

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
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)

(IRS employer
identification number)

7601 Lewinsville Road, Suite 300
McLean, Virginia 22102
(703) 761-2000

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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

Title of each class	Name of each exchange on which registered
-----	-----
Common stock, par value \$0.01 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of February 22, 2001 the aggregate market value of the voting stock held by non-affiliates of NVR, Inc. based on the closing price reported on the American Stock Exchange for the Common Stock of NVR, Inc. on such date was approximately \$986.5 million. As of February 22, 2001 there were 8,366,862 total shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of NVR, Inc. to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934 on or prior to April 30, 2001 are incorporated by reference into Part III of this report.

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Item 1. Business

General

NVR, Inc. ("NVR") was formed in 1980 as NVHomes, Inc. NVR operates in two business segments: 1) the construction and marketing of homes and 2) mortgage banking. During 2000, NVR conducted its homebuilding activities both directly and indirectly through its wholly owned subsidiary, Fox Ridge Homes, Inc. On December 31, 2000, NVR merged Fox Ridge Homes, Inc. into NVR. NVR now conducts all homebuilding activity directly. NVR conducts its mortgage banking operations primarily through another wholly owned subsidiary, NVR Mortgage Finance, Inc. ("NVR Finance"). Unless the context otherwise requires, references to "NVR" include its subsidiaries.

NVR is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, Maryland metropolitan areas. NVR derived an aggregate of approximately 61% and 62% of its 2000 and 1999 homebuilding revenues, respectively, from the Washington, D.C. and Baltimore, Maryland metropolitan areas. NVR's homebuilding operations construct and sell single-family detached homes, townhomes and condominium buildings under three tradenames: Ryan Homes, NVHomes and Fox Ridge Homes. The Ryan Homes product is built in eighteen metropolitan areas located in Maryland, Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware and Tennessee. The Fox Ridge Homes product is built in the Nashville, Tennessee metropolitan area. The Ryan Homes' and Fox Ridge Homes' products are moderately priced and marketed primarily towards first-time and first time move-up buyers. The NVHomes product is built largely in the Washington, D.C. metropolitan area, and is marketed primarily to move-up and upscale buyers. In 2000, the average price of a unit settled by NVR was approximately \$224,600.

NVR obtains land for homebuilding by acquiring control over finished building lots through option contracts with land developers that require forfeitable deposits. This lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and land development. NVR generally seeks to maintain control over an inventory of lots believed to be suitable for the next 18 to 24 months of projected home sales volumes in the various communities in which it operates.

In addition to building and selling homes, NVR provides a number of mortgage-related services through its regional mortgage banking operations, which operate in 10 states. During the first quarter of 2000, NVR formulated a detailed plan to align its mortgage banking operations to exclusively serve the Company's homebuilding customers. The plan specifically entailed the closure of all of the Company's retail operations, including all of the retail branches acquired from the acquisition of First Republic Mortgage Corporation ("First Republic") in March 1999. This action is consistent with the Company's decision in December 1999 to exit the wholesale mortgage origination business.

NVR's mortgage banking business generates revenues primarily from origination fees, gains on sales of loans, title fees, and sales of servicing rights. In 2000, NVR's mortgage banking business closed approximately 11,600 loans with an aggregate principal amount of approximately \$1.7 billion. NVR's homebuilding customers accounted for 71% of the aggregate dollar amount of loans closed in 2000. Based on NVR's mortgage banking segment's restructuring described above, substantially all of the mortgage banking segment's ongoing loan closings will be for NVR's homebuilding customers. NVR's mortgage banking business sells all of the mortgage loans it closes into the secondary markets, and also sells substantially all of its originated mortgage servicing rights on a flow basis. The servicing portfolio balance at December 31, 2000 was approximately \$275 million in principal amounts of loans serviced.

Segment information for NVR's homebuilding and mortgage banking businesses is included in note 2 to NVR's consolidated financial statements.

Homebuilding

Products

NVR offers single-family detached homes, townhomes, and condominium buildings with many different basic home designs. These home designs have a variety of elevations and numerous other options. Homes built by NVR combine traditional or colonial exterior designs with contemporary interior designs and amenities. NVR's homes range from approximately 985 to 5,400 square feet, with two to five bedrooms, and are priced from approximately \$76,000 to \$1,200,000.

Markets

The following table summarizes settlements and contracts for sales of homes for each of the last three years by region:

Region	Settlements			Contracts for Sale (Net of Cancellations)		
	Year Ended December 31,			Year Ended December 31,		
	2000	1999	1998	2000	1999	1998
Washington/Baltimore	5,208	5,073	4,358	5,305	5,215	5,165
Other (1)	4,847	4,243	3,264	4,963	4,463	3,835
Total	10,055	9,316	7,622	10,268	9,678	9,000

(1) Includes Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Tennessee, Delaware and Richmond, Virginia.

Backlog

Backlog units and dollars were 5,148 and \$1.3 billion respectively, at December 31, 2000 compared to backlog units of 4,935 and dollars of \$1.1 billion at December 31, 1999.

Construction

Independent subcontractors under fixed-price contracts perform construction work on NVR's homes. The subcontractors' work is performed under the supervision of NVR employees who monitor quality control. NVR uses many independent subcontractors in its various markets and is not dependent on any single subcontractor nor on a small number of subcontractors.

Sales and Marketing

NVR's preferred marketing method is for customers to visit a furnished model home featuring many built-in options and a landscaped lot. The garages of these model homes are usually converted into temporary sales centers where alternative facades and floor plans are displayed and designs for other models are available for review. Sales representatives are compensated predominantly on a commission basis.

Regulation

NVR and its subcontractors must comply with various federal, state and local zoning, building, environmental, advertising and consumer credit statutes, rules and regulations, as well as other regulations and requirements in connection with its construction and sales activities. All of these regulations have increased the cost required to market NVR's products. Counties and cities in which NVR builds homes have at times declared moratoriums on the issuance of building permits and imposed other restrictions in the areas in which sewage treatment facilities and other public facilities do not reach minimum standards. To date, restrictive zoning laws and the imposition of moratoriums have not had a material adverse effect on NVR's construction activities. However, there is no assurance that such restrictions will not adversely affect NVR in the future.

Competition, Market Factors and Seasonality

The housing industry is highly competitive. NVR competes with numerous homebuilders of varying size, ranging from local to national in scope, some of whom have greater financial resources than NVR. NVR also faces competition from the home resale market. NVR's homebuilding operations compete primarily on the basis of price, location, design, quality, service and reputation. NVR's homebuilding operations historically have been one of the market leaders in each of the markets where NVR operates.

The housing industry is cyclical and is affected by consumer confidence levels, prevailing economic conditions and interest rates. Other factors that affect the housing industry and the demand for new homes include the availability and increases in the cost of land, labor and materials, changes in consumer preferences, demographic trends and the availability of mortgage finance programs.

The results of NVR's homebuilding operations generally reflect the seasonality of the housing market in the Middle Atlantic region of the United States. NVR historically has entered into more sales contracts during the first and second quarters.

NVR is dependent upon building material suppliers for a continuous flow of raw materials. Whenever possible, NVR utilizes standard products available from multiple sources. Such raw materials have been generally available in adequate supply.

Mortgage Banking

NVR provides a number of mortgage related services to its homebuilding customers and to other customers through its mortgage banking operations. The mortgage banking operations of NVR also include separate companies that broker title insurance and perform title searches in connection with mortgage loan closings for which they receive commissions and fees.

NVR's mortgage banking business sells all of the mortgage loans it closes to investors in the secondary markets, rather than holding them for investment. NVR's wholly owned subsidiary, NVR Finance, is an approved seller/servicer for FNMA, GNMA, FHLMC, VA and FHA mortgage loans. NVR's mortgage banking operations also sell substantially all originated mortgage servicing rights on a flow basis. The size of its servicing portfolio was approximately \$275 million in principal amount of loans being serviced at the end of 2000 compared to approximately \$220 million at December 31, 1999.

Mortgage-Backed Securities

NVR's limited purpose subsidiary ("Limited-Purpose Financing Subsidiary") was organized to facilitate the financing of long-term mortgage loans through the sale of bonds collateralized by mortgage-backed securities. These mortgage-backed securities include certificates guarantying the full and timely payment of principal and interest by FNMA, GNMA and FHLMC. There have been no bonds issued since 1988. Only one series of bonds issued remains outstanding. The remaining series has an early call feature that will allow NVR to retire the bonds at NVR's option in October 2001.

Competition and Market Factors

NVR's mortgage banking operations operate through 28 offices in 10 states. Their main competition comes from national, regional, and local mortgage bankers, thrifts and banks in each of these markets. NVR's mortgage banking operations compete primarily on the basis of customer service, variety of products offered, interest rates offered, prices of ancillary services and relative financing availability and costs.

Regulation

NVR Finance is an approved seller/servicer of FNMA, GNMA, FHLMC, FHA and VA mortgage loans, and is subject to all of those agencies' rules and regulations. These rules and regulations restrict certain activities of NVR Finance. NVR Finance is currently eligible and expects to remain eligible to

participate in such programs. However, any significant impairment of its eligibility could have a material adverse impact on its operations. In addition, NVR Finance is subject to regulation at the state and federal level with respect to specific origination, selling and servicing practices.

Employees

At December 31, 2000, NVR employed 2,752 full-time persons, of whom 1,030 were officers and management personnel, 188 were technical and construction personnel, 449 were sales personnel, 340 were administrative personnel and 745 were engaged in various other service and labor activities. None of NVR's employees are subject to a collective bargaining agreement and NVR has never experienced a work stoppage. Management believes that its employee relations are good.

Item 2. Properties

NVR's executive offices are located in McLean, Virginia, where NVR currently leases office space for a nine and one-half year term expiring in March 2005.

NVR's manufacturing facilities are located in Thurmont, Maryland; Farmington, New York; Clover, South Carolina; Darlington, Pennsylvania; and Portland, Tennessee. NVR has leased the Thurmont and Farmington manufacturing facilities for a term expiring in 2014 with various options for extension of the leases and for the purchase of the facilities. The Clover, Darlington and Portland leases expire in 2002, 2005 and 2004, respectively, and also contain various options for extensions of the leases and for the purchase of the facilities.

NVR also leases office space in 72 locations in 10 states for field offices, mortgage banking and title services branches under leases expiring at various times through 2009. NVR anticipates that, upon expiration of existing leases, it will be able to renew them or obtain comparable facilities on acceptable terms.

Item 3. Legal Proceedings

During April 1999, NVR was served with a lawsuit filed in the United States District Court in Baltimore by a group of homeowners who purchased homes in a community in Howard County, Maryland. The suit alleges violation of certain Federal environmental laws, as well as State consumer protection and related statutes arising from the alleged failure of NVR to disclose to its purchasers that their homes were built either on or adjacent to a site formerly used as an unlicensed landfill. The developer of the property, another homebuilder and various engineering firms are also named as defendants in the action. The plaintiffs are seeking various forms of relief and monetary damages of approximately \$75,000,000. The developer and the other homebuilder have settled their claims with the homeowners. Extensive discovery is nearly complete and the parties have filed a series of motions that will be acted upon by April 2001 and which would, if granted, resolve a number of major issues in the litigation. The lawsuit is scheduled for trial in May 2001. NVR believes that it has valid defenses to the plaintiffs' claims and has and will continue to vigorously defend the case. No assurances can be given, however, regarding the risk or range of possible loss to NVR, if any.

Except as otherwise noted, NVR is not involved in any legal proceedings that are likely to have a material adverse effect on its financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders.

On October 25, 2000, NVR commenced a consent solicitation of the holders of its 8% Senior Notes due 2005 ("Notes") to amend the underlying Indenture of the Notes. The purpose of the proposed amendment was to provide NVR with greater flexibility to continue to repurchase shares of its outstanding common stock as part of its strategy of maximizing shareholder value.

On November 10, 2000, the Company amended the consent solicitation dated October 25, 2000 to extend

the consent period from November 13, 2000 to November 16, 2000. In addition, the amended consent solicitation increased the cash payment to be made for tendered consents to the Note holders from 1% to 4% of the principal amount of the Notes held. The consent solicitation expired without the Company receiving the requisite number of consents to approve the amendment to the Indenture.

Executive Officers of the Registrant

Name ----	Age ---	Positions -----
Dwight C. Schar	59	Chairman of the Board, President and Chief Executive Officer of NVR
William J. Inman	53	President of NVR Mortgage Finance, Inc.
James M. Sack	50	Vice President, Secretary and General Counsel of NVR
Paul C. Saville	45	Senior Vice President Finance, Chief Financial Officer and Treasurer of NVR
Dennis M. Seremet	45	Vice President and Controller of NVR

Dwight C. Schar has been chairman of the board, president and chief executive officer of NVR since September 30, 1993.

William J. Inman has been president of NVR Mortgage Finance, Inc. since January 1992.

James M. Sack has been vice president, secretary and general counsel of NVR since September 30, 1993. Mr. Sack is currently principal of the law firm Sack & Harris, P.C. in McLean, Virginia.

