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, 2021

OR

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

For the transition period from ____ to ____

Commission File Number: 1-12378

NVR, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**54-1394360**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11700 Plaza America Drive, Suite 500
Reston, Virginia 20190
(703) 956-4000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Not Applicable
(Former name, former address, and former fiscal year if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**NVR**	**New York Stock Exchange**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 30, 2021 there were 3,563,782 total shares of common stock outstanding.

NVR, Inc.
FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

NVR, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	June 30, 2021	December 31, 2020
ASSETS		
Homebuilding:		
Cash and cash equivalents	$ 2,597,565	$ 2,714,720
Restricted cash	42,543	28,912
Receivables	24,484	18,299
Inventory:		
Lots and housing units, covered under sales agreements with customers	1,792,293	1,484,936
Unsold lots and housing units	131,668	123,197
Land under development	7,794	62,790
Building materials and other	41,618	38,159
	1,973,373	1,709,082
Contract land deposits, net	425,301	387,628
Property, plant and equipment, net	54,379	57,786
Operating lease right-of-use assets	61,740	53,110
Reorganization value in excess of amounts allocable to identifiable assets, net	41,580	41,580
Other assets	215,168	203,399
	5,436,133	5,214,516
Mortgage Banking:		
Cash and cash equivalents	20,757	63,547
Restricted cash	3,688	2,334
Mortgage loans held for sale, net	344,680	449,760
Property and equipment, net	4,236	4,544
Operating lease right-of-use assets	11,627	12,439
Reorganization value in excess of amounts allocable to identifiable assets, net	7,347	7,347
Other assets	25,968	22,654
	418,303	562,625
Total assets	$ 5,854,436	$ 5,777,141

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Balance Sheets (Continued)
(in thousands, except share and per share data)
(unaudited)

	June 30, 2021	December 31, 2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	$ 380,957	$ 339,867
Accrued expenses and other liabilities	419,454	440,671
Customer deposits	365,443	240,758
Operating lease liabilities	67,413	59,357
Senior notes	1,516,830	1,517,395
	2,750,097	2,598,048
Mortgage Banking:		
Accounts payable and other liabilities	49,605	62,720
Operating lease liabilities	12,446	13,299
	62,051	76,019
Total liabilities	2,812,148	2,674,067
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.01 par value; 60,000,000 shares authorized; 20,555,330 shares issued as of both June 30, 2021 and December 31, 2020	206	206
Additional paid-in capital	2,314,564	2,214,426
Deferred compensation trust – 106,697 shares of NVR, Inc. common stock as of both June 30, 2021 and December 31, 2020	(16,710)	(16,710)
Deferred compensation liability	16,710	16,710
Retained earnings	9,381,177	8,811,120
Less treasury stock at cost – 16,976,140 and 16,859,753 shares as of June 30, 2021 and December 31, 2020, respectively	(8,653,659)	(7,922,678)
Total shareholders' equity	3,042,288	3,103,074
Total liabilities and shareholders' equity	$ 5,854,436	$ 5,777,141

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Homebuilding:				
Revenues	$ 2,224,560	$ 1,588,758	$ 4,188,271	$ 3,144,465
Other income	1,632	2,408	3,218	7,744
Cost of sales	(1,721,673)	(1,284,493)	(3,299,126)	(2,579,236)
Selling, general and administrative	(113,406)	(102,702)	(234,825)	(212,869)
Operating income	391,113	203,971	657,538	360,104
Interest expense	(12,850)	(9,166)	(25,856)	(15,380)
Homebuilding income	378,263	194,805	631,682	344,724
Mortgage Banking:				
Mortgage banking fees	59,038	31,610	136,773	58,431
Interest income	2,209	1,854	4,241	4,323
Other income	988	679	1,855	1,328
General and administrative	(22,613)	(18,758)	(44,269)	(36,969)
Interest expense	(420)	(359)	(811)	(631)
Mortgage banking income	39,202	15,026	97,789	26,482
Income before taxes	417,465	209,831	729,471	371,206
Income tax expense	(96,170)	(45,756)	(159,414)	(31,428)
Net income	$ 321,295	$ 164,075	$ 570,057	$ 339,778
Basic earnings per share	$ 88.69	$ 44.56	$ 156.27	$ 92.52
Diluted earnings per share	$ 82.45	$ 42.50	$ 145.53	$ 87.56
Basic weighted average shares outstanding	3,623	3,682	3,648	3,673
Diluted weighted average shares outstanding	3,897	3,861	3,917	3,881

See notes to condensed consolidated financial statements.

NVR, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net income	$ 570,057	$ 339,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,038	11,254
Equity-based compensation expense	27,850	21,926
Contract land deposit and other (recoveries) impairments, net	(13,355)	37,453
Gain on sale of loans, net	(115,152)	(41,574)
Mortgage loans closed	(2,981,630)	(2,280,199)
Mortgage loans sold and principal payments on mortgage loans held for sale	3,194,279	2,491,119
Distribution of earnings from unconsolidated joint ventures	5,500	—
Net change in assets and liabilities:		
Increase in inventory	(264,291)	(255,852)
(Increase) decrease in contract land deposits	(24,318)	16,020
Increase in receivables	(4,327)	(2,825)
Increase in accounts payable and accrued expenses	7,943	26,512
Increase in customer deposits	124,685	26,130
Other, net	(16,259)	(19,073)
Net cash provided by operating activities	521,020	370,669
Cash flows from investing activities:		
Investments in and advances to unconsolidated joint ventures	(659)	(38)
Purchase of property, plant and equipment	(6,620)	(8,217)
Proceeds from the sale of property, plant and equipment	657	449
Net cash used in investing activities	(6,622)	(7,806)
Cash flows from financing activities:		
Purchase of treasury stock	(754,366)	(216,582)
Proceeds from senior notes	—	598,860
Debt issuance costs	—	(3,582)
Principal payments on finance lease liabilities	(661)	(412)
Proceeds from the exercise of stock options	95,673	126,046
Net cash (used in) provided by financing activities	(659,354)	504,330
Net (decrease) increase in cash, restricted cash, and cash equivalents	(144,956)	867,193
Cash, restricted cash, and cash equivalents, beginning of the period	2,809,782	1,160,804
Cash, restricted cash, and cash equivalents, end of the period	$ 2,664,826	$ 2,027,997
Supplemental disclosures of cash flow information:		
Interest paid during the period, net of interest capitalized	$ 26,875	$ 12,593
Income taxes paid during the period, net of refunds	$ 172,563	$ 11,740

See notes to condensed consolidated financial statements.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements include the accounts of NVR, Inc. (“NVR”, the “Company”, "we", "us" or "our") and its subsidiaries and certain other entities in which the Company is deemed to be the primary beneficiary (see Notes 2 and 3 to the accompanying condensed consolidated financial statements). Intercompany accounts and transactions have been eliminated in consolidation. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Because the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP, they should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, all adjustments (consisting only of normal recurring accruals except as otherwise noted herein) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

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

For the three and six months ended June 30, 2021 and 2020, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying condensed consolidated financial statements.

Cash and Cash Equivalents

The beginning-of-period and end-of-period cash, restricted cash, and cash equivalent balances presented on the accompanying condensed consolidated statements of cash flows includes cash related to a consolidated joint venture which is included in homebuilding "Other assets" on the accompanying condensed consolidated balance sheets. The cash related to this consolidated joint venture as of June 30, 2021 and December 31, 2020 was $273 and $269, respectively, and as of June 30, 2020 and December 31, 2019 was $272 and $281, respectively.

Revenue Recognition

Homebuilding revenue is recognized on the settlement date at the contract sales price, when control is transferred to our customers. Our contract liabilities, which consist of deposits received from customers on homes not settled, were $365,443 and $240,758 as of June 30, 2021 and December 31, 2020, respectively. We expect that substantially all of the customer deposits held at December 31, 2020 will be recognized in revenue in 2021. Our contract assets consist of prepaid sales compensation and totaled approximately $25,400 and $22,500, as of June 30, 2021 and December 31, 2020, respectively. Prepaid sales compensation is included in homebuilding “Other assets” on the accompanying condensed consolidated balance sheets.

2. Variable Interest Entities ("VIEs")

Fixed Price Finished Lot Purchase Agreements (“LPAs”)

We generally do not engage in the land development business. Instead, we typically acquire finished building lots at market prices from various development entities under LPAs. The LPAs require deposits that may be forfeited if we fail to perform under the LPAs. The deposits required under the LPAs are in the form of cash or letters of credit in varying amounts, and typically range up to 10% of the aggregate purchase price of the finished lots.

(dollars and shares in thousands, except per share data)

The deposit placed by us pursuant to the LPA is deemed to be a variable interest in the respective development entities. Those development entities are deemed to be VIEs. Therefore, the development entities with which we enter into LPAs, including the joint venture limited liability corporations discussed below, are evaluated for possible consolidation by us. We have concluded that we are not the primary beneficiary of the development entities with which we enter into LPAs, and therefore, we do not consolidate any of these VIEs.

As of June 30, 2021, we controlled approximately 112,000 lots under LPAs with third parties through deposits in cash and letters of credit totaling approximately $460,900 and $6,900, respectively. Our sole legal obligation and economic loss for failure to perform under these LPAs is limited to the amount of the deposit pursuant to the liquidated damage provisions contained in the LPAs. For the three and six month periods ended June 30, 2021, we recorded a net reversal of approximately $7,200 and $13,400, respectively, related to previously impaired lot deposits as market conditions have improved. For the three and six months ended June 30, 2020, we recorded pre-tax charges of approximately $900 and $37,300, respectively, related to the impairment of deposits under LPAs due primarily to deteriorating market conditions in certain of our markets related to the COVID-19 pandemic. Our contract land deposit is shown net of a $38,831 and $52,205 impairment reserve at June 30, 2021 and December 31, 2020, respectively.

In addition, we have certain properties under contract with land owners that are expected to yield approximately 9,000 lots, which are not included in the number of total lots controlled. Some of these properties may require rezoning or other approvals to achieve the expected yield. These properties are controlled with deposits in cash and letters of credit totaling approximately $3,200 and $100, respectively, as of June 30, 2021, of which approximately $2,800 is refundable if certain contractual conditions are not met. We generally expect to assign the raw land contracts to a land developer and simultaneously enter into an LPA with the assignee if the project is determined to be feasible.

Our total risk of loss related to contract land deposits is limited to the amount of the deposits pursuant to the liquidated damages provision of the LPAs. As of June 30, 2021 and December 31, 2020, our total risk of loss was as follows:

	June 30, 2021	December 31, 2020
Contract land deposits	$ 464,132	$ 439,833
Loss reserve on contract land deposits	(38,831)	(52,205)
Contract land deposits, net	425,301	387,628
Contingent obligations in the form of letters of credit	7,002	8,249
Total risk of loss	$ 432,303	$ 395,877

3. Joint Ventures

On a limited basis, we obtain finished lots using joint venture limited liability corporations ("JVs"). The JVs are typically structured such that we are a non-controlling member and are at risk only for the amount we have invested, or have committed to invest, in addition to any deposits placed under LPAs with the JV. We are not a borrower, guarantor or obligor on any debt of the JVs, as applicable. We enter into LPAs to purchase lots from these JVs, and as a result have a variable interest in these JVs.

