indicators of impairment and performed an impairment analysis. As a result of this impairment analysis, we recorded an impairment loss of $2.0 million.

Our real estate owned assets had restricted cash balances totaling $0.8 million and $0.7 million at September 30, 2018 and December 31, 2017, respectively, due to escrow requirements.

Note 10 Debt Obligations

Credit Facilities and Repurchase Agreements

The following table outlines borrowings under our credit facilities and repurchase agreements ($ in thousands):

				September 30, 2018			December 31, 2017		
	Current Maturity	Extended Maturity	Note Rate	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate	Debt Carrying Value (1)	Collateral Carrying Value	Wtd. Avg. Note Rate
Structured Business									
$375 million repurchase facility	Mar. 2020	Mar. 2021	L + 1.75% to 3.50%	$ 334,582	$ 470,650	4.53%	$ 102,350	$ 145,850	3.90%
$100 million repurchase facility	June 2019	June 2020	L + 1.75% to 2.00%	94,024	132,107	4.09%	2,445	6,600	3.61%
$75 million credit facility	Dec. 2018	N/A	L + 1.75% to 2.50%	20,355	30,469	4.07%			
$75 million credit facility	June 2019	N/A	L + 2.00%	14,482	21,000	4.32%	8,999	16,000	3.61%
$50 million credit facility	Feb. 2019	N/A	L + 2.00%	28,557	35,700	4.32%	32,538	40,700	3.61%
$50 million credit facility	Sept. 2019	Sept. 2021	L + 2.50% to 3.25%				3,581	4,625	4.88%
$25.5 million credit facility	Oct. 2019	N/A	L + 2.50%	15,773	34,000	4.83%	13,920	18,753	4.12%
	June 2019	N/A	L + 2.25%				10,000		4.12%

$25 million working capital facility									
$23.2 million credit facility	Feb. 2020	Feb. 2021	L + 2.30%	23,068	30,900	4.62%			
$20 million credit facility	Mar. 2020	Mar. 2021	L + 2.50%	19,904	41,650	4.83%			
$17.4 million credit facility	June 2020	June 2021	L + 2.40%	12,405	15,844	4.73%			
$8 million credit facility	Aug. 2021	N/A	L + 2.50%	7,941	10,000	4.83%			
$7.5 million credit facility (2)	Sept. 2018	N/A	L + 2.75%				7,432	9,340	4.37%
Repurchase facility - securities (3)	N/A	N/A	L + 2.35% to 3.25%	102,701		4.97%	53,938		4.45%
$3 million master security agreement	Oct. 2020	N/A	2.96% to 3.42%	1,337		3.20%	1,834		3.21%