Paul C. Saville has been senior vice president finance, chief financial officer and treasurer of NVR since September 30, 1993.

Dennis M. Seremet has been vice president and controller of NVR since April 1, 1995.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters.

NVR's shares of common stock are listed and principally traded on the American Stock Exchange ("AMEX"). The following table sets forth for the periods indicated the high and low closing sales prices per share for the years 2000 and 1999 as reported by the AMEX.

		HIGH -----	LOW ----
Prices per Share:			
1999:			
	First Quarter.....	47.00	41.00
	Second Quarter.....	52.19	41.94
	Third Quarter.....	57.19	50.50
	Fourth Quarter.....	50.81	38.00
2000:			
	First Quarter.....	54.56	42.50
	Second Quarter.....	63.25	52.75
	Third Quarter.....	81.00	57.38
	Fourth Quarter.....	124.60	76.00

As of the close of business on February 22, 2001, there were 796 shareholders of record.

NVR has not paid any cash dividends on its shares of common stock during the years 2000 or 1999. NVR's bank indebtedness and the indenture governing NVR's 8% Senior Notes due 2005 contain

restrictions on the ability of NVR to pay dividends on its common stock. See note 6 to the financial statements for a detailed description of the Senior Note restrictions.

Item 6. Selected Financial Data (dollars in thousands, except per share amounts)

The following tables set forth selected consolidated financial information for NVR. The selected income statement and balance sheet data have been extracted from NVR's consolidated financial statements for each of the periods presented. The selected financial data should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes included elsewhere in this report.

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Consolidated Income Statement Data:					
Homebuilding data:					
Revenues	\$2,267,810	\$1,942,660	\$1,504,744	\$1,154,022	\$1,045,930
Gross profit	433,751	331,933	230,929	158,167	139,675
Mortgage Banking data:					
Mortgage banking fees	38,757	48,122	42,703	25,946	24,029
Interest income	6,541	13,556	9,861	6,415	5,351
Interest expense	3,016	7,504	6,120	3,544	2,249
Consolidated data:					
Income before extraordinary loss	\$ 158,246	\$ 108,881	\$ 66,107	\$ 28,879	\$ 25,781
Income before extraordinary loss per diluted share (1)	\$ 14.98	\$9.01	\$4.97	\$2.18	\$1.70
December 31,					
Consolidated Balance Sheet Data:					
Homebuilding inventory	\$ 334,681	\$ 323,455	\$ 288,638	\$ 224,041	\$ 171,693
Total assets	841,260	767,281	724,359	564,621	501,165
Notes and loans payable	173,655	278,133	320,337	248,138	201,592
Equity	247,480	200,640	165,719	144,640	152,010
Cash dividends per share	-	-	-	-	-

(1) For the years ended December 31, 2000, 1999, 1998, 1997 and 1996, income from continuing operations per diluted share was computed based on 10,564,215, 12,088,388, 13,300,064, 13,244,677 and 15,137,009 shares, respectively, which represents the weighted average number of shares and share equivalents outstanding at each relevant date.

Item 7. Management's Discussion and Analysis of Financial Condition and Results

of Operations

(dollars in thousands except per share data)

A Cautionary Note Regarding Forward-Looking Statements

Some of the statements in this Form 10-K, as well as statements made by NVR in periodic press releases or other public communications, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 include those regarding market trends, NVR's financial position, business strategy, 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 the actual results or performance of NVR 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: general economic and business conditions (on both a national and regional level); interest rate changes; access to suitable financing; competition; the availability and cost of land and other raw materials used by NVR in its homebuilding operations; shortages of labor; weather related slow downs;

building moratoria; governmental regulation; the ability of NVR to integrate any acquired business; fluctuation and volatility of stock and other financial markets; and other factors over which NVR has little or no control.

Results of Operations for the Years Ended December 31, 2000, 1999 and 1998

NVR, Inc. ("NVR") operates in two business segments: homebuilding and mortgage banking. Corporate general and administrative expenses are fully allocated to the homebuilding and mortgage banking segments in the information presented below.

Homebuilding Segment

Homebuilding revenues for 2000 increased 17% to \$2,267,810 compared to revenues of \$1,942,660 in 1999. The increase in revenues was primarily due to an 8% increase in the number of homes settled to 10,055 in 2000 from 9,316 in 1999, and to an 8% increase in the average settlement price to \$224.6 in 2000 from \$207.7 in 1999. The increase in settlements is a direct result of the substantially higher backlog at the beginning of the 2000 period as compared to the beginning of the same 1999 period. The increase in the average settlement price is attributable to price increases in certain of the Company's markets and to a larger number of settlements of higher-priced single family detached homes. New orders for 2000 increased by 6% to 10,268 units compared with 9,678 units for 1999. The increase in new orders was predominantly the result of increased sales in markets outside the Baltimore/Washington area.

Homebuilding revenues for 1999 increased 29% to \$1,942,660 compared to revenues of \$1,504,744 in 1998. The increase in revenues was primarily due to a 22% increase in the number of homes settled to 9,316 in 1999 from 7,622 in 1998, and to a 6% increase in the average settlement price to \$207.7 in 1999 from \$196.4 in 1998. The increase in settlements is a direct result of the substantially higher backlog at the beginning of the 1999 period as compared to the beginning of the same 1998 period. The increase in the average settlement price is attributable to single family detached units representing a larger percentage of the total units settled in the current period as compared to the prior year period, and to price increases in certain of NVR's markets. New orders for 1999 increased by 8% to 9,678 units compared with 9,000 units for 1998. The increase in new orders was predominantly the result of increased sales in markets outside the Baltimore/Washington area.

Gross profit margins for 2000 increased to 19% compared to 17% for 1999. The increase in gross profit margins was due to continuing favorable market conditions, which provided NVR the opportunity to increase selling prices in certain of its markets, a decrease in the cost of lumber and certain other material costs and to NVR's ongoing focus of controlling construction costs. Gross profit margins for 1999 increased to 17% compared to 15% for 1998. The increase in gross profit margins was due to favorable market conditions that existed in the first half of 1999, which provided NVR the opportunity to increase selling prices in certain of its markets during that time, and to NVR's continued emphasis on controlling construction costs. In addition, the Company has increased the sales and settlement pace per community, which resulted in a better leverage of fixed costs.

SG&A expenses for 2000 increased \$12,446 as compared to 1999, but as a percentage of revenues remained the same at 7%. The percentage decrease is primarily attributable to improved operating efficiencies resulting from the continued favorable market conditions as explained above and the overall larger revenue base. The increase in SG&A dollars is also primarily attributable to the aforementioned increase in revenues. SG&A expenses for 1999 increased \$27,433 as compared to 1998, but as a percentage of revenues decreased to 7% in 1999 from 8% in 1998. Approximately \$15,000 of the increase in SG&A expenses is due to a net period to period increase for compensation cost attributable to management incentive plans. The increase in SG&A dollars is also attributable to the aforementioned increase in revenues.

Backlog units and dollars were 5,148 and \$1,318,277, respectively, at December 31, 2000 compared to backlog units of 4,935 and dollars of \$1,137,332 at December 31, 1999. The increase in backlog dollars and units was primarily due to a 9% increase in new orders for the six-month period ended December 31, 2000 compared to the same 1999 period. The dollar increase is also due to an 8% increase in the average selling price comparing the same six-month periods. Backlog units and dollars were 4,935 and \$1,137,332,

respectively, at December 31, 1999 compared to backlog units of 4,573 and dollars of \$958,757 at December 31, 1998. The increase in backlog dollars and units was primarily due to a 2% increase in new orders for the six-month period ended December 31, 1999 compared to the same 1998 period, and to a slower backlog turn. The dollar increase is also due to an 8% increase in the average selling price comparing the same six-month period.

Mortgage Banking Segment

The mortgage banking segment had operating income, excluding the amortization of excess reorganization value and goodwill, of \$3,853 for the year ended December 31, 2000 compared to operating income of \$14,752 during 1999. During the first quarter of 2000, NVR formulated a detailed plan to align its mortgage banking operations to exclusively serve the Company's homebuilding customers. The plan specifically entailed the closure of all of the Company's retail operations, including all of the retail branches acquired from the acquisition of First Republic Mortgage Corporation ("First Republic") in March 1999. This action was consistent with the Company's decision in December 1999 to exit the wholesale mortgage origination business. The restructuring plan was substantially completed during the second quarter of 2000.

As a result of the restructuring, the Company recorded a restructuring and asset impairment charge of \$5,926 in the first quarter of 2000. A detail of the costs comprising the total charge incurred in the first quarter is as follows:

Write off of First Republic goodwill	\$2,575
Noncancelable office and equipment leases	1,480
Asset impairments	1,362
Severance	509

Total	\$5,926
	=====

During 2000, approximately \$863 in severance and lease costs were applied against the restructuring reserve. In addition, during the third quarter the Company reversed approximately \$200 in restructuring reserves, primarily for unused severance costs. Approximately \$930 of the restructuring accrual established at March 31, 2000, remains at December 31, 2000, and primarily relates to accrued lease costs.

Excluding the restructuring and impairment charges (net of reversals) incurred during 2000, operating income was \$9,579, a decrease of 35% from the \$14,752 of operating income generated in 1999. This was primarily due to a 40% reduction in loan closings to \$1,749,720 for 2000 compared to \$2,911,865 in loan closings for 1999.

Excluding the results of First Republic, the mortgage banking segment generated operating income of \$16,045 for the year ended December 31, 1999 compared to operating income of \$17,056 during the same period in 1998. Total loan closings were \$2,911,865 and \$2,717,456 during the respective periods of 1999 and 1998. Approximately \$450,178 of the increased loan closing production was the result of loans originated by First Republic. Excluding the origination activity of First Republic, loan origination activity for 1999 decreased 9% compared to 1998.

Mortgage banking fees in 1999 were \$48,122 compared to \$42,703 in 1998, representing an increase of \$5,419, or 13%, from the overall 7% increase in loan closing volume. An increase in builder related and other retail loan origination activity offset the sharp reduction in wholesale refinance activity experienced by the Company during the second half of 1999. This shift in product mix had a favorable impact on mortgage banking fees. However, due to increased price competition, the Company realized lower margins on the sale of loans. The increased revenues were offset by higher general and administrative expenses primarily due to ongoing incremental overhead of First Republic and, to a lesser extent, costs incurred for the implementation of the Company's new loan origination system. In response to declining market conditions, the Company commenced a plan to close four of its mortgage origination branches and to exit the wholesale origination business. As a result of the plan, the Company accrued approximately \$650 in office closure expenses during the fourth quarter of 1999.

Seasonality

The results of NVR's homebuilding operations generally reflect the seasonality of the housing market in the Middle Atlantic region of the United States. NVR historically has entered into more sales contracts in this region during the first and second quarters. Because NVR's mortgage banking operations have changed their strategic focus to exclusively serve the company's homebuilding customers, to the extent that homebuilding is affected by seasonality, mortgage banking operations may also be affected.

Effective Tax Rate

The merger of NVR Homes, Inc. and NVR Financial Services, Inc. into NVR, Inc., on September 30, 1998 allowed NVR to utilize a separate return limitation year net operating loss ("SRLY NOL") generated by NVR's previously owned savings and loan institution, NVR Savings Bank. As a result, NVR realized a \$3,300 tax benefit during 1998. The use of the SRLY NOL, coupled with higher taxable income relative to fixed permanent differences, reduced NVR's 1998 effective tax rate to 40.1%. The 2000 and 1999 effective tax rates of 40.7% and 41.2%, respectively, remained low as compared to the pre-SRLY NOL 1998 effective tax rate due to higher taxable income relative to NVR's permanent differences, primarily the amortization of reorganization value in excess of amounts allocable to identifiable assets and non-deductible compensation.

Recent Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires all derivatives to be recognized as either assets or liabilities on the balance sheet and be measured at fair value. Depending on the hedge designation, changes in such fair value will be recognized in either other comprehensive income or current earnings on the income statement. During June 1999, the FASB issued SFAS No. 137, and in June 2000, the FASB issued SFAS No. 138, both of which provide additional guidance and amendments to SFAS No. 133. SFAS No. 133, as amended, is now effective for fiscal years beginning after June 15, 2000, and is applicable to interim periods in the initial year of adoption. The Company does not expect that adoption of SFAS No. 133 on January 1, 2001 will have a material adverse affect on its results of operations or financial condition.

Liquidity and Capital Resources

NVR's homebuilding segment generally provides for its working capital cash requirements using cash generated from operations and a short-term unsecured working capital revolving credit facility. The Facility expires on May 31, 2003, and bears interest at the election of NVR at i) the base rate of interest announced by the Facility agent, or ii) 1.35% above the Eurodollar rate. The Facility provides for borrowings of up to \$60,000, subject to certain borrowing base limitations. Up to approximately \$24,000 of the Facility is currently available for issuance in the form of letters of credit of which \$15,779 was outstanding at December 31, 2000. There were no direct borrowings outstanding under the Facility as of December 31, 2000. At December 31, 2000, there were no borrowing base limitations reducing the amount available to NVR for borrowings.