At June 30, 2021, we had an aggregate investment totaling approximately $21,700 in four JVs that are expected to produce approximately 2,350 finished lots, of which approximately 2,000 lots were controlled by us and the remaining approximately 350 lots were either under contract with unrelated parties or not currently under contract. We had additional funding commitments totaling approximately $3,100 to one of the JVs at June 30, 2021. We have determined that we are not the primary beneficiary of three of the JVs because we either share power with the other JV partner or the other JV partner has the controlling financial interest. The aggregate investment in unconsolidated JVs was approximately $21,700 and $23,600 at June 30, 2021 and December 31, 2020, respectively, and is reported in the "Other assets" line item on the accompanying condensed consolidated balance sheets. None of the unconsolidated JVs had any indicators of impairment as of June 30, 2021. For the remaining JV, we have concluded that we are the primary beneficiary because we have the controlling financial interest in the JV. As of December 31, 2020, all activities under the consolidated JV had been completed. As of June 30, 2021, we had no investment remaining in the JV and the JV had remaining balances of $273 in cash and $252 in accrued expenses, which are included in homebuilding "Other assets" and "Accrued expenses and other liabilities," respectively, in the accompanying condensed consolidated balance sheets.

We recognize income from the JVs as a reduction to the lot cost of the lots purchased from the respective JVs when the homes are settled, based on the expected total profitability and the total number of lots expected to be produced by the respective JVs.

We classify distributions received from unconsolidated JVs using the cumulative earnings approach. As a result, distributions received up to the amount of cumulative earnings recognized by us are reported as distributions of earnings and those in excess of that amount are reported as a distribution of capital. These distributions are classified within the accompanying condensed consolidated statements of cash flows as cash flows from operating activities and investing activities, respectively.

4. Land Under Development

On a limited basis, we directly acquire raw land parcels already zoned for its intended use to develop into finished lots. Land under development includes the land acquisition costs, direct improvement costs, capitalized interest, where applicable, and real estate taxes.

During the second quarter of 2021, we had the following land under development transactions:

- Sold a land parcel to a developer for approximately $45,800, which approximated our carrying value of the property as of the sale date. In conjunction with the sale, we entered into an LPA with the developer for the option to purchase the finished lots expected to be developed from the parcel.
- Completed the development of one land parcel and transferred development costs totaling approximately $16,500 to inventory which is reported in "Unsold lots and housing units" in the accompanying condensed consolidated balance sheet as of June 30, 2021.
- Purchased a raw land parcel for approximately $7,200, which is expected to produce approximately 80 lots.

As of June 30, 2021, we directly owned two separate raw land parcels with a carrying value of $7,794 that are expected to produce approximately 100 finished lots. We have additional funding commitments of approximately $5,100 under a joint development agreement related to one parcel, a portion of which we expect will be offset by development credits of approximately $2,800. None of the raw parcels had any indicators of impairment as of June 30, 2021.

5. Capitalized Interest

We capitalize interest costs to land under development during the active development of finished lots. In addition, we capitalize interest costs on our JV investments while the investments are considered qualified assets pursuant to ASC Topic 835-20 - *Interest*. Capitalized interest is transferred to sold or unsold inventory as the development of finished lots is completed, then charged to cost of sales upon our settlement of homes and the respective lots. Interest incurred in excess of the interest capitalizable based on the level of qualified assets is expensed in the period incurred.

(dollars and shares in thousands, except per share data)

The following table reflects the changes in our capitalized interest during the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest capitalized, beginning of period	$ 829	$ 3,034	$ 1,025	$ 3,499
Interest incurred	13,291	9,665	26,714	16,300
Interest charged to interest expense	(13,270)	(9,525)	(26,667)	(16,011)
Interest charged to cost of sales	(206)	(501)	(428)	(1,115)
Interest capitalized, end of period	$ 644	$ 2,673	$ 644	$ 2,673

6. Earnings per Share

The following weighted average shares and share equivalents were used to calculate basic and diluted earnings per share ("EPS") for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted average number of shares outstanding used to calculate basic EPS	3,623	3,682	3,648	3,673
Dilutive securities:				
Stock options and restricted share units	274	179	269	208
Weighted average number of shares and share equivalents outstanding used to calculate diluted EPS	3,897	3,861	3,917	3,881

The following non-qualified stock options ("Options") issued under equity incentive plans were outstanding during the three and six months ended June 30, 2021 and 2020, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Anti-dilutive securities	18	330	19	244

7. Shareholders' Equity

A summary of changes in shareholders' equity for the three months ended June 30, 2021 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, March 31, 2021	$ 206	$ 2,272,006	$ 9,059,882	$ (8,285,587)	$ (16,710)	$ 16,710	$ 3,046,507
Net income	—	—	321,295	—	—	—	321,295
Purchase of common stock for treasury	—	—	—	(376,941)	—	—	(376,941)
Equity-based compensation	—	13,379	—	—	—	—	13,379
Proceeds from Options exercised	—	38,048	—	—	—	—	38,048
Treasury stock issued upon option exercise and restricted share vesting	—	(8,869)	—	8,869	—	—	—
Balance, June 30, 2021	$ 206	$ 2,314,564	$ 9,381,177	$ (8,653,659)	$ (16,710)	$ 16,710	$ 3,042,288

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

A summary of changes in shareholders' equity for the six months ended June 30, 2021 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, December 31, 2020	$ 206	$ 2,214,426	$ 8,811,120	$ (7,922,678)	$ (16,710)	$ 16,710	$ 3,103,074
Net income	—	—	570,057	—	—	—	570,057
Purchase of common stock for treasury	—	—	—	(754,366)	—	—	(754,366)
Equity-based compensation	—	27,850	—	—	—	—	27,850
Proceeds from Options exercised	—	95,673	—	—	—	—	95,673
Treasury stock issued upon option exercise and restricted share vesting	—	(23,385)	—	23,385	—	—	—
Balance, June 30, 2021	$ 206	$ 2,314,564	$ 9,381,177	$ (8,653,659)	$ (16,710)	$ 16,710	$ 3,042,288

We repurchased approximately 78 and 165 shares of our common stock during the three and six months ended June 30, 2021, respectively. We settle Option exercises and vesting of RSUs by issuing shares of treasury stock. Approximately 18 and 49 shares were issued from the treasury account during the three and six months ended June 30, 2021, respectively, in settlement of Option exercises and vesting of RSUs. Shares are relieved from the treasury account based on the weighted average cost basis of treasury shares.

A summary of changes in shareholders' equity for the three months ended June 30, 2020 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, March 31, 2020	$ 206	$ 2,127,315	$ 8,085,575	$ (7,796,177)	$ (16,912)	$ 16,912	$ 2,416,919
Net income	—	—	164,075	—	—	—	164,075
Deferred compensation activity, net	—	—	—	—	202	(202)	—
Equity-based compensation	—	14,434	—	—	—	—	14,434
Proceeds from Options exercised	—	16,984	—	—	—	—	16,984
Treasury stock issued upon option exercise and restricted share vesting	—	(7,110)	—	7,110	—	—	—
Balance, June 30, 2020	$ 206	$ 2,151,623	$ 8,249,650	$ (7,789,067)	$ (16,710)	$ 16,710	$ 2,612,412

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

A summary of changes in shareholders' equity for the six months ended June 30, 2020 is presented below:

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, December 31, 2019	$ 206	$ 2,055,407	$ 7,909,872	$ (7,624,241)	$ (16,912)	$ 16,912	$ 2,341,244
Net income	—	—	339,778	—	—	—	339,778
Deferred compensation activity, net	—	—	—	—	202	(202)	—
Purchase of common stock for treasury	—	—	—	(216,582)	—	—	(216,582)
Equity-based compensation	—	21,926	—	—	—	—	21,926
Proceeds from Options exercised	—	126,046	—	—	—	—	126,046
Treasury stock issued upon option exercise and restricted share vesting	—	(51,756)	—	51,756	—	—	—
Balance, June 30, 2020	$ 206	$ 2,151,623	$ 8,249,650	$ (7,789,067)	$ (16,710)	$ 16,710	$ 2,612,412

We repurchased approximately 58 shares of our common stock during the six months ended June 30, 2020, all of which were repurchased in the first quarter. Approximately 15 and 114 shares were issued from the treasury account during the three and six months ended June 30, 2020, respectively, in settlement of Option exercises and vesting of RSUs.

8. Product Warranties

We establish warranty and product liability reserves ("Warranty Reserve") to provide for estimated future expenses as a result of construction and product defects, product recalls and litigation incidental to our homebuilding business. Liability estimates are determined based on management's judgment, considering such factors as historical experience, the estimated current cost of corrective action, manufacturers' and subcontractors' participation in sharing the cost of corrective action, consultations with third party experts such as engineers, and discussions with our general counsel and outside counsel retained to handle specific product liability cases.

The following table reflects the changes in our Warranty Reserve during the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Warranty reserve, beginning of period	$ 124,836	$ 107,032	$ 119,638	$ 108,053
Provision	21,760	15,677	44,089	28,098
Payments	(19,094)	(11,490)	(36,225)	(24,932)
Warranty reserve, end of period	$ 127,502	$ 111,219	$ 127,502	$ 111,219

9. Segment Disclosures

We disclose four homebuilding reportable segments that aggregate geographically our homebuilding operating segments, and our mortgage banking operations presented as one reportable segment. The homebuilding reportable segments are comprised of operating divisions in the following geographic areas:

Mid Atlantic:	Maryland, Virginia, West Virginia, Delaware and Washington, D.C.
North East:	New Jersey and Eastern Pennsylvania
Mid East:	New York, Ohio, Western Pennsylvania, Indiana and Illinois
South East:	North Carolina, South Carolina, Florida and Tennessee

Homebuilding profit before tax includes all revenues and income generated from the sale of homes, less the cost of homes sold, selling, general and administrative expenses and a corporate capital allocation charge. The corporate capital allocation charge is eliminated in consolidation and is based on the segment's average net assets employed. The corporate capital allocation charged to the operating segment allows the Chief Operating Decision Maker ("CODM") to determine whether the operating segment's results are providing the desired rate of return after covering our cost of capital.

Assets not allocated to the operating segments are not included in either the operating segment's corporate capital allocation charge or the CODM's evaluation of the operating segment's performance. We record charges on contract land deposits when it is determined that it is probable that recovery of the deposit is impaired. For segment reporting purposes, impairments on contract land deposits are generally charged to the operating segment upon the termination of an LPA with the developer, or the restructuring of an LPA resulting in the forfeiture of the deposit. Mortgage banking profit before tax consists of revenues generated from mortgage financing, title insurance and closing services, less the costs of such services and general and administrative costs. Mortgage banking operations are not charged a corporate capital allocation charge.