NVR's mortgage banking segment provides for its mortgage origination and other operating activities using cash generated from operations as well as various short-term credit facilities. NVR Finance has available an annually renewable mortgage warehouse facility with an aggregate borrowing limit of \$100,000 to fund its mortgage origination activities, under which \$53,190 was outstanding at December 31, 2000. The Mortgage Warehouse Revolving Credit agreement expires August 31, 2001. The interest rate under the Mortgage Warehouse Revolving Credit agreement is either: (i) the London Interbank Offering Rate ("Libor") plus 1.25%, or (ii) 1.25% to the extent that NVR Finance provides compensating balances and depending on the type of collateral. The weighted average interest rate for amounts outstanding under the Mortgage Warehouse Revolving Credit line was 3.3% during 2000. NVR Finance from time to time enters into various gestation and repurchase agreements. NVR Finance currently has available an aggregate of \$150,000 of borrowing capacity in such uncommitted facilities. Amounts outstanding thereunder accrue interest at various rates tied to the Libor rate and are collateralized by gestation mortgage-backed securities and whole loans. The weighted average interest rate for amounts outstanding under these uncommitted facilities was 6.7% during 2000. There were no amounts outstanding under such gestation and repurchase agreements at December 31, 2000.

On January 20, 1998, NVR filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$400,000 of NVR's debt securities. The shelf registration statement was declared effective on February 27, 1998 and provides that securities may be offered from time to time in one or more series, and in the form of senior or subordinated debt. As of December 31, 2000, an aggregate principal balance of \$255,000 was available for issuance under the shelf registration statement.

On April 14, 1998, NVR completed an offering under the shelf registration statement for \$145,000 of senior notes due 2005 (the "New Notes"), resulting in aggregate net proceeds to NVR of approximately \$142,800 after fees and expenses. The New Notes mature on June 1, 2005 and bear interest at 8%, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1998. The New Notes are senior unsecured obligations of NVR, ranking equally in right of payment with NVR's other existing and future unsecured indebtedness. The net proceeds of the New Notes were used to extinguish other indebtedness of NVR, as described below.

Through a tender offer commenced on April 21, 1998 and completed on May 18, 1998, various open market purchases throughout 1998 and a contractual call exercised on December 1, 1998, NVR repurchased all of the \$120,000 in aggregate principal then outstanding under the Company's 11% Senior Notes due 2003 ("Senior Notes"). The Senior Notes were retired upon purchase. The amount of funds expended to complete the Senior Note repurchase totaled \$129,345, excluding accrued interest, and resulted in the recognition of an extraordinary loss of \$7,126, net of a \$4,461 tax benefit, (\$0.54 per diluted share) in the accompanying 1998 consolidated income statements.

During 2000, NVR purchased, in the open market, an aggregate of \$30,000 in principal amount of New Senior Notes. The New Senior Notes were purchased at par, with no material gain or loss resulting from the transaction. There is an aggregate of \$115,000 of New Senior Notes outstanding at December 31, 2000.

During December 1998, NVR exercised its option to purchase two office buildings currently utilized by NVR for certain administrative functions of both its homebuilding and mortgage banking segments,

thereby extinguishing NVR's obligations under the capital lease pertaining to these buildings. NVR expended funds of \$12,295, excluding accrued interest, to extinguish the capital lease obligation and recognized an extraordinary loss of \$2,275, net of a \$1,424 tax benefit, (\$0.17 per diluted share) in the accompanying 1998 consolidated income statements. During 1999, NVR sold both buildings to an unrelated third party and leased back one of the buildings under an operating lease for a five-year term expiring in 2004. There was no resultant material gain or loss on the sale transaction.

NVR Finance's mortgage warehouse facility limits the ability of NVR Finance to transfer funds to NVR in the form of dividends, loans or advances. NVR Finance had net assets of \$8,000 as of December 31, 2000, that were so restricted.

As shown in NVR's consolidated statement of cash flows for the year ended December 31, 2000, NVR's operating activities provided cash of \$193,706 for this period. The cash was provided primarily by homebuilding operations and by the excess of loan sale proceeds over cash expended to close mortgage loans with customers.

Net cash provided by investing activities was \$12,133 for the year ended December 31, 2000. The primary source of cash was the proceeds from the sale of mortgage servicing rights.

Net cash used for financing activities was \$157,257 for the year ended December 31, 2000. Cash was primarily used for NVR's purchase of approximately 945,000 shares of its common stock for an aggregate purchase price of \$53,677, the extinguishment of \$30,000 of the Company's New Senior Notes, and net repayments under the mortgage banking credit lines of approximately \$72,000.

On October 3, 2000, NVR reached agreement with a Shareholder to purchase approximately 780,000 shares of its common stock effective January 2, 2001 for an aggregate purchase price of approximately \$65,000. The Shareholder is not affiliated with NVR or its subsidiaries. At December 31, 2000, the forward purchase contract obligation is presented separately outside of equity in the accompanying balance sheet as temporary equity.

On January 2, 2001, NVR settled the transaction with the Shareholder by taking physical delivery of the shares for the agreed upon purchase price paid in cash. Of the approximately 780,000 shares settled, approximately 86,000 shares were used for the Company's employer contribution to the Employee Stock Ownership Plan for plan year 2000 and approximately 30,000 shares were used for the Deferred Compensation Plan (see note 9). The remaining shares were retained in treasury.

On February 27, 2001, NVR successfully completed a solicitation of consents from holders of its New Notes to amend the Indenture governing the New Notes. The amendment to the Indenture provides for NVR to repurchase up to an aggregate \$85 million of its Capital Stock in one or more open market and/or privately negotiated transactions through March 31, 2002. NVR will make a payment equal to 4.5% of the principal amount of the New Notes to each holder of the New Notes who provided a consent. NVR may, from time to time, repurchase additional shares of its common stock, pursuant to repurchase authorizations by the Board of Directors and subject to the restrictions contained within NVR's debt agreements

NVR believes that internally generated cash and borrowings available under credit facilities will be sufficient to satisfy near and longer term cash requirements for working capital and debt service in both its homebuilding and mortgage banking operations.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. NVR's market risk arises from interest rate risk inherent in its financial instruments. Interest rate risk is the possibility that changes in interest rates will cause unfavorable changes in net income or in the value of interest rate-sensitive assets, liabilities and commitments. Lower interest rates tend to increase demand for mortgage loans for home purchasers, while higher interest rates make it more difficult for potential borrowers to purchase residential properties and to qualify for mortgage loans. NVR has no market rate sensitive instruments held for speculative or trading purposes.

NVR's mortgage banking segment is exposed to interest rate risk as it relates to its lending activities. The mortgage banking segment originates mortgage loans, which are generally sold through optional and mandatory forward delivery contracts into the secondary markets. Substantially all of the mortgage banking segment's loan portfolio is held for sale and subject to forward sale commitments. NVR also sells substantially all the mortgage servicing rights in bulk sales at predetermined prices which significantly reduces the market risk associated with these interest sensitive assets.

In the normal course of business, NVR also enters into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include commitments to extend mortgage loans to customers and forward contracts to sell mortgage-backed securities to broker/dealers. These instruments involve, to varying degrees, elements of market rate risk in excess of the amounts recognized in the balance sheet. NVR enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVR. 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 to a broker/dealer. This market risk is managed by entering into forward contracts (optional and mandatory) to deliver mortgage-backed securities and whole loans at specific prices and dates to broker/dealers and secondary market investors. NVR has established policies governing which broker/dealers can be used to conduct these activities. Market risk with respect to forward contracts arises from changes in the value of contractual positions due to fluctuations in interest rates. NVR limits its exposure to market risk by monitoring differences between the total of commitments to customers and loans held for sale and forward contracts with investors and broker/dealers.

There were mortgage loan commitments aggregating approximately \$106,969 outstanding at December 31, 2000, with a fair value at December 31, 2000 of \$107,457 and open forward delivery contracts to sell loans to third party investors aggregating approximately \$135,306 at December 31, 2000, with a fair value at December 31, 2000 of \$134,386.

NVR's homebuilding segment generates operating liquidity and acquires capital assets through fixed-rate and variable-rate debt. The homebuilding segment's primary variable-rate debt is a working capital revolving credit facility that currently provides for unsecured borrowings up to \$60,000, subject to certain borrowing base limitations. The working capital credit facility expires May 31, 2003 and outstanding amounts bear interest at the election of NVR, at (i) the base rate of interest announced by the working capital credit facility agent or (ii) 1.35% above the Eurodollar Rate. The weighted average interest rates for the amounts outstanding under the Facility was 8% for 2000. There were no amounts outstanding under the working capital revolving credit facility at December 31, 2000.

The following table represents contractual balances of NVR's on balance sheet financial instruments in dollars at the expected maturity dates, as well as the fair values of those on balance sheet financial instruments, at December 31, 2000. The expected maturity categories take into consideration historical and anticipated prepayment speeds, as well as actual amortization of principal and does not take into consideration the reinvestment of cash or the refinancing of existing indebtedness. Because NVR sells all of the mortgage loans it originates into the secondary markets, NVR has made the assumption that the portfolio of mortgage loans held for sale will mature in the first year. Consequently, outstanding warehouse borrowings and repurchase facilities are also assumed to mature in the first year.

Maturities (000's)

	2001	2002	2003	2004	2005	Thereafter	Total	Fair Value
Mortgage banking segment								
Interest rate sensitive assets:								
Mortgage loans held for sale	120,999	-	-	-	-	-	120,999	122,441
Average interest rate	7.9%	-	-	-	-	-	7.9%	
Interest rate sensitive liabilities:								
Variable rate warehouse line of credit	53,190	-	-	-	-	-	53,190	53,190
Average interest rate (a)	3.3%	-	-	-	-	-	3.3%	
Variable rate repurchase agreements	-	-	-	-	-	-	-	-
Average interest rate	-	-	-	-	-	-	-	-
Fixed rate capital lease obligations	99	106	93	-	-	-	298	298
Average interest rate	6.4%	6.4%	6.4%	-	-	-	6.4%	
Homebuilding segment								
Interest rate sensitive assets:								
Interest-bearing deposits	85,000	-	-	-	-	-	85,000	85,000
Average interest rate	6.3%	-	-	-	-	-	6.3%	
Interest rate sensitive liabilities:								
Variable rate working capital line of credit	-	-	-	-	-	-	-	-
Average interest rate	-	-	-	-	-	-	-	-
Fixed rate obligations (b)	470	303	331	385	115,333	3,345	120,167	116,717
Average interest rate	8.2%	8.2%	8.2%	8.2%	8.3%	13.1%	8.3%	

(a) Average interest rate is net of credits received for compensating cash balances.

(b) The \$115,333 maturing during 2005 includes \$115,000 of the Company's 8% Senior Notes due June 2005.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this Item are included in the financial statements and schedules included herein under Item 14 and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Item 10 is hereby incorporated by reference to NVR's Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2001. Reference is also made regarding the executive officers of the registrant to "Executive Officers of the Registrant" following Item 4 of Part I of this report.

Item 11. Executive Compensation.

Item 11 is hereby incorporated by reference to NVR's Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2001.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Item 12 is hereby incorporated by reference to NVR's Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2001.

Item 13. Certain Relationships and Related Transactions.

Item 13 is hereby incorporated by reference to NVR's Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2001.

PART IV

Item 14. Exhibits and Reports on Form 8-K.

Financial Statements

- NVR, Inc. - Consolidated Financial Statements
- Report of Independent Auditors
- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

Description of Exhibits

Exhibit Number	Description
-----	-----
2.1	Debtors' Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (as modified to July 21, 1993). Incorporated by reference to Exhibit 2.1 in NVR, Inc.'s 1993 Registration Statement on Form S-1 (No. 33-63190) (the "1993 Registration Statement").
3.1	Restated Articles of Incorporation of NVR, Inc. Incorporated by reference to Exhibit 3.7 in NVR, Inc.'s 1993 Registration Statement.
3.2	Bylaws of NVR, Inc. Incorporated by reference to Exhibit 3.8 in NVR, Inc.'s 1993 Registration Statement.
4.1	Form of Trust Indenture between NVR, Inc., as issuer and the Bank of New York as trustee. Incorporated by reference to Exhibit 4.3 in NVR, Inc.'s Current Report on Form 8-K filed April 23, 1998.
4.2	Form of Note (included in Indenture filed as Exhibit 4.1).
4.4	Form of Supplemental Trust Indenture between NVR, Inc., as issuer, NVR Homes, Inc., as guarantor, and The Bank of New York, as trustee. Incorporated by reference to Exhibit 4.3 in NVR, Inc.'s Current Report on Form 8-K filed April 23, 1998.
*4.5	Second Supplemental Indenture between NVR, Inc. and the Bank of New York, as trustee dated February 27, 2001.
10.1	Employment Agreement between NVR, Inc. and Dwight C. Schar dated January 1, 1996. Incorporated by reference to Exhibit 10.1 in NVR Inc.'s 10-K for the year ended December 31, 1995.
*10.3	Executive Employment Agreement between NVR, Inc. and Paul C. Saville dated January 1, 2001.
10.5	Employment Agreement between NVR, Inc. and William J. Inman dated November 13, 1995. Incorporated by reference to Exhibit 10.5 in NVR Inc.'s 10-K for the year ended December 31, 1995.
10.6	Loan Agreement dated as of September 7, 1999 among NVR Mortgage Finance, Inc. and US Bank National Association., as Agent, and the other lenders party thereto. Incorporated by reference to Exhibit 10.6 in NVR, Inc.'s 10-K for the year ended December 31, 1999.
10.7	NVR, Inc. Equity Purchase Plan. Incorporated by reference to Exhibit 10.10 in NVR, Inc.'s 1993 Registration Statement.

- 10.8 NVR, Inc. Directors Long-Term Incentive Plan. Incorporated by reference to Exhibit 10.11 in NVR, Inc.'s 1993 Registration Statement.
- 10.9 NVR, Inc. Management Equity Incentive Plan. Incorporated by reference to Exhibit 10.2 in NVR, Inc.'s 1993 Registration Statement.
- 10.19 Employee Stock Ownership Plan of NVR, Inc. Incorporated by reference to NVR, Inc.'s 10-KA for the year ended December 31, 1994.
- 10.22 NVR, Inc. 1994 Management Equity Incentive Plan. Incorporated by reference to NVR, Inc.'s 10-K for the year ended December 31, 1994.
- 10.23 NVR, Inc. 1998 Management Long-Term Stock Option Plan. Incorporated by reference to Exhibit 4 of NVR, Inc.'s Form S-8 Registration Statement filed June 4, 1999.
- 10.24 NVR, Inc. 1998 Directors' Long-Term Stock Option Plan. Incorporated by reference to Exhibit 4 of NVR, Inc.'s Form S-8 Registration Statement filed June 4, 1999.
- 10.26 NVR, Inc. Management Long-Term Stock Option Plan. Incorporated by reference to Exhibit 99.3 of NVR, Inc.'s Form S-8 Registration Statement filed May 31, 1996.
- 10.27 NVR, Inc. Directors' Long-Term Stock Option Plan. Incorporated by reference to Exhibit 99.3 of NVR, Inc.'s Form S-8 Registration Statement filed May 31, 1996.
- 10.29 Third Amended and Restated Credit Agreement dated as of September 30, 1998 among NVR, Inc. as borrower and Certain Banks and BankBoston, as Agent for itself and Certain Banks. Incorporated by reference to Exhibit 10.29 in NVR, Inc.'s 10-K for the year ended December 31, 1998
- 10.30 NVR, Inc. High Performance Compensation Plan dated as of January 1, 1996. Incorporated by reference to Exhibit 10.30 in NVR, Inc.'s 10-K for the year ended December 31, 1996.
- 10.31 NVR, Inc. High Performance Compensation Plan No. 2 dated as of January 1, 1999. Incorporated by reference to Exhibit 10.31 in NVR, Inc.'s 10-K for the year ended December 31, 1998.
- 10.34 Mortgage Loan Purchase and Sale Agreement between Greenwich Capital Financial Products, Inc. and NVR Mortgage Finance, Inc., dated as of July 22, 1998. Incorporated by reference to Exhibit 10.34 in NVR, Inc.'s 10-K for the year ended December 31, 1998.
- *10.35 Master Repurchase Agreement between Bear Stearns Mortgage Capital Corporation and NVR Mortgage Finance, Inc. dated January 9, 2001.
- *10.36 Second Amendment to Loan Agreement and Second Amendment to Pledge and Security Agreement dated September 1, 2000 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, as agent, and other Lenders party thereto.
- *10.37 Amendment No. 4 to Third Amended and restated Credit Agreement dated as of September 30, 1998 by and among NVR, inc., as borrower, Fleet National Bank, successor by merger to Bank Boston, NA, and Certain Banks.
- *11 Computation of Earnings per Share
- *21 NVR, Inc. Subsidiaries.
- *23 Consent of KPMG LLP (independent auditors).

* Filed herewith.

Reports on Form 8-K

- 1) Form 8-K filed October 26, 2000 announcing the solicitation of consents from holders of NVR's 8% Senior Notes (The "Notes") due 2005 to amend the indenture governing the Notes.
- 2) Form 8-K filed November 14, 2000 announcing NVR's extension of the expiration date for its consent solicitation relating to the Notes, and announcing an increase to the consent payment to \$40 in cash for each \$1,000 principal amount of Notes for which a consent has been accepted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Dwight C. Schar

 Dwight C. Schar
 Chairman of the Board of Directors,
 President and Chief Executive Officer

Dated: March 7, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/ Dwight C. Schar ----- Dwight C. Schar	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 7, 2001
/s/ C. Scott Bartlett, Jr. ----- C. Scott Bartlett, Jr.	Director	March 7, 2001
/s/ Manuel H Johnson ----- Manuel H. Johnson	Director	March 7, 2001
/s/ William A. Moran ----- William A. Moran	Director	March 7, 2001
/s/ David A. Preiser ----- David A. Preiser	Director	March 7, 2001
/s/ George E. Slye ----- George E. Slye	Director	March 7, 2001
/s/ John M. Toups ----- John M. Toups	Director	March 7, 2001
/s/ Paul C. Saville ----- Paul C. Saville	Senior Vice President, Chief Financial Officer and Treasurer	March 7, 2001

Independent Auditors' Report

The Board of Directors and Shareholders
NVR, Inc.:

We have audited the accompanying consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NVR, Inc. and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

McLean, Virginia
January 30, 2001

NVR, Inc.
Consolidated Balance Sheets
(dollars in thousands, except share data)

	December 31,	
	2000	1999
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$130,079	\$ 77,968
Receivables	6,670	2,171
Inventory:		
Lots and housing units, covered under sales agreements with customers	294,094	276,193
Unsold lots and housing units	32,600	37,573
Manufacturing materials and other	7,987	9,689
	-----	-----
	334,681	323,455
Property, plant and equipment, net	13,514	13,114
Reorganization value in excess of amounts allocable to identifiable assets, net	47,741	53,901
Goodwill, net	7,472	8,566
Contract land deposits	96,119	62,784
Deferred tax assets	43,844	36,819
Other assets	17,366	12,957
	-----	-----
	697,486	591,735
	-----	-----
Mortgage Banking:		
Cash and cash equivalents	7,629	11,158
Mortgage loans held for sale, net	120,999	136,311
Mortgage servicing rights, net	1,479	3,384
Property and equipment, net	2,351	4,239
Reorganization value in excess of amounts allocable to identifiable assets, net	8,435	9,523
Goodwill, net	-	2,739
Other assets	2,881	8,192
	-----	-----
	143,774	175,546
	-----	-----
Total assets	\$841,260	\$767,281
	=====	=====

(Continued)

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Balance Sheets (Continued)
(dollars in thousands, except share data)

	December 31,	
	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	\$ 108,064	\$ 98,322
Accrued expenses and other liabilities	173,787	125,172
Customer deposits	63,486	50,348
Notes payable	210	2,128
Other term debt	4,957	5,206
Senior notes	115,000	145,000
	-----	-----
	465,504	426,176
	-----	-----
Mortgage Banking:		
Accounts payable and other liabilities	9,760	14,666
Notes payable	53,488	125,799
	-----	-----
	63,248	140,465
	-----	-----
Total liabilities	528,752	566,641
	-----	-----
Forward purchase contract obligation	65,028	-
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 20,614,365 and 20,614,855 shares issued for 2000 and 1999, respectively	206	206
Additional paid-in-capital	115,136	196,652
Deferred compensation trust- 337,703 shares of NVR, Inc. common stock	(15,915)	-
Deferred compensation liability	15,915	-
Retained earnings	399,810	241,564
Less treasury stock at cost - 11,755,671 and 11,443,247 shares at December 31, 2000 and 1999, respectively	(267,672)	(237,782)
	-----	-----
Total shareholders' equity	247,480	200,640
	-----	-----
Total liabilities and shareholders' equity	\$ 841,260	\$ 767,281
	=====	=====

(Continued)

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Statements of Income
(dollars in thousands, except share data)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	-----	-----	-----
Homebuilding:			
Revenues	\$ 2,267,810	\$ 1,942,660	\$ 1,504,744
Other income	3,578	1,712	1,874
Cost of sales	(1,834,059)	(1,610,727)	(1,273,815)
Selling, general and administrative	(153,208)	(140,762)	(113,329)
Amortization of reorganization value in excess of amounts allocable to identifiable assets/goodwill	(7,254)	(7,254)	(7,547)
	-----	-----	-----
Operating income	276,867	185,629	111,927
Interest expense	(12,614)	(13,533)	(17,528)
	-----	-----	-----
Homebuilding income	264,253	172,096	94,399
	-----	-----	-----
Mortgage Banking:			
Mortgage banking fees	38,757	48,122	42,703
Interest income	6,541	13,556	9,861
Other income	534	598	634
General and administrative	(33,237)	(40,020)	(30,022)
Amortization of reorganization value in excess of amounts allocable to identifiable assets/goodwill	(1,252)	(1,636)	(1,088)
Interest expense	(3,016)	(7,504)	(6,120)
Restructuring and asset impairment charge	(5,726)	-	-
	-----	-----	-----
Operating income	2,601	13,116	15,968
	-----	-----	-----
Total segment income	266,854	185,212	110,367
Income tax expense	(108,608)	(76,331)	(44,260)
	-----	-----	-----
Income before extraordinary loss	158,246	108,881	66,107
Extraordinary loss-extinguishment of debt (net of tax benefit of \$5,885)	-	-	(9,401)
	-----	-----	-----
Net income	\$ 158,246	\$ 108,881	\$ 56,706
	=====	=====	=====
Basic earnings per share:			
Income before extraordinary loss	\$ 17.42	\$ 10.69	\$ 5.94
Extraordinary loss	-	-	(0.84)
	-----	-----	-----
Basic earnings per share	\$ 17.42	\$ 10.69	\$ 5.10
	=====	=====	=====
Diluted earnings per share:			
Income before extraordinary loss	\$ 14.98	\$ 9.01	\$ 4.97
Extraordinary loss	-	-	(0.71)
	-----	-----	-----
Diluted earnings per share	\$ 14.98	\$ 9.01	\$ 4.26
	=====	=====	=====

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Statements of Shareholders' Equity
(dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1997	\$200	\$164,731	\$ 75,977	\$ (96,268)	\$ -	\$ -
Net income	-	-	56,706	-	-	-
Purchase of common stock for treasury	-	-	-	(50,199)	-	-
Performance share activity	-	3,953	-	5,128	-	-
Tax benefit from stock options exercised	-	3,744	-	-	-	-
Option activity	2	1,745	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1998	202	174,173	132,683	(141,339)	-	-
Net income	-	-	108,881	-	-	-
Purchase of common stock for treasury	-	-	-	(101,765)	-	-
Performance share activity	-	13,412	-	5,322	-	-
Tax benefit from stock options exercised	-	7,542	-	-	-	-
Option activity	4	1,525	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1999	206	196,652	241,564	(237,782)	-	-
Net income	-	-	158,246	-	-	-
Deferred compensation activity	-	(14,918)	-	14,451	(15,915)	15,915
Purchase of common stock for treasury	-	-	-	(53,677)	-	-
Performance share activity	-	(3,595)	-	3,674	-	-
Tax benefit from stock options exercised	-	4,628	-	-	-	-
Option activity	-	3,059	-	-	-	-
Treasury stock issued upon option exercise	-	(5,662)	-	5,662	-	-
Forward purchase contract obligation	-	(65,028)	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2000	\$206	\$115,136	\$399,810	\$(267,672)	\$(15,915)	\$15,915
	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements

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

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 158,246	\$ 108,881	\$ 56,706
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Extraordinary loss - extinguishment of debt	-	-	15,286
Depreciation and amortization	13,840	14,727	13,408
Restructuring and asset impairment charge	5,726	-	-
Gain on sales of loans	(25,512)	(33,807)	(31,071)
Deferred tax provision	(6,983)	(11,911)	(10,927)
Mortgage loans closed	(1,749,720)	(2,911,865)	(2,717,456)
Proceeds from sales of mortgage loans	1,776,595	3,027,057	2,655,949
Gain on sales of mortgage servicing rights	(756)	(2,962)	(1,368)
Net change in assets and liabilities, net of acquisitions:			
Increase in inventories	(11,226)	(34,817)	(64,597)
Increase in contract land deposits	(33,335)	(22,085)	(3,707)
(Increase) decrease in receivables	(2,638)	(2,517)	2,601
Increase in accounts payable and accrued expenses	71,495	57,450	68,815
Other, net	(2,026)	27,202	4,710
	-----	-----	-----
Net cash provided (used) by operating activities	193,706	215,353	(11,651)
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from sales of mortgage-backed securities	-	-	9,569
Business acquisition, net of cash acquired	-	(3,697)	-
Purchase of property, plant and equipment	(5,027)	(9,070)	(3,964)
Principal payments on mortgage-backed securities	826	1,765	5,076
Proceeds from sales of mortgage servicing rights	15,762	31,647	27,637
Other, net	572	5,450	1,266
	-----	-----	-----
Net cash provided by investing activities	12,133	26,095	39,584
	-----	-----	-----
Cash flows from financing activities:			
Redemption of mortgage-backed bonds	(817)	(2,300)	(13,341)
Extinguishment of 11% senior notes	-	-	(129,344)
Deferred financing fees	-	-	(2,311)
Issuance of 8% senior notes	-	-	145,000
Extinguishment of 8% senior notes	(30,000)	-	-
Purchases of treasury stock	(53,677)	(101,765)	(50,199)
Purchase of NVR common stock for deferred comp plan	(1,606)	-	-
Net borrowings (repayments) under notes payable and credit lines	(74,217)	(118,290)	43,294
Other, net	3,060	1,529	1,747
	-----	-----	-----
Net cash used by financing activities	(157,257)	(220,826)	(5,154)
	-----	-----	-----
Net increase in cash	48,582	20,622	22,779
Cash, beginning of year	89,126	68,504	45,725
	-----	-----	-----
Cash, end of year	\$ 137,708	\$ 89,126	\$ 68,504
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Interest paid during the year	\$ 15,858	\$ 21,115	\$ 24,670
	=====	=====	=====
Income taxes paid during the year, net of refunds	\$ 102,694	\$ 78,493	\$ 43,097
	=====	=====	=====

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NVR, Inc. ("NVR" or the "Company"), its wholly owned subsidiaries and certain partially owned entities. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less.