In addition to the corporate capital allocation and contract land deposit impairments discussed above, the other reconciling items between segment profit and consolidated profit before tax include unallocated corporate overhead (including all management incentive compensation), equity-based compensation expense, consolidation adjustments and external corporate interest expense. Our overhead functions such as accounting, treasury and human resources are centrally performed and these costs are not allocated to our operating segments. Consolidation adjustments consist of such items necessary to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes, and are not allocated to our operating segments. External corporate interest expense primarily consists of interest charges on our 3.95% Senior Notes due 2022 and 3.00% Senior Notes due 2030 (the "Senior Notes"), which are not charged to the operating segments because the charges are included in the corporate capital allocation discussed above.

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

The following tables present segment revenues, profit and assets with reconciliations to the amounts reported for the consolidated enterprise, where applicable:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Homebuilding Mid Atlantic	$ 1,048,416	$ 839,845	$ 1,984,556	$ 1,613,903
Homebuilding North East	193,245	98,219	355,438	204,355
Homebuilding Mid East	478,179	299,955	903,132	620,650
Homebuilding South East	504,720	350,739	945,145	705,557
Mortgage Banking	59,038	31,610	136,773	58,431
Total consolidated revenues	$ 2,283,598	$ 1,620,368	$ 4,325,044	$ 3,202,896

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Income before taxes:				
Homebuilding Mid Atlantic	$ 174,481	$ 98,067	$ 303,548	$ 179,740
Homebuilding North East	21,510	6,658	36,737	16,809
Homebuilding Mid East	59,887	27,302	108,828	58,466
Homebuilding South East	78,919	42,765	135,584	89,909
Mortgage Banking	40,372	15,692	99,934	27,571
Total segment profit before taxes	375,169	190,484	684,631	372,495
Reconciling items:				
Contract land deposit recoveries (impairments) (1)	7,178	(460)	13,374	(36,075)
Equity-based compensation expense	(13,379)	(14,434)	(27,850)	(21,926)
Corporate capital allocation (2)	63,032	59,870	124,583	116,521
Unallocated corporate overhead	(33,668)	(23,288)	(73,804)	(60,927)
Consolidation adjustments and other (3)	31,944	6,803	34,330	16,456
Corporate interest expense	(12,811)	(9,144)	(25,793)	(15,338)
Reconciling items sub-total	42,296	19,347	44,840	(1,289)
Consolidated income before taxes	$ 417,465	$ 209,831	$ 729,471	$ 371,206

(1) This item represents changes to the contract land deposit impairment reserve, which are not allocated to the reportable segments. See further discussion of lot deposit impairment charges in Note 2.

(2) This item represents the elimination of the corporate capital allocation charge included in the respective homebuilding reportable segments. The corporate capital allocation charge is based on the segment's monthly average asset balance, and was as follows for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Corporate capital allocation charge:				
Homebuilding Mid Atlantic	$ 31,135	$ 31,581	$ 61,731	$ 61,336
Homebuilding North East	6,457	5,790	12,495	11,349
Homebuilding Mid East	11,066	9,687	21,690	19,050
Homebuilding South East	14,374	12,812	28,667	24,786
Total	$ 63,032	$ 59,870	$ 124,583	$ 116,521

(dollars and shares in thousands, except per share data)

(3) The increase in consolidation adjustments and other for the three and six month periods of 2021 compared to the 2020 period relates primarily to the significant increase in lumber prices during the second half of 2020 through the first half of 2021. Our reportable segments' results include the intercompany profits of our production facilities, which were negatively impacted by the increase in lumber costs. The increase in lumber costs related to homes not yet settled is reversed through the consolidation adjustment. As the homes currently in inventory are settled in subsequent quarters, our consolidated homebuilding margins will be negatively impacted by the higher lumber costs.

	June 30, 2021	December 31, 2020
Assets:		
Homebuilding Mid Atlantic	$ 1,196,515	$ 1,140,910
Homebuilding North East	246,296	202,591
Homebuilding Mid East	442,110	377,448
Homebuilding South East	566,547	494,295
Mortgage Banking	410,956	555,278
Total segment assets	2,862,424	2,770,522
Reconciling items:		
Cash and cash equivalents	2,597,565	2,714,720
Deferred taxes	137,037	132,980
Intangible assets and goodwill	49,601	49,678
Operating lease right-of-use assets	61,740	53,110
Finance lease right-of-use assets	14,973	15,772
Contract land deposit reserve	(38,831)	(52,205)
Consolidation adjustments and other	169,927	92,564
Reconciling items sub-total	2,992,012	3,006,619
Consolidated assets	$ 5,854,436	$ 5,777,141

10. Fair Value

GAAP assigns a fair value hierarchy to the inputs used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Financial Instruments

The following table presents the estimated fair values and carrying values of our Senior Notes as of June 30, 2021 and December 31, 2020. The estimated fair value is based on recent market prices of similar transactions, which is classified as Level 2 within the fair value hierarchy.

	June 30, 2021	December 31, 2020
Estimated Fair Values:		
3.95% Senior Notes due 2022	$ 620,220	$ 630,000
3.00% Senior Notes due 2030	953,730	982,620
Total	$ 1,573,950	$ 1,612,620
Carrying Values:		
3.95% Senior Notes due 2022	$ 599,238	$ 598,925
3.00% Senior Notes due 2030	917,592	918,470
Total	$ 1,516,830	$ 1,517,395

Except as otherwise noted below, we believe that insignificant differences exist between the carrying value and the fair value of our financial instruments, which consist primarily of cash equivalents, due to their short term nature.

Derivative Instruments and Mortgage Loans Held for Sale

In the normal course of business, our wholly-owned mortgage subsidiary, NVR Mortgage Finance, Inc. ("NVRM"), enters into contractual commitments to extend credit to our homebuyers with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVRM. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date of the loan to a broker/dealer. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, NVRM enters into optional or mandatory delivery forward sale contracts to sell whole loans and mortgage-backed securities to broker/dealers. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. NVRM does not engage in speculative or trading derivative activities. Both the rate lock commitments to borrowers and the forward sale contracts to broker/dealers are undesignated derivatives and, accordingly, are marked to fair value through earnings. At June 30, 2021, there were rate lock commitments to extend credit to borrowers aggregating $1,130,241 and open forward delivery contracts aggregating $1,263,416, which hedge both the rate lock commitments and closed loans held for sale.

The fair value of NVRM's rate lock commitments to borrowers and the related input levels include, as applicable:

i) the assumed gain/loss of the expected resultant loan sale (Level 2);

ii) the effects of interest rate movements between the date of the rate lock and the balance sheet date (Level 2); and

iii) the value of the servicing rights associated with the loan (Level 2).

The assumed gain/loss considers the excess servicing to be received or buydown fees to be paid upon securitization of the loan. The excess servicing and buydown fees are calculated pursuant to contractual terms with investors. To calculate the effects of interest rate movements, NVRM utilizes applicable published mortgage-backed security prices, and multiplies the price movement between the rate lock date and the balance sheet date by the notional loan commitment amount. NVRM sells all of its loans on a servicing released basis, and receives a servicing released premium upon sale. Thus, the value of the servicing rights is included in the fair value measurement and is based upon contractual terms with investors and varies depending on the loan type. NVRM assumes a fallout rate when measuring the fair value of rate lock commitments. Fallout is defined as locked loan commitments for which NVRM does not close a mortgage loan and is based on historical experience.

The fair value of NVRM's forward sales contracts to broker/dealers solely considers the market price movement of the same type of security between the trade date and the balance sheet date (Level 2). The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

Mortgage loans held for sale are recorded at fair value when closed, and thereafter are carried at the lower of cost or fair value, net of deferred origination costs, until sold. Fair value is measured using Level 2 inputs. As of June 30, 2021, the fair value of loans held for sale of $344,680 included on the accompanying condensed consolidated balance sheet has been increased by $4,699 from the aggregate principal balance of $339,981. As of December 31, 2020, the fair value of loans held for sale of $449,760 were increased by $10,042 from the aggregate principal balance of $439,718.

(dollars and shares in thousands, except per share data)

The fair value measurement of NVRM's undesignated derivative instruments was as follows:

	June 30, 2021	December 31, 2020
Rate lock commitments:		
Gross assets	$ 15,267	$ 10,844
Gross liabilities	539	87
Net rate lock commitments	$ 14,728	$ 10,757
Forward sales contracts:		
Gross assets	$ 335	$ 1
Gross liabilities	1,939	5,217
Net forward sales contracts	$ (1,604)	$ (5,216)

As of June 30, 2021 and December 31, 2020, the net rate lock commitments are reported in mortgage banking "Other assets" and the net forward sales contracts are reported in mortgage banking "Accrued expenses and other liabilities" on the accompanying condensed consolidated balance sheets.

The fair value measurement adjustment as of June 30, 2021 was as follows:

	Notional or Principal Amount	Assumed Gain/(Loss) From Loan Sale	Interest Rate Movement Effect	Servicing Rights Value	Security Price Change	Total Fair Value Measurement Gain/(Loss)
Rate lock commitments	$ 1,130,241	$ 4,469	$ 1,942	$ 8,317	$ —	$ 14,728
Forward sales contracts	$ 1,263,416	—	—	—	(1,604)	(1,604)
Mortgages held for sale	$ 339,981	1,590	163	2,946	—	4,699
Total fair value measurement		$ 6,059	$ 2,105	$ 11,263	$ (1,604)	$ 17,823

The total fair value measurement adjustment as of December 31, 2020 was $15,583. NVRM recorded a fair value adjustment to income of $1,692 and $2,240 for the three and six months ended June 30, 2021, respectively. NVRM recorded a fair value adjustment to income of $7,018 for the three months ended June 30, 2020, and a fair value adjustment to expense of $3,703 for the six months ended June 30, 2020. Unrealized gains/losses from the change in the fair value measurements are included in earnings as a component of mortgage banking fees in the accompanying condensed consolidated statements of income. The fair value measurement will be impacted in the future by the change in the value of the servicing rights, interest rate movements, security price fluctuations, and the volume and product mix of NVRM's closed loans and locked loan commitments.

11. Debt

As of June 30, 2021, we had the following debt instruments outstanding:

3.95% Senior Notes due 2022 ("2022 Senior Notes")

The 2022 Senior Notes have a principal balance of $600,000. The 2022 Senior Notes mature on September 15, 2022 and bear interest at 3.95%, payable semi-annually in arrears on March 15 and September 15. The 2022 Senior Notes were issued at a discount to yield 3.97% and have been reflected net of the unamortized discount and unamortized debt issuance costs in the accompanying condensed consolidated balance sheet.

3.00% Senior Notes due 2030 ("2030 Senior Notes")

The 2030 Senior Notes have an aggregate principal balance of $900,000 and mature on May 15, 2030. The 2030 Senior Notes bear interest at 3.00%, payable semi-annually in arrears on May 15 and November 15. The 2030 Senior Notes were issued in three separate issuances, $600,000 issued at a discount to yield 3.02%, and the two additional issuances totaling $300,000 issued at a premium to yield 2.00%. The 2030 Senior Notes have been reflected net of the unamortized discount or premium, as applicable, and the unamortized debt issuance costs in the accompanying condensed consolidated balance sheet.