Homebuilding Inventory

Inventory is stated at the lower of cost or market value. Cost of lots and completed and uncompleted housing units represent the accumulated actual cost thereof. Field construction supervisors' salaries and related direct overhead expenses are included in inventory costs. Interest costs are not capitalized into inventory. Upon settlement, the cost of the units is expensed on a specific identification basis. Cost of manufacturing materials is determined on a first-in, first-out basis.

Reorganization Value in Excess of Amounts Allocable to Identifiable Assets

Reorganization value in excess of amounts allocable to identifiable assets is being amortized on a straight-line basis over 15 years. Accumulated amortization as of December 31, 2000 and 1999 was \$56,526 and \$49,278, respectively. Determination of any impairment losses related to this intangible asset is based on consideration of projected undiscounted cash flows.

Goodwill

The excess of amounts paid for business acquisitions over the net fair value of the assets acquired and the liabilities assumed is amortized using the straight line method ranging from five to ten years. Accumulated amortization was \$3,464 and \$2,918 at December 31, 2000 and 1999, respectively. During 2000, as part of the mortgage banking segment's restructuring plan, NVR wrote off \$2,575 of goodwill remaining from the acquisition in March 1999 of First Republic Mortgage Corporation ("First Republic") (See note 12). Determination of any impairment losses related to this intangible asset is based on consideration of projected undiscounted cash flows.

Mortgage Loans Held for Sale

Mortgage loans held for sale, forward trade commitments and origination commitments are valued at the lower of cost or market on a net aggregate basis.

NVR, Inc.
Notes to Consolidated Financial statements
(dollars in thousands, except per share data)

Mortgage-Backed Securities and Mortgage-Backed Bonds

The Company's consolidated balance sheets for all periods presented reflect its ownership interests in mortgage-backed securities net of the related mortgage-backed bonds as a component of other assets of the mortgage banking segment, and the consolidated statements of income for all periods presented reflect earnings from such interests net of the related interest expense as a component of other income of the mortgage banking segment. All of such interests are at, or are nearing, the end of their economic useful lives, and as such, NVR does not anticipate that such assets will generate significant amounts of income or cash flow in the future. See note 11 for additional information.

Earnings per Share

The following weighted average shares and share equivalents are used to calculate basic and diluted EPS for the years ended December 31, 2000, 1999 and 1998:

	Year Ended December 31, 2000 -----	Year Ended December 31, 1999 -----	Year Ended December 31, 1998 -----
Weighted average number of shares outstanding used to calculate basic EPS	9,084,041	10,189,878	11,131,114
Dilutive securities: Stock options and forward purchase contract obligation	1,480,174 -----	1,898,510 -----	2,168,950 -----
Weighted average number of shares and share equivalents outstanding used to calculate diluted EPS	10,564,215 =====	12,088,388 =====	13,300,064 =====

Subsequent to December 31, 2000, NVR settled a forward purchase contract obligation in NVR common stock through a physical settlement of the shares. See note 7.

Revenues-Homebuilding Operations

NVR builds light-frame, low-rise residences which generally are produced on a pre-sold basis for the ultimate customer. Revenues are recognized at the time units are completed and title passes to the customer.

Mortgage Banking Fees

Mortgage banking fees include income earned by NVR's mortgage banking subsidiaries for originating mortgage loans, servicing mortgage loans held in the servicing portfolio, title fees, gains and losses on the sale of mortgage loans and mortgage servicing and other activities incidental to mortgage banking.

Mortgage Servicing Rights

Mortgage servicing rights are recorded by allocating the total cost of acquiring mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values.

NVR measures the impairment of the mortgage servicing rights based on the lower of cost or fair value. Current fair value is determined through the discounted present value of estimated future net servicing cash flows using a risk-based discount rate and assumptions based upon market estimates for future servicing revenues and expenses (including prepayment expectations, servicing costs, default rates, and interest earnings on escrows). For the purposes of evaluating and measuring impairment of the mortgage servicing rights, they are stratified using the predominant risk characteristic of the underlying mortgage loans. NVR has determined that the predominant risk characteristic of the underlying mortgage loans is interest rate. Impairment, and subsequent changes in measurement of impairment, of any individual stratum is recognized through a valuation allowance for that stratum. The mortgage servicing rights are amortized to general and administrative expense in proportion to, and over the period of, the estimated net servicing income.

Depreciation

Depreciation is based on the estimated useful lives of the assets using the straight-line method. Amortization of capital lease assets is included in depreciation expense. Model home furniture and fixtures are generally depreciated over a two year period, office facilities and other equipment are depreciated over a period from three to ten years, manufacturing facilities are depreciated over a period of from five to forty years and property under capital lease is depreciated in a manner consistent with the Company's depreciation policy for owned assets.

Income Taxes

NVR files a consolidated federal income tax return. Deferred income taxes reflect the impact of "temporary differences" between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by enacted tax rules and regulations.

Financial Instruments

Except as otherwise noted here and note 4 to the financial statements, NVR believes that insignificant differences exist between the carrying value and the fair value of its financial instruments. The estimated fair value of NVR's 8% Senior Notes due 2005 as of December 31, 2000 and 1999 was \$111,550 and \$136,663, respectively. The estimated fair values are based on quoted market prices. The carrying value was \$115,000 and \$145,000 at December 31, 2000 and 1999, respectively.

Stock-Based Compensation

As permitted under SFAS No. 123, NVR has elected to continue to follow the guidance of Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25, in accounting for its stock-based employee compensation arrangements. The pro forma financial information required by SFAS No. 123 is included in note 9.

NVR, Inc.
Notes to Consolidated Financial statements
(dollars in thousands, except per share data)

2. Segment Information, Nature of Operations, and Certain Concentrations

NVR operates in two business segments: homebuilding and mortgage banking. The homebuilding segment is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, Maryland metropolitan areas, where NVR derived approximately 61% of its 2000 homebuilding revenues. NVR's homebuilding segment primarily constructs and sells single-family detached homes, townhomes and condominium buildings under three tradenames: Ryan Homes, NVHomes and Fox Ridge Homes. The Ryan Homes product is built in eighteen metropolitan areas located in Maryland, Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware and Tennessee. The Fox Ridge Homes product is built solely in the Nashville, Tennessee metropolitan area. The Ryan Homes' and Fox Ridge Homes' products are moderately priced and marketed primarily towards first-time and first time move-up buyers. The NVHomes product is built largely in the Washington, D.C. metropolitan area, and is marketed primarily to move-up buyers.

The mortgage banking segment, which operates under NVR Finance, currently includes a regional mortgage banking operation and a limited-purpose financing subsidiary (the "Limited-Purpose Financing Subsidiary") which was formed to facilitate the financing of long-term mortgage loans through the sale of non-recourse bonds collateralized by mortgage-backed securities. NVR's mortgage banking business generates revenues primarily from origination fees, gains on sales of loans, title fees, and sales of servicing rights. A substantial portion of the Company's mortgage operations is conducted in the Washington, D.C. and Baltimore, MD metropolitan areas. NVR's homebuilding customers accounted for 71% of the aggregate dollar amount of loans closed in 2000. Based on NVR's business restructuring, substantially all of the mortgage banking segment's ongoing loan closing activity will be for NVR's homebuilding customers (See note 12).

Corporate general and administrative expenses are fully allocated to the homebuilding and mortgage banking segments in the information presented below.

For the Year Ended December 31, 2000

	Homebuilding -----	Mortgage Banking -----	Totals -----	
Revenues	\$2,267,810	\$ 38,757	\$2,306,567	(a)
Interest income	2,233	6,541	8,774	(a)
Interest expense	12,614	3,016	15,630	(a)
Depreciation and amortization	4,693	641	5,334	(b)
Segment profit	271,507	3,853	275,360	(b)
Segment assets	642,273	135,339	777,612	(b)
Expenditures for segment assets	4,824	203	5,027	(a)

(a) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

(b) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment depreciation and amortization	\$ 4,693	\$ 641	\$ 5,334
Add: amortization of excess reorganization value and goodwill	7,254	1,252	8,506
Consolidated depreciation and amortization	\$ 11,947	\$ 1,893	\$ 13,840
Segment profit	\$271,507	\$ 3,853	\$275,360
Less: amortization of excess reorganization value and goodwill	(7,254)	(1,252)	(8,506)
Consolidated income before income taxes	\$264,253	\$ 2,601	\$266,854

NVR, Inc.
Notes to Consolidated Financial statements
(dollars in thousands, except per share data)

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment assets	\$ 642,273	\$ 135,339	\$ 777,612
Add: Excess reorganization value and goodwill	55,213	8,435	63,648
Total consolidated assets	<u>\$ 697,486</u>	<u>\$ 143,774</u>	<u>\$ 841,260</u>

For the Year Ended December 31, 1999

	Homebuilding -----	Mortgage Banking -----	Totals -----
Revenues	\$1,942,660	\$ 48,122	\$1,990,782 (c)
Interest income	141	13,556	13,697 (c)
Interest expense	13,533	7,504	21,037 (c)
Depreciation and amortization	3,775	2,062	5,837 (d)
Segment profit	179,350	14,752	194,102 (d)
Segment assets	529,268	163,284	692,552 (d)
Expenditures for segment assets	6,465	2,605	9,070 (c)

(c) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

(d) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment depreciation and amortization	\$ 3,775	\$ 2,062	\$ 5,837
Add: amortization of excess reorganization value and goodwill	7,254	1,636	8,890
Consolidated depreciation and amortization	<u>\$ 11,029</u>	<u>\$ 3,698</u>	<u>\$ 14,727</u>
Segment profit	\$ 179,350	\$ 14,752	\$ 194,102
Less: amortization of excess reorganization value and goodwill	(7,254)	(1,636)	(8,890)
Consolidated income before income taxes and extraordinary loss	<u>\$ 172,096</u>	<u>\$ 13,116</u>	<u>\$ 185,212</u>
Segment assets	\$ 529,268	\$ 163,284	\$ 692,552
Add: Excess reorganization value and goodwill	62,467	12,262	74,729
Total consolidated assets	<u>\$ 591,735</u>	<u>\$ 175,546</u>	<u>\$ 767,281</u>

For the Year Ended December 31, 1998

	Homebuilding -----	Mortgage Banking -----	Totals -----
Revenues	\$1,504,744	\$ 42,703	\$1,547,447 (e)
Interest income	1,256	9,861	11,117 (e)
Interest expense	17,528	6,120	23,648 (e)
Depreciation and amortization	4,166	607	4,773 (f)
Segment profit	101,946	17,056	119,002 (f)
Segment assets	447,934	196,093	644,027 (f)
Expenditures for segment assets	3,007	957	3,964 (e)

(e) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

NVR, Inc.
Notes to Consolidated Financial statements
(dollars in thousands, except per share data)

(f) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment depreciation and amortization	\$ 4,166	\$ 607	\$ 4,773
Add: amortization of excess reorganization value and goodwill	7,547	1,088	8,635
	-----	-----	-----
Consolidated depreciation and amortization	\$ 11,713	\$ 1,695	\$ 13,408
	=====	=====	=====
Segment profit	\$101,946	\$ 17,056	\$119,002
Less: amortization of excess reorganization value and goodwill	(7,547)	(1,088)	(8,635)
	-----	-----	-----
Consolidated income before income taxes and extraordinary loss	\$ 94,399	\$ 15,968	\$110,367
	=====	=====	=====
Segment assets	\$447,934	\$ 196,093	\$644,027
Add: Excess reorganization value and goodwill	69,721	10,611	80,332
	-----	-----	-----
Total consolidated assets	\$517,655	\$ 206,704	\$724,359
	=====	=====	=====

3. Related Party Transactions

During 2000, 1999, and 1998, NVR purchased, at market prices, developed lots from a company that is controlled by a member of the board of directors. Those purchases totaled approximately \$25,000, \$19,000 and \$13,000 during 2000, 1999 and 1998, respectively. NVR expects to purchase the majority of the remaining lots under contract as of December 31, 2000 over the next 18 to 24 months for an aggregate purchase price of approximately \$29,000.