Credit Agreement

We have an unsecured Credit Agreement (the "Credit Agreement"), which provides for aggregate revolving loan commitments of $300,000 (the "Facility"). Under the Credit Agreement, we may request increases of up to $300,000 to the Facility in the form of revolving loan commitments or term loans to the extent that new or existing lenders agree to provide additional revolving loan or term loan commitments. The Credit Agreement provides for a $100,000 sublimit for the issuance of letters of credit, of which approximately $11,900 was outstanding at June 30, 2021. The Credit Agreement termination date is February 12, 2026. There was no debt outstanding under the Facility at June 30, 2021.

Repurchase Agreement

NVRM provides for its mortgage origination and other operating activities using cash generated from its operations, borrowings from its parent company, NVR, as well as a revolving mortgage repurchase agreement (the "Repurchase Agreement"), which is non-recourse to NVR. The Repurchase Agreement provides for loan purchases up to $150,000, subject to certain sub-limits. Amounts outstanding under the Repurchase Agreement are collateralized by the Company's mortgage loans held for sale.

In July 2021, NVRM entered into the Thirteenth Amendment to the Repurchase Agreement, which extended the term of the Repurchase Agreement through July 20, 2022. All other terms and conditions under the amended Repurchase Agreement remained materially consistent. At June 30, 2021, there were no borrowing base limitations reducing the amount available under the Repurchase Agreement. There was no debt outstanding under the Repurchase Agreement at June 30, 2021.

12. Commitments and Contingencies

We are involved in various litigation arising in the ordinary course of business. In the opinion of management, and based on advice of legal counsel, this litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows. Legal costs incurred in connection with outstanding litigation are expensed as incurred.

13. Leases

We have operating leases for our corporate and division offices, production facilities, model homes, and certain office and production equipment. Additionally, we have finance leases for certain plant equipment and one of our production facilities which are recorded in homebuilding "Property, plant and equipment, net" and "Accrued expenses and other liabilities" on the accompanying condensed consolidated balance sheets. Our finance lease ROU assets and finance lease liabilities were $14,973 and $15,601, respectively, as of June 30, 2021, and $15,772 and $16,173, respectively, as of December 31, 2020. Our leases have remaining lease terms of up to 19.2 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the lease.

We recognize operating lease expense on a straight-line basis over the lease term. We have elected to use the portfolio approach for certain equipment leases which have similar lease terms and payment schedules. Additionally, for certain equipment we account for the lease and non-lease components as a single lease component. Our sublease income is de minimis.

We have certain leases, primarily the leases of model homes, which have initial lease terms of twelve months or less ("Short-term leases"). We elected to exclude these leases from the recognition requirements under Topic 842, and these leases have not been included in our recognized ROU assets and lease liabilities.

The components of lease expense were as follows:

NVR, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Lease expense				
Operating lease expense	$ 7,911	$ 7,942	$ 15,488	$ 15,853
Finance lease expense:				
Amortization of ROU assets	445	281	888	547
Interest on lease liabilities	108	51	217	100
Short-term lease expense	5,861	6,185	11,751	12,611
Total lease expense	$ 14,325	$ 14,459	$ 28,344	$ 29,111

Other information related to leases was as follows:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Supplemental Cash Flows Information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 6,878	$ 6,676	$ 13,688	$ 13,394
Operating cash flows from finance leases	108	51	217	100
Financing cash flows from finance leases	331	212	661	412
ROU assets obtained in exchange for lease obligations:				
Operating leases	$ 16,558	$ 1,901	$ 19,571	$ 5,685
Finance leases	$ —	$ —	$ 89	$ 440

	June 30, 2021	December 31, 2020
Weighted-average remaining lease term (in years):		
Operating leases	7.0	4.7
Finance leases	12.1	12.5
Weighted-average discount rate:		
Operating leases	3.1 %	3.4 %
Finance leases	2.8 %	2.8 %

14. Income Taxes

Our effective tax rate for the three and six months ended June 30, 2021 was 23.0% and 21.9%, respectively, compared to 21.8% and 8.5% for the three and six months ended June 30, 2020, respectively. The increase in the effective tax rate in the three and six month periods of 2021 compared to the same periods in 2020 is primarily attributable to the impact of the income tax benefit recognized related to excess tax benefits from stock option exercises totaling $11,213 and $28,590 for the three and six months ended June 30, 2021, respectively, and $6,854 and $62,509 for the three and six months ended June 30, 2020, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands, except per share data)

Forward-Looking Statements

Some of the statements in this Quarterly Report on Form 10-Q, as well as statements made by us in periodic press releases or other public communications, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as “believes,” “expects,” “may,” “will,” “should,” or “anticipates” or the negative thereof or other comparable terminology. All statements other than of historical facts are forward-looking statements. Forward-looking statements contained in this document may include those regarding market trends, our financial position and financial results, business strategy, the outcome of pending litigation, investigations or similar contingencies, projected plans and objectives of management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or performance to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to the following: the impact of COVID-19 on us and the economy generally; general economic and business conditions (on both a national and regional level); interest rate changes; access to suitable financing by us and our customers; increased regulation in the mortgage banking industry; the ability of our mortgage banking subsidiary to sell loans it originates into the secondary market; competition; the availability and cost of land and other raw materials used by us in our homebuilding operations; shortages of labor; weather related slow-downs; building moratoriums; governmental regulation; fluctuation and volatility of stock and other financial markets; mortgage financing availability; and other factors over which we have little or no control. We undertake no obligation to update such forward-looking statements except as required by law. For additional information regarding risk factors, see Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of NVR’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Unless the context otherwise requires, references to “NVR,” “we,” “us,” or “our” include NVR and its consolidated subsidiaries.

Results of Operations for the Three and Six Months Ended June 30, 2021 and 2020

Overview

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on all facets of our business. Our primary focus as we face this challenge is to do everything we can to ensure the safety and well-being of our employees, customers and trade partners. In each of our markets, we continue to operate in accordance with the guidelines issued by the Centers for Disease Control and Prevention as well as state and local guidelines, which have resulted in significant changes to the way we conduct business.

Although current demand for new homes is strong, there remains uncertainty regarding the extent and timing of disruption to our business that may result from COVID-19 and related governmental actions. There is also uncertainty as to the effects of economic relief efforts on the U.S. economy, unemployment, consumer confidence, demand for our homes and the mortgage market, including lending standards and secondary mortgage markets. We are unable to predict the extent to which this will impact our operational and financial performance, including the impact of future developments such as the duration and spread of COVID-19, corresponding governmental actions, and the impact of such on our employees, customers and trade partners.

Outlook

Demand for new homes remained strong in the second quarter of 2021, driven by historically low mortgage interest rates and limited housing supply. This has resulted in strong sales absorptions and rising home prices. Additionally, the strong demand has led to increased construction activity and demand for building materials, which, along with the impacts of COVID-19, has resulted in some supply chain disruptions. We expect these issues to continue over the next several quarters as suppliers continue to work through the disruptions to meet the increased demand.

Business

Our primary business is the construction and sale of single-family detached homes, townhomes and condominiums, all of which are primarily constructed on a pre-sold basis. To fully serve customers of our homebuilding operations, we also operate a mortgage banking and title services business. We primarily conduct our operations in mature markets. Additionally, we generally grow our business through market share gains in our existing markets and by expanding into markets contiguous to our current active markets. Our four homebuilding reportable segments consist of the following regions:

Mid Atlantic:	Maryland, Virginia, West Virginia, Delaware and Washington, D.C.
North East:	New Jersey and Eastern Pennsylvania
Mid East:	New York, Ohio, Western Pennsylvania, Indiana and Illinois
South East:	North Carolina, South Carolina, Florida and Tennessee

Our lot acquisition strategy is predicated upon avoiding the financial requirements and risks associated with direct land ownership and development. We generally do not engage in land development (see discussion below of our land development activities). Instead, we typically acquire finished building lots from various third party land developers pursuant to fixed price finished lot purchase agreements (“LPAs”). These LPAs require deposits, typically ranging up to 10% of the aggregate purchase price of the finished lots, in the form of cash or letters of credit that may be forfeited if we fail to perform under the LPA. This strategy has allowed us to maximize inventory turnover, which we believe enables us to minimize market risk and to operate with less capital, thereby enhancing rates of return on equity and total capital.

In addition to constructing homes primarily on a pre-sold basis and utilizing what we believe is a conservative lot acquisition strategy, we focus on obtaining and maintaining a leading market position in each market we serve. This strategy allows us to gain valuable efficiencies and competitive advantages in our markets, which we believe contributes to minimizing the adverse effects of regional economic cycles and provides growth opportunities within these markets. Our continued success is contingent upon our ability to control an adequate supply of finished lots on which to build.

In certain specific strategic circumstances, we deviate from our historical lot acquisition strategy and engage in joint venture arrangements with land developers or directly acquire raw ground already zoned for its intended use for development. Once we acquire control of raw ground, we determine whether to sell the raw parcel to a developer and enter into an LPA with the developer to purchase the finished lots or to hire a developer to develop the land on our behalf. While joint venture arrangements and direct land development activity are not our preferred method of acquiring finished building lots, we may enter into additional transactions in the future on a limited basis where there exists a compelling strategic or prudent financial reason to do so. We expect, however, to continue to acquire substantially all our finished lot inventory using LPAs with forfeitable deposits.

As of June 30, 2021, we controlled approximately 114,100 lots as described below.

Lot Purchase Agreements

We controlled approximately 112,000 lots under LPAs with third parties through deposits in cash and letters of credit totaling approximately $460,900 and $6,900, respectively. Included in the number of controlled lots are approximately 6,200 lots for which we have recorded a contract land deposit impairment reserve of approximately $38,800 as of June 30, 2021.

Joint Venture Limited Liability Corporations ("JVs")

We had an aggregate investment totaling approximately $21,700 in four JVs, expected to produce approximately 2,350 lots. Of the lots to be produced by the JVs, approximately 2,000 lots were controlled by us and approximately 350 were either under contract with unrelated parties or currently not under contract. We had additional funding commitments totaling approximately $3,100 to one of the JVs at June 30, 2021.

Land Under Development

We directly owned two separate raw land parcels, zoned for their intended use, with a cost basis, including development costs, of approximately $7,800 that we intend to develop into approximately 100 finished lots. We had additional funding commitments of approximately $5,100 under a joint development agreement related to one parcel, a portion of which we expect will be offset by development credits of approximately $2,800.

See Notes 2, 3 and 4 to the condensed consolidated financial statements included herein for additional information regarding LPAs, JVs and land under development, respectively.

Raw Land Purchase Agreements

In addition, we have certain properties under contract with land owners that are expected to yield approximately 9,000 lots, which are not included in the number of total lots controlled. Some of these properties may require rezoning or other approvals to achieve the expected yield. These properties are controlled with deposits in cash and letters of credit totaling approximately $3,200 and $100, respectively, as of June 30, 2021, of which approximately $2,800 is refundable if certain contractual conditions are not met. We generally expect to assign the raw land contracts to a land developer and simultaneously enter into an LPA with the assignee if the project is determined to be feasible.

Key Financial Results

Our consolidated revenues for the second quarter of 2021 totaled $2,283,598, a 41% increase from the second quarter of 2020. Net income for the second quarter ended June 30, 2021 was $321,295, or $82.45 per diluted share, increases of 96% and 94% when compared to net income and diluted earnings per share in the second quarter of 2020, respectively. Our homebuilding gross profit margin percentage increased to 22.6% in the second quarter of 2021 from 19.2% in the second quarter of 2020. New orders, net of cancellations ("New Orders") decreased by 6% in the second quarter of 2021 compared to the second quarter of 2020. The average sales price for New Orders in the second quarter of 2021 increased by 20% to $440.2 compared to the second quarter of 2020.

Homebuilding Operations

The following table summarizes the results of operations and other data for the consolidated homebuilding operations:

	Three Months Ended June 30,			Six Months Ended June 30,	
	2021	2020		2021	2020
Financial Data:					
Revenues	$ 2,224,560	$ 1,588,758		$ 4,188,271	$ 3,144,465
Gross Profit Margin	502,887	304,265		889,145	565,229
Gross profit margin percentage	22.6 %	19.2 %		21.2 %	18.0 %
Selling, general and administrative expenses	$ 113,406	$ 102,702		$ 234,825	$ 212,869
Operating Data:					
New orders (units)	5,521	5,901		11,835	10,916
Average new order price	$ 440.2	$ 365.4		$ 424.4	$ 368.6
Settlements (units)	5,685	4,296		10,757	8,526
Average settlement price	$ 391.3	$ 369.8		$ 389.3	$ 368.8
Backlog (units)				12,627	10,623
Average backlog price				$ 428.5	$ 377.5
New order cancellation rate	8.3 %	15.7 %		9.0 %	18.1 %
Average active communities	420	484		432	479

Consolidated Homebuilding - Three Months Ended June 30, 2021 and 2020

Homebuilding revenues increased 40% in the second quarter of 2021 compared to the same period in 2020, as a result of a 32% increase in the number of units settled and a 6% increase in the average settlement price. The increase in the number of units settled was attributable to a 42% higher backlog unit balance entering the second quarter of 2021 compared to the same period in 2020, offset partially by a lower backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 7% higher average sales price of units in backlog entering the second quarter of 2021 compared to the same period in 2020.

Gross profit margin percentage in the second quarter of 2021 increased to 22.6%, from 19.2% in the second quarter of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity quarter over quarter. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor quarter over quarter.

The number of New Orders decreased 6% while the average sales price of New Orders increased 20% in the second quarter of 2021 compared to the second quarter of 2020. New Orders were lower due primarily to a 13% decrease in average number of active communities in the second quarter of 2021 compared to the same period in 2020. The increase in the average sales price of New Orders quarter over quarter was attributable to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Selling, general and administrative (“SG&A”) expense in the second quarter of 2021 increased by approximately $10,700, but as a percentage of revenue decreased to 5.1% from 6.5% quarter over quarter due to improved leveraging of SG&A costs. The increase in SG&A expense quarter over quarter was attributable primarily to increased incentive compensation attributable to stronger performance quarter over quarter, as well as increased personnel costs due to increased headcount.

Consolidated Homebuilding - Six Months Ended June 30, 2021 and 2020

Homebuilding revenues increased 33% in the first six months of 2021 compared to the same period in 2020, as a result of a 26% increase in the number of units settled and a 6% increase in the average settlement price. The increase in the number of units settled was attributable to a 40% higher backlog unit balance entering 2021 compared to the backlog unit balance entering 2020, offset partially by a lower backlog turnover rate year over year.

The increase in the average settlement price was primarily attributable to a 4% higher average sales price of units in backlog entering 2021 compared to backlog entering 2020.

Gross profit margin percentage in the first six months of 2021 increased to 21.2% from 18.0% in the first six months of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity year over year. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor year over year. Additionally, the increase in gross profit margin year over year was attributable to gross profit margin in 2020 being negatively impacted by contract land deposit impairment charges of approximately $37,300, or 118 basis points.

The number of New Orders and the average sales price of New Orders increased 8% and 15%, respectively, in the first six months of 2021 compared to the same period in 2020. New Orders and the average sales price of New Orders were higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

SG&A expense in the first six months of 2021 increased by approximately $22,000, but as a percentage of revenue decreased to 5.6% from 6.8% year over year due to improved leveraging of SG&A costs. The increase in SG&A expense year over year was attributable primarily to increased incentive compensation attributable to stronger performance year over year, as well as increased personnel costs due to increased headcount.

Our backlog represents homes sold but not yet settled with our customers. As of June 30, 2021, our backlog increased on a unit basis by 19% to 12,627 units and increased on a dollar basis by 35% to $5,410,376 when compared to 10,623 units and $4,009,695, respectively, as of June 30, 2020. The increase in backlog units was primarily attributable to an 8% increase in New Orders during the six-month period ended June 30, 2021 compared to the same period in 2020, coupled with a lower backlog turnover rate period over period. Our backlog turnover rate was negatively impacted by a longer production cycle attributable to subcontractor capacity constraints as we work to expand production to meet our increased sales pace. Backlog dollars were higher due to the increase in backlog units and a 15% increase in the average sales price of New Orders during the six-month period ended June 30, 2021 compared to the same period in 2020.

In addition to the potential impact of the ongoing COVID-19 pandemic, our backlog may be impacted by customer cancellations for various reasons that are beyond our control, such as failure to obtain mortgage financing, inability to sell an existing home, job loss, or a variety of other reasons. In any period, a portion of the cancellations that we experience are related to new sales that occurred during the same period, and a portion are related to sales that occurred in prior periods and therefore appeared in the opening backlog for the current period. Calculated as the total of all cancellations during the period as a percentage of gross sales during that same period, our cancellation rate was approximately 9% and 18% in the first six months of 2021 and 2020, respectively. During the most recent four quarters, approximately 3% of a reporting quarter's opening backlog cancelled during the fiscal quarter. We can provide no assurance that our historical cancellation rates are indicative of the actual cancellation rate that may occur during the remainder of 2021 or future years. Other than those units that are cancelled, and subject to potential construction delays resulting from COVID-19 related restrictions, we expect to settle substantially all of our June 30, 2021 backlog within the next twelve months.

The backlog turnover rate is impacted by various factors, including, but not limited to, changes in New Order activity, internal production capacity, external subcontractor capacity, building material supply chain disruptions and other external factors over which we do not exercise control, such as the impact of governmental orders to limit construction activities as a result of COVID-19.

Reportable Segments

Homebuilding segment profit includes all revenues and income generated from the sale of homes, less the cost of homes sold, SG&A expenses, and a corporate capital allocation charge determined by corporate management. The corporate capital allocation charge eliminates in consolidation and is based on the segment's average net assets employed. The corporate capital allocation charged to the operating segment allows the Chief Operating Decision Maker to determine whether the operating segment is providing the desired rate of return after covering our cost of capital.

We record charges on contract land deposits when we determine that it is probable that recovery of the deposit is impaired. For segment reporting purposes, impairments on contract land deposits are generally charged to the operating segment upon the termination of an LPA with the developer, or the restructuring of an LPA resulting in the forfeiture of the deposit. We evaluate our entire net contract land deposit portfolio for impairment each quarter. For presentation purposes below, the contract land deposit reserve at June 30, 2021 and December 31, 2020 has been allocated to the respective year's reportable segments to show contract land deposits on a net basis. The net contract land deposit balances below also include approximately $6,900 and $8,100 at June 30, 2021 and December 31, 2020, respectively, of letters of credit issued as deposits in lieu of cash.

The following tables summarize certain homebuilding operating activity by reportable segment for the three and six months ended June 30, 2021 and 2020.

Selected Segment Financial Data:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Mid Atlantic	$ 1,048,416	$ 839,845	$ 1,984,556	$ 1,613,903
North East	193,245	98,219	355,438	204,355
Mid East	478,179	299,955	903,132	620,650
South East	504,720	350,739	945,145	705,557

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross profit margin:				
Mid Atlantic	$ 235,944	$ 160,197	$ 427,246	$ 304,525
North East	36,090	19,503	65,037	42,247
Mid East	89,702	55,264	167,206	113,551
South East	112,859	73,099	202,589	148,074

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross profit margin percentage:				
Mid Atlantic	22.5 %	19.1 %	21.5 %	18.9 %
North East	18.7 %	19.9 %	18.3 %	20.7 %
Mid East	18.8 %	18.4 %	18.5 %	18.3 %
South East	22.4 %	20.8 %	21.4 %	21.0 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Segment profit:				
Mid Atlantic	$ 174,481	$ 98,067	$ 303,548	$ 179,740
North East	21,510	6,658	36,737	16,809
Mid East	59,887	27,302	108,828	58,466
South East	78,919	42,765	135,584	89,909

Operating Activity:

	Three Months Ended June 30, 2021 Units	Three Months Ended June 30, 2021 Average Price	Three Months Ended June 30, 2020 Units	Three Months Ended June 30, 2020 Average Price	Six Months Ended June 30, 2021 Units	Six Months Ended June 30, 2021 Average Price	Six Months Ended June 30, 2020 Units	Six Months Ended June 30, 2020 Average Price
New orders, net of cancellations:								
Mid Atlantic	2,090	$ 535.4	2,381	$ 443.0	4,381	$ 518.1	4,442	$ 442.6
North East	394	$ 499.3	369	$ 375.7	834	$ 486.3	727	$ 378.9
Mid East	1,320	$ 375.7	1,536	$ 315.6	3,115	$ 361.1	2,761	$ 320.3
South East	1,717	$ 360.3	1,615	$ 296.1	3,505	$ 348.7	2,986	$ 300.5
Total	5,521	$ 440.2	5,901	$ 365.4	11,835	$ 424.4	10,916	$ 368.6

	Three Months Ended June 30, 2021 Units	Three Months Ended June 30, 2021 Average Price	Three Months Ended June 30, 2020 Units	Three Months Ended June 30, 2020 Average Price	Six Months Ended June 30, 2021 Units	Six Months Ended June 30, 2021 Average Price	Six Months Ended June 30, 2020 Units	Six Months Ended June 30, 2020 Average Price
Settlements:								
Mid Atlantic	2,224	$ 471.4	1,931	$ 434.9	4,234	$ 468.7	3,726	$ 433.1
North East	433	$ 446.3	262	$ 374.9	805	$ 441.5	543	$ 376.3
Mid East	1,404	$ 340.6	945	$ 317.4	2,667	$ 338.6	1,930	$ 321.6
South East	1,624	$ 310.7	1,158	$ 302.9	3,051	$ 309.8	2,327	$ 303.2
Total	5,685	$ 391.3	4,296	$ 369.8	10,757	$ 389.3	8,526	$ 368.8

	As of June 30, 2021 Units	As of June 30, 2021 Average Price	As of June 30, 2020 Units	As of June 30, 2020 Average Price
Backlog:				
Mid Atlantic	4,626	$ 517.7	4,328	$ 448.7
North East	979	$ 485.7	771	$ 403.5
Mid East	3,322	$ 364.8	2,644	$ 327.5
South East	3,700	$ 359.0	2,880	$ 309.2
Total	12,627	$ 428.5	10,623	$ 377.5

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
New order cancellation rate:				
Mid Atlantic	7.8 %	15.6 %	8.7 %	18.6 %
North East	6.6 %	15.8 %	8.9 %	18.8 %
Mid East	10.4 %	14.5 %	9.3 %	17.4 %
South East	7.5 %	16.9 %	9.2 %	17.9 %

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Average active communities:				
Mid Atlantic	153	188	156	189
North East	32	41	33	40
Mid East	126	141	133	139
South East	109	114	110	111
Total	420	484	432	479

Homebuilding Inventory:

	June 30, 2021	December 31, 2020
Sold inventory:		
Mid Atlantic	$ 779,468	$ 704,595
North East	175,866	140,461
Mid East	339,080	278,510
South East	418,806	336,902
Total (1)	$ 1,713,220	$ 1,460,468

	June 30, 2021	December 31, 2020
Unsold lots and housing units inventory:		
Mid Atlantic	$ 91,495	$ 76,690
North East	11,957	7,941
Mid East	11,750	13,252
South East	12,477	23,220
Total (1)	$ 127,679	$ 121,103

(1) The reconciling items between segment inventory and consolidated inventory include certain consolidation adjustments necessary to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes. These consolidation adjustments are not allocated to our operating segments.