During the years ended December 31, 2000, 1999 and 1998, one of the executive officers of NVR was a partner in a law firm, which billed NVR approximately \$560, \$471 and \$441, respectively, in fees and expenses for legal services.

4. Loan Servicing Portfolio, Mortgage Loan Commitments and Off-Balance Sheet Risk

At December 31, 2000 and 1999, NVR was servicing approximately 3,000 and 2,700 mortgage loans for various investors with aggregate balances of approximately \$275,000 and \$222,000, respectively.

At December 31, 2000, NVR had net capitalized mortgage servicing rights of \$1,479 which related to approximately \$142,000 of the aggregate \$275,000 in loans serviced. The mortgage servicing rights associated with the remaining \$133,000 in loans serviced are not subject to capitalization because the loans were originated and sold prior to NVR's adoption of SFAS No. 122 on January 1, 1995.

NVR assesses the fair value of the capitalized mortgage servicing rights by stratifying the underlying loans by interest rate. The fair value of the mortgage servicing rights is then determined through the present value of estimated future net servicing cash flows using a risk based discount rate, and assumptions based upon market estimates for future servicing revenues and expenses (including prepayment expectations, servicing costs, default rates, and interest earnings on escrows). The fair value of the capitalized mortgage servicing rights approximated its book value at December 31, 2000 and 1999, respectively.

NVR amortizes the capitalized mortgage servicing rights in proportion to, and over the period of, the estimated net servicing income. The amortization for the periods ending December 31, 2000, 1999 and 1998

NVR, Inc.
Notes to Consolidated Financial statements
(dollars in thousands, except per share data)

was \$260, \$306 and \$484, respectively.

In the normal course of business, NVR enters into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include commitments to extend mortgage loans to customers and forward contracts to sell mortgage-backed securities to broker/dealers. These instruments involve, to varying degrees, elements of credit and market rate risk in excess of the amounts recognized in the balance sheet.

NVR's exposure to credit loss, in the event of non-performance by the customers, is represented by the contractual amount of the commitment for the mortgage loans. NVR Finance uses the same credit policies in making commitments as it does for on-balance sheet mortgage loans.

There were mortgage loan commitments aggregating approximately \$106,969 and \$120,716 outstanding at December 31, 2000 and 1999, respectively. The fair values of mortgage loan commitments were approximately \$107,457 and \$120,914 at December 31, 2000 and 1999, respectively. There were open forward delivery contracts aggregating approximately \$135,306 and \$198,131 at December 31, 2000 and 1999, respectively. The fair values of open forward delivery contracts were approximately \$134,386 and \$198,181 at December 31, 2000 and 1999, respectively.

NVR enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVR. 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 to a broker/dealer. This market risk is managed by entering into forward contracts as discussed below.

Since certain of the commitments are expected to expire without a loan closing, the total contractual amounts do not necessarily represent future cash requirements. Collateral for loans granted is obtained by a first mortgage security interest in real estate whose appraised values exceed the contractual amount of the commitment.

NVR enters into optional and mandatory forward delivery contracts to sell mortgage-backed securities at specific prices and dates to broker/dealers. NVR has established policies governing which broker/dealers can be used to conduct these activities. Credit risk associated with forward contracts is limited to the replacement cost of those forward contracts in a gain position, and at December 31, 2000 and 1999 there were no such positions. There were no counterparty default losses on forward contracts in 2000, 1999 or 1998. Market risk with respect to forward contracts arises from changes in the value of contractual positions due to fluctuations in interest rates. NVR limits its exposure to market risk by monitoring differences between the total of commitments to customers and loans held for sale and forward contracts with broker/dealers. In the event NVR has forward delivery contract commitments in excess of available mortgage-backed securities, NVR completes the transaction by either paying or receiving a fee to/from the broker/dealer equal to the increase/decrease in the market value of the forward contract. NVR has no market risk associated with optional delivery contracts because NVR has the right but not the obligation to deliver mortgage backed securities to broker/dealers under these contracts.

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

5. Property, Plant and Equipment, net

	December 31,	
	2000	1999
Homebuilding:		
Office facilities and other	\$ 6,496	\$ 5,992
Model home furniture and fixtures	9,776	8,583
Manufacturing facilities	11,336	10,330
Property under capital leases	4,234	4,234
	-----	-----
	31,842	29,139
Less: accumulated depreciation and amortization	(18,328)	(16,025)
	-----	-----
	\$ 13,514	\$ 13,114
	=====	=====
Mortgage Banking:		
Office facilities and other	\$ 5,372	\$ 8,640
Less: accumulated depreciation and amortization	(3,021)	(4,401)
	-----	-----
	\$ 2,351	\$ 4,239
	=====	=====

Certain property, plant and equipment listed above are collateral for various debt of NVR and certain of its subsidiaries as more fully described in note 6.

6. Debt

	December 31,	
	2000	1999
Homebuilding:		
Notes payable:		
Working capital revolving credit (a)	\$ -	\$ -
Other	210	2,128
	-----	-----
	\$ 210	\$ 2,128
	=====	=====
Other term debt:		
Capital lease and financing obligations due in monthly installments through 2014 (b)	\$ 4,957	\$ 5,206
	=====	=====
Senior notes (c)	\$115,000	\$145,000
	=====	=====
Mortgage Banking:		
Mortgage warehouse revolving credit (d)	\$ 53,190	\$107,588
Mortgage repurchase facility (e)		17,363
Capital lease and financing obligations due in monthly installments through 2004 (b)	298	848
	-----	-----
	\$ 53,488	\$125,799
	=====	=====

(a) The Company, as borrower, has available an unsecured working capital revolving credit facility (the "Facility") that currently provides for unsecured borrowings up to \$60,000, subject to certain borrowing base limitations. The Facility is generally available to fund working capital needs of NVR's homebuilding segment. Up to approximately \$24,000 of the Facility is currently available for issuance in the form of letters of credit of which \$15,779 and \$12,542 were issued at December 31, 2000 and 1999, respectively. The Facility expires May 31, 2003 and outstanding amounts bear interest at the election of the Company, at (i) the base rate of interest announced by the Facility agent or (ii) 1.35% above the Eurodollar Rate. The weighted average interest rates for the amounts outstanding under the Facility were 8.0% and 6.5% for 2000 and 1999, respectively. At December 31, 2000, there were no borrowing base limitations reducing the amount available to the Company for borrowings.

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

The Facility contains numerous operating and financial covenants, including required levels of net worth, fixed charge coverage ratios, and several other covenants related to the construction operations of NVR. In addition, the Facility contains restrictions on the ability of NVR to, among other things, incur debt and make investments. Also, the Facility prohibits NVR from paying dividends to shareholders.

(b) The capital lease and financing obligations have either fixed or variable interest rates ranging from 3.0% to 13.0% and are collateralized by land, buildings and equipment with a net book value of approximately \$5,900 and \$6,700 at December 31, 2000 and 1999, respectively.

During December 1998, the Company exercised its option to purchase two office buildings previously utilized by NVR for certain administrative functions of both its homebuilding and mortgage banking segments, thereby extinguishing the Company's obligations under the capital lease pertaining to these buildings. The Company expended funds of \$12,295, excluding accrued interest, to extinguish the capital lease obligation, which resulted in an extraordinary loss of \$2,275, net of a \$1,424 tax benefit, (\$0.17 per diluted share), in the accompanying consolidated income statements. During 1999, the Company sold both buildings to an unrelated third party and leased back one of the buildings for a five-year term expiring in 2004. There was no resultant material gain or loss on the sale transaction.

The following schedule provides future minimum lease payments under all financing and capital leases together with the present value as of December 31, 2000:

Years ending December 31,	
2001	\$ 968
2002	968
2003	949
2004	853
2005	716
Thereafter	5,780

	10,234
Amount representing interest	4,979

	\$ 5,255
	=====

(c) On January 20, 1998, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$400,000 of the Company's debt securities. The shelf registration statement was declared effective on February 27, 1998 and provides that securities may be offered from time to time in one or more series, and in the form of senior or subordinated debt.

On April 14, 1998, the Company completed an offering under the shelf registration statement for \$145,000 of senior notes due 2005 (the "New Senior Notes"), resulting in aggregate net proceeds to the Company of approximately \$142,800 after fees and expenses. The New Senior Notes mature on June 1, 2005 and bear interest at 8%, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1998. The New Senior Notes are senior unsecured obligations of the Company, ranking equally in right of payment with the Company's other existing and future unsecured indebtedness. The New Senior Notes are redeemable at the option of the Company, in whole or in part, at any time on or after June 1, 2003 at redemption prices ranging from 104% of par in 2003 to par beginning in 2005.

The indenture governing the New Senior Notes has, among other items, limitations on asset sales by NVR and requires that NVR, on a consolidated basis, maintain a net worth of at least \$80,000. In addition, the indenture limits dividends, certain investments and NVR's ability to incur additional debt if NVR is in default under the indenture or if NVR does not meet certain fixed charge coverage ratios.

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

Through a tender offer commenced on April 21, 1998 and completed May 18, 1998, various open market purchases throughout 1998 and a contractual call exercised on December 1, 1998, the Company repurchased all of the \$120,000 in aggregate principal then outstanding under the Company's 11% Senior Notes due 2003 ("Senior Notes"). The Senior Notes were retired upon purchase. The amount of funds expended to complete the Senior Note Repurchase totaled \$129,345, excluding accrued interest, and resulted in the recognition of an extraordinary loss of \$7,126, net of a \$4,461 tax benefit, (\$0.54 per diluted share), in the accompanying consolidated income statements.

During 2000, NVR purchased, in the open market, an aggregate of \$30,000 in principal amount of New Senior Notes. The New Senior Notes were purchased at par, with no material gain or loss resulting from the transaction. There is an aggregate of \$115,000 of New Senior Notes outstanding at December, 2000.

(d) The mortgage warehouse facility ("Mortgage Warehouse Revolving Credit") of NVR Finance has a borrowing limit at December 31, 2000 of \$100,000. The interest rate under the Mortgage Warehouse Revolving Credit agreement is either: (i) the London Interbank Offering Rate ("Libor") plus 1.25%, or (ii) 1.25% to the extent that NVR Finance provides compensating balances and depending on the type of collateral. The weighted average interest rates for amounts outstanding under the Mortgage Warehouse Revolving Credit line were 3.3% and 5.8% during 2000 and 1999, respectively. Primarily mortgage loans and gestation mortgage-backed securities collateralize the Mortgage Warehouse Revolving Credit agreement. The Mortgage Warehouse Revolving Credit Agreement is an annually renewable facility and currently expires August 31, 2001.

The Mortgage Warehouse Revolving Credit agreement includes, among other items, restrictions on NVR Finance incurring additional borrowings and making intercompany dividends and tax payments. In addition, NVR Finance is required to maintain a minimum net worth.

(e) NVR Finance from time to time enters into various gestation and repurchase agreements. NVR Finance currently has available an aggregate of \$150,000 of borrowing capacity in such uncommitted facilities. Amounts outstanding thereunder accrue interest at various rates tied to the Libor rate and are collateralized by gestation mortgage-backed securities and whole loans. The uncommitted facilities generally require NVR Finance to, among other items, maintain a minimum net worth and limit its level of liabilities in relation to its net worth. The weighted average interest rates for amounts outstanding under these uncommitted facilities were 6.7% and 5.5% during 2000 and 1999, respectively. The average amount outstanding under these uncommitted facilities was \$33,117 and \$41,152 during 2000 and 1999 respectively.

* * * * *

Maturities with respect to the other notes payable, other term debt, and the New Senior Notes as of December 31, 2000 are as follows:

Years ending December 31,	

2001	\$ 569
2002	409
2003	424
2004	385
2005	115,333
Thereafter	3,345

The \$115,333 maturing during 2005 includes \$115,000 of New Senior Notes which mature in June 2005.

NVR Finance's mortgage warehouse facility limits the ability of NVR Finance to transfer funds to NVR in the form of dividends, loans or advances. NVR Finance had net assets of \$8,000 as of December 31,

NVR, Inc.
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2000 that were so restricted.

At December 31, 2000, the homebuilding and mortgage banking segments had restricted cash of \$1,130 and \$7,295, respectively, which includes certain customer deposits, mortgagor tax, insurance, completion escrows and other collected at closing which relates to mortgage loans held for sale and to home sales.

7. Common Stock and Forward Purchase Contract Obligation

There were 8,858,694 and 9,171,608 common shares outstanding at December 31, 2000 and 1999, respectively. As of December 31, 2000, NVR had reacquired a total of 13,492,664 shares of NVR common shares at an aggregate cost of \$306,496 since December 31, 1993. Approximately 1,726,000 common shares have been reissued from the treasury in satisfaction of employee benefit liabilities and stock option exercises. Beginning in 1999, the Company issues shares from the treasury for all stock option exercises. During 2000, 249,244 such shares were issued. The average cost basis for the aggregate number of shares reissued from the treasury (including those transferred to the Deferred Compensation Plan -see note 9) was \$22.21 per share.

On October 3, 2000, NVR reached agreement with a Shareholder to purchase approximately 780,000 shares of its common stock effective January 2, 2001 for an aggregate purchase price of approximately \$65,000. The Shareholder is not affiliated with NVR or its subsidiaries. At December 31, 2000, the forward purchase contract obligation is presented separately outside of equity in the accompanying balance sheet as temporary equity.

On January 2, 2001, NVR settled the transaction with the Shareholder by taking physical delivery of the shares for the agreed upon purchase price paid in cash. Of the approximately 780,000 shares settled, approximately 86,000 shares were used for the Company's employer contribution to the Employee Stock Ownership Plan for plan year 2000 and approximately 30,000 shares were used for the Deferred Compensation Plan (see note 9). The remaining shares were retained in treasury.

8. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	-----	-----	-----
Current:			
Federal	\$101,267	\$72,664	\$ 47,632
State	14,324	15,578	7,555
Deferred:			
Federal	(6,560)	(8,374)	(10,031)
State	(423)	(3,537)	(896)
	-----	-----	-----
	\$108,608	\$76,331	\$ 44,260
	=====	=====	=====

In addition to amounts applicable to income before taxes, the following income tax benefits were recorded in shareholders' equity:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	-----	-----	-----
Income tax benefits arising from compensation expense for tax purposes in excess of amounts recognized for financial statement purposes	\$4,628	\$7,542	\$3,744
	=====	=====	=====

NVR, Inc.
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Deferred income taxes on NVR's consolidated balance sheets are comprised of the following:

	December 31,	
	----- 2000	1999 -----
Total deferred tax assets	\$50,203	\$43,267
Less: deferred tax liabilities	5,302	5,349
	----- \$44,901	----- \$37,918
	=====	=====

Deferred tax assets arise principally as a result of various accruals required for financial reporting purposes and deferred compensation, which are not currently deductible for tax return purposes. Deferred tax liabilities arose at September 30, 1993 upon the Company's implementation of "fresh start" accounting.

Management believes the Company will have sufficient available carry-backs and future taxable income to make it more likely than not that the net deferred tax asset will be realized. Taxable income was \$276,770 and \$184,161 for the years ended December 31, 2000 and 1999.

A reconciliation of income tax expense in the accompanying statements of income to the amount computed by applying the statutory Federal income tax rate to income of 35% before income taxes and extraordinary losses is as follows:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
	-----	-----	-----
Income taxes computed at the Federal statutory rate	\$ 93,399	\$64,824	\$38,628
State income taxes, net of Federal income tax benefit	9,036	7,827	4,328
Non-deductible amortization	2,345	2,729	2,639
Utilization of net operating loss carryforward	-	-	(3,300)
Other, net	3,828	951	1,965
	----- \$108,608	----- \$76,331	----- \$44,260
	=====	=====	=====

The merger of NVR Homes, Inc. and NVR Financial Services, Inc. into the Company on September 30, 1998 allowed the Company to utilize a separate return limitation year net operating loss ("SRLY NOL") generated by the Company's previously owned savings and loan institution, NVR Savings Bank. As a result, the Company recognized a \$3,300 tax benefit during 1998. The SRLY NOL has been fully utilized and there remains no unused carryforward.

9. Profit Sharing and Incentive Plans

Profit Sharing Plans--NVR has a trustee-administered, profit sharing retirement plan (the "Profit Sharing Plan") and an Employee Stock Ownership Plan ("ESOP") covering substantially all employees. The Profit Sharing Plan and the ESOP provide for annual discretionary contributions in amounts as determined by the NVR Board of Directors (the "Board"). The combined plan expense for the years ended December 31, 2000, 1999 and 1998 was \$8,320, \$7,712 and \$6,436, respectively. During 2000 and 1999, the ESOP purchased in the open market 11,000 and 105,440 shares respectively of NVR common stock using cash contributions provided by NVR. Subsequent to December 31, 2000, the ESOP purchased approximately 86,000 shares to fund the Board approved 2000 employer contribution. As of December 31, 2000, all shares held by the ESOP have been committed to be released to participant accounts.

Management Incentive Plans--Management long-term incentive plans provide several types of equity incentives to NVR's executives and managers. The equity incentives take the form of stock options and performance share awards as described below. Stock options issued under the management long-term incentive plans are issued with an exercise price equal to the market value of the underlying shares on the date of grant.

Under the Management Incentive Plan adopted by the Board in 1993, participants received options to purchase a total of 1,117,949 NVR shares (the "1993 NVR Share Options"). The 1993 NVR Share Options issued under the Management Incentive Plan were fully vested as of December 31, 1996, and generally expire 10 years after the dates upon which they were granted.

Under the 1994 Management Incentive Plan (the "1994 Incentive Plan"), executive officers and other employees of the Company were eligible to receive stock options (the "1994 NVR Share Options") and performance shares (the "1994 Performance Shares"). There were 48,195 1994 NVR Share Options and 1,124,929 1994 Performance Shares authorized for grant under the 1994 Incentive Plan. The 1994 NVR Share Options generally expire 10 years after the dates upon which they were granted, and were fully vested as of December 31, 1999. All 1,124,929 1994 Performance Shares have been granted to employees under the 1994 Incentive Plan, and all 1994 Performance Shares were vested as of December 31, 1999. For the years ended December 31, 2000, 1999 and 1998, compensation expense recognized for the 1994 Performance Shares totaled \$0, \$18,670 and \$9,081, respectively.

During 1996, the Company's Shareholders approved the Board of Directors' adoption of the Management Long-Term Stock Option Plan (the "1996 Option Plan"). There are 2,000,000 non-qualified stock options ("Options") authorized under the Management Long Term Stock Option Plan. The Options generally expire 10 years after the dates upon which they were granted, and vest in one-third increments on each of December 31, 2000, 2001 and 2002, with vesting based upon continued employment.

During 1999, the Company's Shareholders approved the Board of Directors' adoption of the 1998 Management Long-Term Stock Option Plan (the "1998 Option Plan"). There are 1,000,000 non-qualified stock options ("Options") authorized under the 1998 Option Plan. The Options generally expire 10 years after the dates upon which they were granted, and vest in one-third increments on each of December 31, 2003, 2004 and 2005, with vesting based upon continued employment.

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During 2000, the Board approved the 2000 Broadly-based Stock Option Plan (The "2000 Plan"). There are 2,000,000 non-qualified stock options ("Options") authorized under the 2000 Plan. Grants under the 2000 Plan will be available to both employees and members of the Board. There have been no grants issued under the 2000 Plan as of December 31, 2000. Options granted under the 2000 Plan will generally expire 10 years from the date of grant, and will vest in one-third increments on each of December 31, 2006, 2007 and 2008.

NVR, Inc
Notes to Consolidated Financial Statements
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	2000		1999		1998	
	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices
1993 NVR Share Options						
Options outstanding at the beginning of the year	359,771	\$ 7.60	830,971	\$ 7.60	958,952	\$ 7.60
Granted	-	\$ -	-	\$ -	-	\$ -
Canceled	-	\$ -	-	\$ -	-	\$ -
Exercised	(140,675)	\$ 8.01	(471,200)	\$ 7.62	(127,981)	\$ 7.62
Outstanding at end of year	219,096	\$ 7.71	359,771	\$ 7.60	830,971	\$ 7.60
Exercisable at end of year	219,096	\$ 7.71	359,771	\$ 7.60	830,971	\$ 7.60
1994 NVR Share Options						
Options outstanding at the beginning of the year	35,032	\$ 20.86	43,363	\$19.54	35,000	\$14.00
Granted	-	\$ -	-	\$ -	13,195	\$32.20
Canceled	-	\$ -	-	\$ -	-	\$ -
Exercised	(18,636)	\$ 21.30	(8,331)	\$14.00	(4,832)	\$14.00
Outstanding at end of year	16,396	\$ 20.35	35,032	\$20.86	43,363	\$19.54
Exercisable at end of year	16,396	\$ 20.35	29,569	\$19.02	22,898	\$17.50
1996 Option Plan						
Options outstanding at the beginning of the year	1,891,905	\$ 14.70	1,753,405	\$11.42	1,770,000	\$11.30
Granted	85,000	\$ 56.84	200,500	\$42.65	13,405	\$25.00
Canceled	(111,067)	\$ 26.31	(62,000)	\$12.48	(30,000)	\$10.63
Exercised	(18,433)	\$ 25.50	-	\$ -	-	\$ -
Outstanding at end of year	1,847,405	\$ 15.83	1,891,905	\$14.70	1,753,405	\$11.42
Exercisable at end of year	615,802	\$ 15.83	-	\$ -	-	\$ -
1998 Option Plan						
Options outstanding at the beginning of the year	927,000	\$ 47.63	-	\$ -	-	\$ -
Granted	104,500	\$ 66.18	927,000	\$47.63	-	\$ -
Canceled	(31,500)	\$ 47.63	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -	-	\$ -
Outstanding at end of year	1,000,000	\$ 49.57	927,000	\$47.63	-	\$ -
Exercisable at end of year	-	\$ -	-	\$ -	-	\$ -

Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
1993 NVR Share Options			
Outstanding at December 31, 2000:			
\$5.06 - \$6.41	14,200	\$ 5.35	4.1
\$7.62 - \$9.11	204,896	\$ 7.87	2.9
Exercisable at December 31, 2000			
\$5.06 - \$6.41	14,200	\$ 5.35	
\$7.62 - \$9.11	204,896	\$ 7.87	
1994 NVR Share Options			
Outstanding at December 31, 2000:			
\$14.00 - \$14.00	9,833	\$14.00	6.2
\$25.00 - \$34.50	6,563	\$29.88	7.6
Exercisable at December 31, 2000:			
\$14.00 - \$14.00	9,833	\$14.00	
\$25.00 - \$34.50	6,563	\$29.88	

NVR, Inc.
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Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
1996 Option Plan			

Outstanding at December 31, 2000:			
\$ 9.13 - \$10.63	1,478,000	\$10.59	5.4
\$14.00 - \$21.00	135,000	\$17.84	6.8
\$22.63 - \$25.00	13,405	\$23.59	6.9
\$38.00 - \$52.75	180,500	\$44.10	8.6
\$62.13 - \$81.75	40,500	\$71.87	9.7
Exercisable at December 31, 2000:			
\$ 9.13 - \$10.63	492,667	\$10.59	
\$14.00 - \$21.00	45,000	\$17.84	
\$22.63 - \$25.00	4,468	\$23.59	
\$38.00 - \$52.75	60,167	\$44.10	
\$62.13 - \$81.75	13,500	\$71.87	
*1998 Option Plan			

Outstanding at December 31, 2000:			
\$43.50 - \$62.13	945,000	\$47.89	8.4
\$72.00 - \$81.75	55,000	\$78.30	8.4

*None of the options outstanding under the 1998 Option Plan are exercisable at December 31, 2000.

The weighted average fair values of grants made in 2000, 1999 and 1998 for management incentive plans were \$39.76, \$29.41 and \$18.65, respectively. The fair values of the options granted were estimated on the grant date using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	2000	1999	1998
Estimated option life	10 years	10 years	10 years
Risk free interest rate	6.12%	5.94%	5.52%
Expected volatility	40.77%	40.19%	45.14%
Expected dividend yield	0.00%	0.00%	0.00%

Director Incentive Plans--The NVR Directors' Long Term Incentive Plan ("1993 Directors' Plan") provides for each eligible director to be granted options to purchase 22,750 shares of common stock with a maximum number of shares issuable under the plan of 364,000. There were 182,000 Directors' Options granted to eligible directors on September 30, 1993 at a grant price of \$16.60 per share, which exceeded the fair value of the underlying shares on the date of grant. The options became exercisable six months after the date of grant and expire in September 2003.

There were 192,000 options to purchase shares of common stock authorized and granted in 1996 to the Company's outside directors under the Directors' Long Term Stock Option Plan (the "1996 Directors' Plan"). There are no additional options available for grant under this plan. The option exercise price for the options granted was \$10.25 per share, which was equal to the fair market value of the Company's Shares on the date of grant. The Options were granted for a 10-year period beginning from the date of grant, and vest in one-third increments on each of December 31, 1999, 2000, and 2001. There were 24,000 previously unvested 1996 Directors' Options exercised during 1998, pursuant to a separation of service due to death clause within the 1996 Directors' Plan.

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There were 150,000 options to purchase shares of common stock authorized for grant in 1999 to the Company's outside directors under the 1998 Directors' Long Term Stock Option Plan (the "1998 Directors' Plan"). A total of 87,500 options were granted at an exercise price of \$49.06, which was equal to the fair market value of the Company's Shares on the date of grant. The Options were granted for a 10 year period beginning from the date of grant, and vest in twenty-five percent (25%) increments on each of December 31, 2002, 2003, 2004 and 2005.