Lots Controlled and Land Deposits:

	June 30, 2021	December 31, 2020
Total lots controlled:		
Mid Atlantic	44,900	42,100
North East	11,600	10,500
Mid East	22,400	22,000
South East	35,200	31,100
Total	114,100	105,700

	June 30, 2021	December 31, 2020
Contract land deposits, net:		
Mid Atlantic	$ 239,488	$ 212,742
North East	38,295	32,949
Mid East	48,843	49,222
South East	105,577	100,864
Total	$ 432,203	$ 395,777

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Contract land deposit impairments (recoveries), net:				
Mid Atlantic	$ —	$ —	$ 8	$ —
North East	—	28	—	294
Mid East	5	4	11	4
South East	—	448	—	902
Total	$ 5	$ 480	$ 19	$ 1,200

Mid Atlantic

Three Months Ended June 30, 2021 and 2020

The Mid Atlantic segment had an approximate $76,400, or 78%, increase in segment profit in the second quarter of 2021 compared to the second quarter of 2020. The increase in segment profit was driven by an increase in segment revenues of approximately $208,600, or 25%, quarter over quarter. Segment revenues increased due to increases in the number of units settled and the average settlement price of 15% and 8%, respectively, quarter over quarter. The increases in the number of units settled and the average settlement price were attributable to a 23% higher backlog unit balance entering the second quarter of 2021 compared to the backlog unit balance entering the second quarter of 2020, offset partially by a lower backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 10% higher average sales price of units in backlog entering the second quarter of 2021 compared to the same period in 2020. The Mid Atlantic segment's gross profit margin percentage increased to 22.5% in the second quarter of 2021 from 19.1% in the second quarter of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity quarter over quarter. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor quarter over quarter.

Segment New Orders decreased 12% while the average sales price of New Orders increased 21% in the second quarter of 2021 compared to the second quarter of 2020. New Orders were lower due primarily to a 19% decrease in average number of active communities in the second quarter of 2021 compared to the same period in 2020. The increase in the average sales price of New Orders quarter over quarter was attributable to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Six Months Ended June 30, 2021 and 2020

The Mid Atlantic segment had an approximate $123,800, or 69%, increase in segment profit in the first six months of 2021 compared to the first six months of 2020. The increase in segment profit was driven by an increase in segment revenues of approximately $370,700, or 23%, year over year. Segment revenues increased due to increases in the number of units settled and the average settlement price of 14% and 8%, respectively, year over year. The increases in the number of units settled and the average settlement price were attributable to a 24% higher backlog unit balance entering 2021 compared to the backlog unit balance entering 2020, offset partially by a lower backlog turnover rate year over year. The increase in the average settlement price was primarily attributable to a 7% higher average sales price of units in backlog entering 2021 compared to the same period in 2020. The Mid Atlantic segment's gross profit margin percentage increased to 21.5% in the first six months of 2021 from 18.9% in the first six months of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity year over year. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor year over year.

Segment New Orders decreased 1% while the average sales price of New Orders increased 17% in the first six months of 2021 compared to the first six months of 2020. New Orders were negatively impacted primarily by a 17% decrease in average number of active communities in the first six months of 2021 compared to the same period in 2020. The increase in the average sales price of New Orders year over year was attributable to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

North East

Three Months Ended June 30, 2021 and 2020

The North East segment had an approximate $14,900, or 223%, increase in segment profit in the second quarter of 2021 compared to the second quarter of 2020, due primarily to an increase in segment revenues of approximately $95,000, or 97%, quarter over quarter. Segment revenues increased due to increases in the number of units settled and the average settlement price of 65% and 19%, respectively, quarter over quarter. The increase in the number of units settled was attributable to a 53% higher backlog unit balance entering the second quarter of

2021 compared to the backlog unit balance entering the second quarter of 2020, coupled with a higher backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 14% higher average sales price of units in backlog entering the second quarter of 2021 compared to the same period in 2020. The segment’s gross profit margin percentage decreased to 18.7% in the second quarter of 2021 from 19.9% in the second quarter of 2020, primarily due to higher prices for lumber, certain other commodities and labor quarter over quarter, offset partially by improved leveraging of certain operating costs attributable to the increased settlement activity quarter over quarter.

Segment New Orders and the average sales price of New Orders increased 7% and 33%, respectively, in the second quarter of 2021 compared to the second quarter of 2020. New Orders and the average sales price of New Orders were higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power. Additionally, the average sales price of New Orders was favorably impacted by a shift in New Orders to higher priced markets within the segment quarter over quarter.

Six Months Ended June 30, 2021 and 2020

The North East segment had an approximate $19,900, or 119%, increase in segment profit in the first six months of 2021 compared to the first six months of 2020. The increase in segment profit was driven by an increase in segment revenues of approximately $151,100, or 74%, year over year. Segment revenues increased due to increases in the number of units settled and the average settlement price of 48% and 17%, respectively, year over year. The increase in the number of units settled was attributable to a 62% higher backlog unit balance entering 2021 compared to the backlog unit balance entering 2020, offset partially by a lower backlog turnover rate year over year. The increase in the average settlement price was primarily attributable to a 10% higher average sales price of units in backlog entering 2021 compared to backlog entering 2020, coupled with a 24% increase in the average sales price of New Orders in the first quarter of 2021 compared to the same period in 2020. The segment’s gross profit margin percentage decreased to 18.3% in the first six months of 2021 from 20.7% in the same period in 2020, primarily due to higher prices for lumber, certain other commodities and labor year over year, offset partially by improved leveraging of certain operating costs attributable to the increased settlement activity year over year.

Segment New Orders and the average sales price of New Orders increased 15% and 28%, respectively, in the first six months of 2021 compared to the first six months of 2020. New Orders and the average sales price of New Orders were higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Mid East

Three Months Ended June 30, 2021 and 2020

The Mid East segment had an approximate $32,600, or 119%, increase in segment profit in the second quarter of 2021 compared to the second quarter of 2020, due primarily to an increase in segment revenues of approximately $178,200, or 59%, quarter over quarter. Segment revenues increased primarily due to a 49% increase in the number of units settled and a 7% increase in the average settlement price quarter over quarter. The increase in the number of units settled was attributable to a 66% higher backlog unit balance entering the second quarter of 2021 compared to the backlog unit balance entering the second quarter of 2020, offset partially by a lower backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 6% higher average sales price of units in backlog entering the second quarter of 2021 compared to same period in 2020. The segment's gross profit margin percentage was relatively flat quarter over quarter as the increase in the average settlement price and improved leveraging of certain operating costs attributable to the increase in settlement activity were offset by higher prices for lumber, certain other commodities and labor quarter over quarter.

Segment New Orders decreased 14% while the average sales price of New Orders increased 19% in the second quarter of 2021 compared to the second quarter of 2020. New Orders were negatively impacted by an 11% decrease in the average number of active communities quarter over quarter. The average sales price of New Orders was higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Six Months Ended June 30, 2021 and 2020

The Mid East segment had an approximate $50,400, or 86%, increase in segment profit in the first six months of 2021 compared to the first six months of 2020. The increase in segment profit was driven by an increase in segment revenues of approximately $282,500, or 46%, year over year. Segment revenues increased due to increases in the number of units settled and the average settlement price of 38% and 5%, respectively, year over year. The increase in the number of units settled was attributable to a 59% higher backlog unit balance entering 2021 compared to the backlog unit balance entering 2020, offset partially by a lower backlog turnover rate year over year. The increase in the average settlement price was primarily attributable to a 4% higher average sales price of units in backlog entering 2021 compared to backlog entering 2020. The segment's gross profit margin percentage was relatively flat in the first six months of 2021 compared to the same period in 2020 as the increase in the average settlement price and improved leveraging of certain operating costs attributable to the increase in settlement activity were offset by higher prices for lumber, certain other commodities and labor year over year.

Segment New Orders and the average sales price of New Orders each increased 13% in the first six months of 2021 compared to the first six months of 2020. New Orders were higher due primarily to strong sales in the first quarter of 2021 compared to the same period in 2020, offset partially by the aforementioned 14% decrease in sales in the second quarter of 2021 due to the decrease in the average number of active communities in the second quarter of 2021 compared to 2020. The average sales price of New Orders was higher year over year due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

South East

Three Months Ended June 30, 2021 and 2020

The South East segment had an approximate $36,200, or 85%, increase in segment profit in the second quarter of 2021 compared to the second quarter of 2020. The increase in segment profit was primarily driven by an increase in segment revenues of approximately $154,000, or 44%, quarter over quarter. The increase in revenues is attributable to a 40% increase in the number of units settled and a 3% increase in the average settlement price quarter over quarter. The increase in the number of units settled was attributable to a 49% higher backlog unit balance entering the second quarter 2021 compared to the backlog unit balance entering the second quarter of 2020, offset partially by a lower backlog turnover rate quarter over quarter. The increase in the average settlement price was primarily attributable to a 7% higher average sales price of units in backlog entering the second quarter of 2021 compared to the same period in 2020. The segment’s gross profit margin percentage increased to 22.4% in the second quarter of 2021 from 20.8% in the second quarter of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity quarter over quarter. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor quarter over quarter.

Segment New Orders and the average sales price of New Orders increased 6% and 22%, respectively, in the second quarter of 2021 compared to the second quarter of 2020. New Orders and the average sales price of New Orders were higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Six Months Ended June 30, 2021 and 2020

The South East segment had an approximate $45,700, or 51%, increase in segment profit in the first six months of 2021 compared to the first six months of 2020. The increase in segment profit was driven by an increase in segment revenues of approximately $239,600, or 34%, year over year. Segment revenues increased due to increases in the number of units settled and the average settlement price of 31% and 2%, respectively, year over year. The increase in the number of units settled was attributable to a 46% higher backlog unit balance entering 2021 compared to the backlog unit balance entering 2020, offset partially by a lower backlog turnover rate year over year. The increase in the average settlement price was primarily attributable to a 3% higher average sales price of units in backlog entering 2021 compared to backlog entering 2020. The segment's gross profit margin percentage increased to 21.4% in the first six months of 2021 from 21.0% in the first six months of 2020. Gross profit margins were favorably impacted by the increase in the average settlement price attributable to improved pricing power in prior quarters and improved leveraging of certain operating costs attributable to the increase in settlement activity year over year. These favorable factors were partially offset by higher prices for lumber, certain other commodities and labor year over year.

Segment New Orders and the average sales price of New Orders increased 17% and 16%, respectively, in the first six months of 2021 compared to the first six months of 2020. New Orders and the average sales price of New Orders were higher due to favorable market conditions which, coupled with low housing inventory levels, drove demand and provided us pricing power.

Homebuilding Segment Reconciliations to Consolidated Homebuilding Operations

In addition to the corporate capital allocation and contract land deposit impairments discussed above, the other reconciling items between homebuilding segment profit and homebuilding consolidated income before tax include unallocated corporate overhead (which includes all management incentive compensation), equity-based compensation expense, consolidation adjustments and external corporate interest expense. Our overhead functions, such as accounting, treasury and human resources, are centrally performed and the costs are not allocated to our operating segments. Consolidation adjustments consist of such items to convert the reportable segments' results, which are predominantly maintained on a cash basis, to a full accrual basis for external financial statement presentation purposes, and are not allocated to our operating segments. External corporate interest expense primarily consists of interest charges on our Senior Notes, and is not charged to the operating segments because the charges are included in the corporate capital allocation discussed above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Homebuilding consolidated gross profit:				
Mid Atlantic	$ 235,944	$ 160,197	$ 427,246	$ 304,525
North East	36,090	19,503	65,037	42,247
Mid East	89,702	55,264	167,206	113,551
South East	112,859	73,099	202,589	148,074
Consolidation adjustments and other	28,292	(3,798)	27,067	(43,168)
Homebuilding consolidated gross profit	$ 502,887	$ 304,265	$ 889,145	$ 565,229

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Homebuilding consolidated income before taxes:				
Mid Atlantic	$ 174,481	$ 98,067	$ 303,548	$ 179,740
North East	21,510	6,658	36,737	16,809
Mid East	59,887	27,302	108,828	58,466
South East	78,919	42,765	135,584	89,909
Reconciling items:				
Contract land deposit recoveries (impairments) (1)	7,178	(460)	13,374	(36,075)
Equity-based compensation expense	(12,209)	(13,768)	(25,705)	(20,837)
Corporate capital allocation (2)	63,032	59,870	124,583	116,521
Unallocated corporate overhead	(33,668)	(23,288)	(73,804)	(60,927)
Consolidation adjustments and other (3)	31,944	6,803	34,330	16,456
Corporate interest expense	(12,811)	(9,144)	(25,793)	(15,338)
Reconciling items sub-total	43,466	20,013	46,985	(200)
Homebuilding consolidated income before taxes	$ 378,263	$ 194,805	$ 631,682	$ 344,724

(1) This item represents changes to the contract land deposit impairment reserve, which are not allocated to the reportable segments. See further discussion of lot deposit impairment charges in Note 2 in the accompanying condensed consolidated financial statements.

(2) This item represents the elimination of the corporate capital allocation charge included in the respective homebuilding reportable segments. The corporate capital allocation charge is based on the segment's monthly average asset balance, and is as follows for the periods presented:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Corporate capital allocation charge:				
Mid Atlantic	$ 31,135	$ 31,581	$ 61,731	$ 61,336
North East	6,457	5,790	12,495	11,349
Mid East	11,066	9,687	21,690	19,050
South East	14,374	12,812	28,667	24,786
Total	$ 63,032	$ 59,870	$ 124,583	$ 116,521

(3) The increase in the three and six month periods of 2021 relates primarily to the significant increase in lumber prices during the second half of 2020 through the first half of 2021. Our reportable segments' results include intercompany profits of our production facilities, which were negatively impacted by the increase in lumber costs. The increase in lumber costs related to homes not yet settled is reversed through the consolidation adjustment. As the homes currently in inventory are settled in subsequent quarters, our consolidated homebuilding margins will be negatively impacted by the higher lumber costs.

Mortgage Banking Segment

Three and Six Months Ended June 30, 2021 and 2020

We conduct our mortgage banking activity through NVR Mortgage Finance, Inc. (“NVRM”), a wholly owned subsidiary. NVRM focuses exclusively on serving the homebuilding segment customer base. NVRM sells all of the mortgage loans it closes to investors in the secondary markets on a servicing-released basis, typically within 30 days from the loan closing. The following table summarizes the results of our mortgage banking operations and certain statistical data for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Loan closing volume:				
Total principal	$ 1,565,095	$ 1,144,428	$ 2,977,974	$ 2,276,531
Loan volume mix:				
Adjustable rate mortgages	4 %	2 %	2 %	2 %
Fixed-rate mortgages	96 %	98 %	98 %	98 %
Operating profit:				
Segment profit	$ 40,372	$ 15,692	$ 99,934	$ 27,571
Equity-based compensation expense	(1,170)	(666)	(2,145)	(1,089)
Mortgage banking income before tax	$ 39,202	$ 15,026	$ 97,789	$ 26,482
Capture rate:	89 %	89 %	89 %	90 %
Mortgage banking fees:				
Net gain on sale of loans	$ 47,602	$ 23,174	$ 115,152	$ 41,574
Title services	11,235	8,265	21,232	16,518
Servicing fees	201	171	389	339
	$ 59,038	$ 31,610	$ 136,773	$ 58,431

Loan closing volume for the three and six months ended June 30, 2021 increased by approximately $420,700, or 37%, and $701,400, or 31%, from the same periods in 2020. The increase in loan closing volume during the three and six months ended June 30, 2021 was primarily attributable to the 32% and 26% increases in the homebuilding segment’s number of units settled during the three and six months ended June 30, 2021, respectively, compared to the same periods in 2020.

Segment profit for the three and six months ended June 30, 2021 increased by approximately $24,700, or 157%, and $72,400, or 262%, from the same periods in 2020. These increases were primarily attributable to increases in mortgage banking fees of approximately $27,400 and $78,300, respectively, primarily due to increased mortgage volume in the first half of 2021 and the recovery in the mortgage markets from the disruptions in the first half of 2020 related to the COVID-19 pandemic.

Seasonality

We generally have higher New Order activity in the first half of the year and higher home settlements, revenue and net income in the second half of the year.

Effective Tax Rate

Our effective tax rate for the three and six months ended June 30, 2021 was 23.0% and 21.9%, respectively, compared to 21.8% and 8.5% for the three and six months ended June 30, 2020, respectively. The increase in the effective tax rate in the three and six month periods of 2021 compared to the same periods in 2020 is primarily attributable to the impact of the income tax benefit recognized related to excess tax benefits from stock option exercises totaling $11,213 and $28,590 for the three and six months ended June 30, 2021, respectively, and $6,854 and $62,509 for the three and six months ended June 30, 2020, respectively.

We expect to experience volatility in our effective tax rate in future quarters as the amount of the excess tax benefit from equity-based awards is dependent on our stock price when awards are exercised as well as on the timing of exercises, which historically has varied from quarter to quarter.

Liquidity and Capital Resources

Overview

We had a very strong liquidity position as of June 30, 2021, with approximately $2,600,000 in cash and cash equivalents, approximately $288,000 in unused committed capacity under our revolving credit facility and $150,000 in unused committed capacity under our revolving mortgage repurchase facility.

Our homebuilding business segment funds its operations from cash flows provided by operating activities, a short-term unsecured working capital revolving credit facility and capital raised in the public debt and equity markets. Our mortgage banking subsidiary, NVRM, provides for its mortgage origination and other operating activities using cash generated from its operations, borrowings from its parent company, NVR, as well as a revolving mortgage repurchase facility.

Credit Agreement

Our unsecured Credit Agreement (the “Credit Agreement”) provides for aggregate revolving loan commitments of $300,000. Under the Credit Agreement, we may request increases of up to $300,000 to the facility in the form of revolving loan commitments or term loans to the extent that new or existing lenders agree to provide additional revolving loan or term loan commitments. The Credit Agreement provides for a $100,000 sublimit for the issuance of letters of credit of which there was approximately $11,900 outstanding at June 30, 2021. The Credit Agreement termination date is February 12, 2026. There was no debt outstanding under the Credit Agreement at June 30, 2021.

Repurchase Agreement

NVRM's revolving mortgage repurchase facility (the “Repurchase Agreement”) provides for aggregate borrowings up to $150,000 and is non-recourse to NVR. In July 2021, NVRM entered into the Thirteenth Amendment to the Repurchase Agreement, which extended the term of the Repurchase Agreement through July 20, 2022. All other terms and conditions under the amended Repurchase Agreement remained materially consistent. At June 30, 2021, there were no borrowing base limitations reducing the amount available under the Repurchase Agreement. There was no debt outstanding under the Repurchase Agreement at June 30, 2021.

For additional information regarding lines of credit and notes payable, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Cash Flows

For the six months ended June 30, 2021, cash, restricted cash, and cash equivalents decreased by $144,956. Cash provided by operating activities was $521,020. Cash was provided by earnings for the six months ended June 30, 2021, net proceeds of $212,649 from mortgage loan activity and a $124,685 increase in customer deposits due primarily to the increase in homebuilding backlog. Cash was primarily used to fund the increase in homebuilding inventory of $264,291 due to an increase in the number of units under construction at June 30, 2021 compared to December 31, 2020.

Net cash used in investing activities for the six months ended June 30, 2021 was $6,622, attributable primarily to cash used for purchases of property, plant and equipment of $6,620.

Net cash used in financing activities was $659,354 for the six months ended June 30, 2021. Cash was used to repurchase 164,975 shares of our common stock at an aggregate purchase price of $754,366 under our ongoing common stock repurchase program, discussed below. Cash was provided from stock option exercise proceeds totaling $95,673.

Equity Repurchases

In addition to funding growth in our homebuilding and mortgage banking operations, we historically have used a substantial portion of our excess liquidity to repurchase outstanding shares of our common stock in open market and privately negotiated transactions. This ongoing repurchase activity is conducted pursuant to publicly announced Board authorizations, and is typically executed in accordance with the safe-harbor provisions of Rule 10b-18 promulgated under the Exchange Act. In addition, the Board resolutions authorizing us to repurchase shares of our common stock specifically prohibit us from purchasing shares from our officers, directors, Profit Sharing/401(k) Plan Trust or Employee Stock Ownership Plan Trust. The repurchase program assists us in accomplishing our primary objective of creating increases in shareholder value. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, of this Quarterly Report on Form 10-Q for further discussion of repurchase activity during the second quarter of 2021.

Critical Accounting Policies

There have been no material changes to our critical accounting policies as previously disclosed in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in our market risks during the six months ended June 30, 2021. For additional information regarding our market risks, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. There have been no changes in our internal control over financial reporting in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various litigation arising in the ordinary course of business. In the opinion of management, and based on advice of legal counsel, this litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows. Legal costs incurred in connection with outstanding litigation are expensed as incurred.

Item 1A. Risk Factors

There have been no material changes to the risk factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(dollars in thousands, except per share data)

We had two share repurchase authorizations outstanding during the quarter ended June 30, 2021. On December 14, 2020 and May 5, 2021, we publicly announced that our Board of Directors authorized the repurchase of our outstanding common stock in one or more open market and/or privately negotiated transactions, up to an aggregate of $300,000 and $500,000 per authorization, respectively. The repurchase authorizations do not have expiration dates. We repurchased the following shares of our common stock during the second quarter of 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - 30, 2021	12,677	$ 4,862.22	12,677	$ 106,999
May 1 - 31, 2021 (1)	25,805	$ 4,852.50	25,805	$ 481,780
June 1 - 30, 2021	39,970	$ 4,755.68	39,970	$ 291,696
Total	78,452	$ 4,804.74	78,452	

(1) Of the shares repurchased in May 2021, 21,972 shares were repurchased under the December 14, 2020 share repurchase authorization, which fully utilized the December authorization. The remaining 3,833 shares were repurchased under the May 5, 2021 share repurchase authorization.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Thirteenth Amendment to Amended and Restated Master Repurchase Agreement dated July 21, 2021 between NVR Mortgage Finance, Inc. and U.S. Bank National Association. Filed herewith.
31.1	Certification of NVR's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of NVR's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32	Certification of NVR's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NVR, Inc.

Date: August 3, 2021	By: /s/ Daniel D. Malzahn
	Daniel D. Malzahn
	Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 10.1

THIRTEENTH AMENDMENT TO AMENDED AND RESTATED
MASTER REPURCHASE AGREEMENT

THIS THIRTEENTH AMENDMENT TO AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT (this "Amendment"), dated as of July 21, 2021 (the "Effective Date"), is made and entered into among NVR MORTGAGE FINANCE, INC., a Virginia corporation (the "Seller"), U.S. BANK NATIONAL ASSOCIATION, as agent (in such capacity, the "Agent") and a Buyer, and the other Buyers (the "Buyers").

RECITALS

A. The Seller and the Buyers are parties to an Amended and Restated Master Repurchase Agreement dated as of August 2, 2011 as amended by a First Amendment to Amended and Restated Master Repurchase Agreement dated as of August 1, 2012, a Second Amendment to Amended and Restated Master Repurchase Agreement dated as of November 13, 2012, a Third Amendment to Amended and Restated Master Repurchase Agreement dated as of November 29, 2012, a Fourth Amendment to Amended and Restated Master Repurchase Agreement dated as of July 31, 2013, a Fifth Amendment to Amended and Restated Master Repurchase Agreement dated as of July 30, 2014, a Sixth Amendment to Amended and Restated Master Repurchase Agreement dated as of July 29, 2015, a Seventh Amendment to Amended and Restated Master Purchase Agreement dated as of January 18, 2016, an Eighth Amendment to Amended and Restated Master Purchase Agreement dated as of July 27, 2016, a Ninth Amendment to Amended and Restated Master Purchase Agreement dated as of July 26, 2017, a Tenth Amendment to Amended and Restated Master Repurchase Agreement dated July 25, 2018, an Eleventh Amendment to Amended and Restated Master Repurchase Agreement dated as of July 24, 2019, and a Twelfth Amendment to Amended and Restated Master Repurchase Agreement effective as of July 22, 2020 (as further amended, restated or otherwise modified from time to time, the "Repurchase Agreement"); and

B. The Seller and the Buyers now desire to amend certain provisions of the Repurchase Agreement as set forth herein.

AGREEMENT

In consideration of the premises herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, all parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used and not otherwise defined in this Amendment have the meanings specified in the Repurchase Agreement.

Section 2. Amendments. The Repurchase Agreement is hereby amended as follows:

2.1. Definitions. Section 1.2 of the Repurchase Agreement is hereby amended by adding or amending and restating, as applicable, the following defined terms to read in their entireties as follows:

"*Termination Date*" means the earlier of (i) July 20, 2022, and (ii) the date when the Buyers' Commitments are terminated pursuant to this Agreement, by order of any Governmental Authority or by operation of law.

2.2. Provisions Relating to LIBOR Rate. Section 6.7 of the Repurchase Agreement is amended and restated in its entirety to read as follows:

6.7 *Provisions Relating to LIBOR Rate*. If Agent has determined that (a)(i) the administrator, or any relevant agency or authority for such administrator, of LIBOR (or any substitute index which replaces LIBOR (LIBOR or such replacement, the "Benchmark")) has announced that such Benchmark will no longer be provided, (ii) any relevant agency or authority has announced that such Benchmark is no longer representative, or (iii) any similar circumstance exists such that such Benchmark has become unavailable or ceased to exist, or (b) similar loans are being documented with a replacement rate to such Benchmark, Agent will (x) replace such Benchmark with a replacement rate or (y) if any such circumstance applies to fewer than all tenors of such Benchmark used for determining an interest period hereunder, discontinue the availability of the affected interest periods. In the case of LIBOR, (a) for any advance hereunder where the rate is reset daily, such replacement rate will be Daily Simple SOFR, plus the adjustment described below, and (b) for any advance hereunder where the rate is reset at monthly or longer intervals, such replacement rate will be Term SOFR, plus the adjustment described below; provided that if Agent determines in its sole discretion that (i) Term SOFR is not available for the applicable advance at the time of such replacement or (ii) the administration of Term SOFR is not administratively feasible for Agent, then such replacement rate will be Daily Simple SOFR, plus the adjustment described below. For purposes of this Agreement, (a) "SOFR" means the secured overnight financing rate which is published by the Board of Governors of the Federal Reserve System (the "Board") and available at www.newyorkfed.org; (b) "Term SOFR" means a forward-looking term rate based on SOFR and recommended by the Board; and (c) "Daily Simple SOFR" means a daily rate based on SOFR and determined by Agent in accordance with the conventions for such rate. In each case, Agent will add an adjustment to Term SOFR or Daily Simple SOFR that is selected or recommended by the Board. In connection with the selection and implementation of any such replacement rate, Agent may make any technical, administrative or operational changes that Agent decides may be appropriate to reflect the adoption and implementation of such replacement rate. Without limitation of the foregoing, in the case of a transition to Daily Simple SOFR, Agent will remove any option to select another rate that may change or is reset on a daily basis, including, without limitation, Agent's prime rate. Agent does not warrant or accept any responsibility for the administration or submission of, or any other matter related to, LIBOR or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement rate will have the same value as, or be economically equivalent to, LIBOR.

Section 3. Representations, Warranties, Authority, No Adverse Claim.

3.1. Reassertion of Representations and Warranties, No Default. The Seller hereby represents and warrants that on and as of the date hereof and after giving effect to this Amendment (a) all of the representations and warranties in the Repurchase Agreement are true, correct, and complete in all respects as of the date hereof as though made on and as of such date, except for changes permitted by the terms of the Repurchase Agreement, and (b) there will exist no Default or Event of Default under the Repurchase Agreement, as amended by this Amendment, on such date that the Buyers have not waived.

3.2. Authority, No Conflict, No Consent Required. The Seller represents and warrants that it has the power, legal right, and authority to enter into this Amendment and has duly authorized by proper corporate action the execution and delivery of this Amendment and none of the agreements herein contravenes or constitutes a default under any agreement, instrument, or indenture to which the Seller is a party or a signatory, any provision of the Seller's articles of incorporation or bylaws, or any other agreement or requirement of law or results in the imposition of any Lien on any of its property under any agreement binding on or applicable to the Seller or any of its property except, if any, in favor of the Buyers. The Seller represents and warrants that no consent, approval, or authorization of or registration or declaration with any Person, including but not limited to any governmental authority, is required in connection with the execution and delivery by the Seller of this Amendment or the performance of obligations of the Seller herein described, except for those that the Seller has obtained or provided and as to which the Seller has delivered certified copies of documents evidencing each such action to the Buyers.

3.3. No Adverse Claim. The Seller hereby warrants, acknowledges, and agrees that no events have taken place and no circumstances exist at the date hereof that would give the Seller a basis to assert a defense, offset, or counterclaim to any claim of the Agent or the Buyers with respect to the Seller's obligations under the Repurchase Agreement as amended by this Amendment.

Section 4. Conditions Precedent. The effectiveness of the amendments hereunder on the Effective Date shall be subject to satisfaction of the following conditions precedent:

4.1. The Agent shall have received the following documents in a quantity sufficient that the Seller and each Buyer may each have a fully executed original of each such document:

(a) this Amendment duly executed by the Seller, the Agent, and the Buyers;

(b) a Fee Letter from the Buyer to the Seller and acknowledged by the Seller;

(c) a certificate of the Secretary or an Assistant Secretary of the Seller certifying (i) that there has been no change to Seller's articles of incorporation or bylaws since copies of the same were delivered to the Agent on July 25, 2011; (ii) as to a copy attached thereto of resolutions authorizing the execution, delivery, and performance of this Amendment, and the other documents and agreements executed and delivered in connection herewith; and (iii) as to the names, incumbency, and specimen signatures of the persons authorized to execute this Amendment on behalf of the Seller; and

(d) such other documents as the Agent reasonably requests.

4.2. The Seller shall have paid any outstanding Agent's Fees and any other fees then due under Article 9 of the Repurchase Agreement.

Section 5. Miscellaneous.

5.1. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Repurchase Agreement and the other Repurchase Documents. Except as expressly modified and superseded by this Amendment, the terms and provisions of the Repurchase Agreement and each other Repurchase Document are ratified and confirmed and shall continue in full force and effect.

5.2. Survival. The representations and warranties made by the Seller in this Amendment shall survive the execution and delivery of this Amendment.

5.3. Reference to Repurchase Agreement. Each of the Repurchase Documents, including the Repurchase Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Repurchase Agreement as amended hereby, is hereby amended so that any reference in such Repurchase Document to the Repurchase Agreement shall refer to the Repurchase Agreement as amended and modified hereby.

5.4. Applicable Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York as applicable to the Repurchase Agreement.

5.5. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Agent, the Buyers, the Seller, and their respective successors and assigns, except that the Seller may not assign or transfer any of its rights or obligations hereunder without the prior written consent of each of the Buyers.

5.6. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

5.7. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

5.8. ENTIRE AGREEMENT. THIS AMENDMENT AND THE OTHER REPURCHASE DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first written above.

NVR MORTGAGE FINANCE, INC., as Seller

By: /s/ Eugene Bredow
Name: Eugene Bredow
Title: President

U.S. BANK NATIONAL ASSOCIATION, as Agent and as a Buyer

By: /s/ Rodney Davis
Name: Rodney Davis
Title: SVP Relationship Manager

Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Paul C. Saville, certify that:

1. I have reviewed this report on Form 10-Q of NVR, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

By: /s/ Paul C. Saville
Paul C. Saville
President and Chief Executive Officer

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Daniel D. Malzahn, certify that:

1. I have reviewed this report on Form 10-Q of NVR, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

By: /s/ Daniel D. Malzahn
Daniel D. Malzahn
Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 32

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of NVR, Inc. for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of NVR, Inc., hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of NVR, Inc.

Date: August 3, 2021

By: /s/ Paul C. Saville
Paul C. Saville
President and Chief Executive Officer

By: /s/ Daniel D. Malzahn
Daniel D. Malzahn
Senior Vice President, Chief Financial Officer and Treasurer