	2000		1999		1998	
	Options	Exercise Price	Options	Exercise Price	Options	Exercise Price
1993 Directors' Plan						
Options outstanding at the beginning of the year	101,000	\$16.60	113,750	\$16.60	182,000	\$16.60
Granted	-	\$ -	-	\$ -	-	\$ -
Canceled	-	\$ -	-	\$ -	-	\$ -
Exercised	(55,500)	\$16.60	(12,750)	\$16.60	(68,250)	\$16.60
Outstanding at end of year	45,500	\$16.60	101,000	\$16.60	113,750	\$16.60
Exercisable at end of year	45,500	\$16.60	101,000	\$16.60	113,750	\$16.60
1996 Directors' Plan						
Options outstanding at the beginning of the year	168,000	\$10.25	168,000	\$10.25	192,000	\$10.25
Granted	-	\$ -	-	\$ -	-	\$ -
Canceled	-	\$ -	-	\$ -	-	\$ -
Exercised	(16,000)	\$10.25	-	\$ -	(24,000)	\$10.25
Outstanding at end of year	152,000	\$10.25	168,000	\$10.25	168,000	\$10.25
Exercisable at end of year	96,000	\$10.25	56,000	\$10.25	-	\$ -
1998 Directors' Plan						
Options outstanding at the beginning of the year	87,500	\$49.06	-	\$ -	-	\$ -
Granted	-	\$ -	87,500	\$49.06	-	\$ -
Canceled	9,375	\$49.06	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -	-	\$ -
Outstanding at end of year	78,125	\$49.06	87,500	\$49.06	-	\$ -
Exercisable at end of year	-	\$ -	-	\$ -	-	\$ -

The weighted average fair value of grants made during 1999 under director incentive plans was \$30.48 per share. The fair value was calculated using the Black-Scholes option pricing model, under the following assumptions: i) the estimated option life was equal to ten years, ii) the risk free interest rate was 5.77%, iii) the expected volatility equaled 40.19%, and iv) the estimated dividend yield was 0%.

SFAS No. 123 requires companies who continue to apply Opinion 25 to account for their stock-based employee compensation arrangements to provide pro forma net income and earnings per share as if the fair value based method had been used to account for compensation cost. Accordingly, pro forma net income and earnings per share would have been \$152,503 (\$14.44 per diluted share), \$104,122 (\$8.61 per diluted share) and \$55,352 (\$4.16 per diluted share) for the years ended December 31, 2000, 1999 and 1998, respectively, if the Company had accounted for its stock based employee compensation arrangements using the fair value method. The 2000, 1999 and 1998 effects of applying SFAS No. 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income and earnings per share for future years because the number of option grants and the fair value assigned to future grants could differ.

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To minimize the non-deductibility of executive compensation expense due to the limitations of Section 162(m) of the Internal Revenue Code and still maintain the ability to competitively compensate the Company's executive officers, the Company established a deferred compensation plan (Deferred Comp Plan). The specific purpose of the Deferred Comp Plan was to establish a vehicle whereby the executive officers could defer the receipt of compensation that otherwise would be nondeductible for tax purposes into a period where the Company would realize a tax deduction for the amounts paid. The Deferred Comp Plan is also available to other members of the Company's management group. Amounts deferred into the Deferred Comp Plan are invested in NVR common stock and are paid out in a fixed number of shares upon expiration of the deferral period.

The Deferred Comp Plan Trust was funded during the first quarter of 2000 with 305,863 NVR shares issued from the Company's treasury stock account. The basis for the shares reissued from the treasury was \$47.25 per share. In addition, the Deferred Comp Plan Trust purchased 34,840 NVR common shares on the open market at an aggregate cost of \$1,606. The compensation deferred was related to benefits earned by NVR employees under the Company's 1994 Management Equity Incentive Plan and the 1996 High Performance Plan. During the 2000 third quarter, 3,000 shares were distributed from the Deferred Comp Plan. There are 337,703 shares held by the Deferred Comp Plan at December 31, 2000. These shares are treated as outstanding shares in the earnings per share calculation for the year ended December 31, 2000. Subsequent to December 31, 2000, the Deferred Comp Plan was funded with an additional 30,000 shares of stock. See note 7.

10. Commitments and Contingent Liabilities

NVR is committed under several non-cancelable operating leases involving office space, manufacturing facilities and equipment. Future minimum lease payments under these operating leases as of December 31, 2000 are as follows:

Years ended December 31,	

2001	\$12,358
2002	7,648
2003	5,315
2004	3,792
2005	2,219
Thereafter	3,922

	\$35,254
	=====

Total rent expense incurred under operating leases was approximately \$12,000, \$10,800, and \$7,787 for the years ended December 31, 2000, 1999 and 1998, respectively.

During the ordinary course of operating the mortgage banking and homebuilding businesses, NVR is required to enter into bond or letter of credit arrangements with local municipalities, government agencies, or land developers to collateralize its obligations under various contracts. NVR had approximately \$25,020 of contingent obligations under such agreements as of December 31, 2000. NVR believes it will fulfill its obligations under the related contracts and does not anticipate any losses under these bonds or letters of credit.

NVR and its subsidiaries are also involved in litigation arising from the normal course of business. In the opinion of management, and based on advice of legal counsel, this litigation will not have any material adverse effect on the financial position or results of operations of NVR.

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11. Mortgage-Backed Securities, net of Mortgage-Backed Bonds, and Related Assets and Liabilities

Mortgage-backed securities ("MBS") serve as collateral for the related mortgage-backed bonds ("Bonds") sold to third parties. The MBS cannot be sold except upon specified call dates of the Bonds. The calling of the Bonds at those dates is solely at the option of the Company. Principal and interest payments on the MBS are used to make the quarterly payments on the Bonds. In addition, prepayments of the underlying MBS are passed through as repayments of the Bonds so that the Bonds may be fully paid prior to their stated maturities. The Bonds are not guaranteed by NVR or any of its subsidiaries, other than the issuing Limited-Purpose Financing Subsidiary.

A trustee for the benefit of the bondholders holds the MBS and the reserve amounts, which constitute the collateral for the Bonds of a series. The specific collateral pledged to secure a particular series is not available as collateral for any other series. In addition, the Company may, under certain circumstances, redeem certain series of Bonds. In such certain circumstances, the Bonds are redeemed at par and any market appreciation or depreciation accrues to the Company.

The following comprise the assets and liabilities of the Limited Purpose Financing Subsidiary:

	December 31,	
	2000	1999
Assets:		
Mortgage-backed securities, net	\$ 4,632	\$ 5,110
Funds held by trustee	23	83
Other assets	212	257
Total assets	4,867	5,450
Liabilities:		
Accrued expenses and other liabilities	164	211
Mortgage-backed bonds, net unamortized discounts	4,693	5,229
Total liabilities	4,857	5,440
 Mortgage-backed securities, net of mortgage-backed bonds, and related assets and liabilities	 \$ 10	 \$ 10
	=====	=====

The weighted average portfolio yield on the MBS was approximately 9.0% at each of December 31, 2000 and 1999, respectively. The Bonds mature on October 1, 2016 and bear interest at 9.0%. However, NVR has the contractual right to call the Bonds in 2001.

12. Mortgage Banking Segment Restructuring Plan

During the first quarter of 2000, NVR formulated a detailed plan to align its mortgage banking operations to exclusively serve the Company's homebuilding customers. The plan specifically entailed the closure of all of the Company's retail operations, including all of the retail branches acquired from the acquisition of First Republic Mortgage Corporation ("First Republic") acquired in March 1999. This action was consistent with the Company's decision in December 1999 to exit the wholesale mortgage origination business. The Company's mortgage banking operation is now solely focused on serving the Company's homebuilding operations. The restructuring plan was substantially completed during the second quarter of 2000.

As a result of the restructuring, the Company recorded a restructuring and asset impairment charge of \$5,926 in the first quarter of 2000. A detail of the costs comprising the total charge incurred in the first quarter is as follows:

NVR, Inc.
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Write off of First Republic goodwill	\$2,575
Noncancelable office and equipment leases	1,480
Asset impairments	1,362
Severance	509

Total	\$5,926
	=====

During 2000, approximately \$863 in severance and lease costs was applied against the restructuring reserve. In addition, during the third quarter the Company reversed approximately \$200 in restructuring reserves, primarily for unused severance costs. Approximately \$930 of the restructuring accrual established at March 31, 2000, remains at December 31, 2000, and primarily relates to accrued lease costs.

13. Quarterly Results [unaudited]

The following table sets forth unaudited selected financial data and operating information on a quarterly basis for the years ended December 31, 2000 and 1999. Diluted earnings per share presented for the quarters ended March 31, June 30, and September 30, 2000 have been increased by \$0.18, \$0.25 and \$0.33 respectively from the amounts previously reported to reflect the full realization of potential tax benefits from the hypothetical exercise of outstanding stock options under the treasury stock method.

	Year Ended December 31, 2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	-----	-----	-----	-----
Revenues-homebuilding operations	\$490,581	\$558,506	\$602,485	\$616,238
Gross profit - homebuilding operations	\$ 90,904	\$103,524	\$117,071	\$122,252
Mortgage banking fees	\$ 7,597	\$ 7,622	\$ 12,950	\$ 10,588
Net income	\$ 30,574	\$ 37,204	\$ 43,914	\$ 46,554
Diluted earnings per share	\$ 2.90	\$ 3.62	\$ 4.30	\$ 4.51
Contracts for sale, net of cancellations (units)	2,609	3,010	2,180	2,469
Settlements (units)	2,236	2,469	2,674	2,676
Backlog, end of period (units)	5,308	5,849	5,355	5,148
Loans closed	\$469,598	\$467,818	\$401,037	\$411,267
	-----	-----	-----	-----
	Year Ended December 31, 1999			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	-----	-----	-----	-----
Revenues-homebuilding operations	\$429,687	\$492,058	\$523,552	\$497,363
Gross profit - homebuilding operations	\$ 73,143	\$ 83,891	\$ 90,172	\$ 84,727
Mortgage banking fees	\$ 13,522	\$ 12,465	\$ 13,162	\$ 8,973
Income before extraordinary loss	\$ 26,007	\$ 28,263	\$ 30,341	\$ 24,270
Diluted earnings per share	\$ 2.02	\$ 2.26	\$ 2.52	\$ 2.18
Contracts for sale, net of cancellations (units)	2,541	2,855	1,866	2,416
Settlements (units)	2,098	2,424	2,516	2,278
Backlog, end of period (units)	5,016	5,447	4,797	4,935
Loans closed	\$779,406	\$869,774	\$675,593	\$587,092

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this "Second Supplemental Indenture"), dated

 as of February 27, 2001, between NVR, INC., a Virginia corporation (the
 "Company"), having its principal office at 7601 Lewinsville Road, Suite 300,

 McLean, Virginia, 22102 and THE BANK OF NEW YORK, a New York banking corporation
 (the "Trustee"), having a Corporate Trust Office at 101 Barclay Street, 21st

 Floor, New York, New York, as Trustee under the Base Indenture, the First
 Supplemental Indenture, and this Second Supplemental Indenture (each as
 hereinafter defined). Capitalized terms used and not otherwise defined herein
 shall have the meaning set forth in the Base Indenture (as defined).

R E C I T A L S

WHEREAS, the Company and the Trustee have heretofore executed and delivered
 to the Trustee an Indenture, dated as of April 14, 1998 (the "Base Indenture"),

 as amended and supplemented by the first supplemental indenture, dated as of
 April 14, 1998 (the "First Supplemental Indenture" and, together with the Base

 Indenture, the "Indenture") pursuant to which the Company's 8% Senior Notes due

 2005 were issued;

WHEREAS, in accordance with Section 902 of the Base Indenture, the Company
 and the Trustee are authorized and permitted to amend and supplement the
 Indenture as set forth herein (the "Amendment"), with the consent of the Holders

 of not less than a majority in principal amount of all Outstanding Securities,
 and (1) the Holders of a majority in principal amount of all Outstanding
 Securities have consented to the Amendment and (2) all other requirements set
 forth in the Base Indenture to make this Second Supplemental Indenture effective
 have been satisfied; and

WHEREAS, the Company and the Trustee deem it advisable to enter into this
 Second Supplemental Indenture for the purpose of amending the Indenture in order
 to provide the Company with greater flexibility to continue to repurchase shares
 of its outstanding common stock as part of its strategy of maximizing
 shareholder value.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the foregoing and for other good and valuable
 consideration, the receipt of which is hereby acknowledged, the Company and the
 Trustee mutually covenant and agree for the equal and proportionate benefit of
 all Holders of the Notes as follows:

SECTION 1.01 AMENDMENT. Section 5.01 of the First Supplemental Indenture
 is amended and restated in its entirety as follows:

"Section 5.01 Limitations on Restricted Payments. Until the Notes are
 rated Investment Grade by both Rating Agencies, after which time the following
 covenant no longer shall be binding on the Company or any Restricted Subsidiary:

(a) neither the Company nor any of its Restricted Subsidiaries shall,
 directly or

indirectly, make any Restricted Payment, if, after giving effect thereto on a pro forma basis:

(i) the Company could not Incur \$1.00 of additional Indebtedness pursuant to provisions described in paragraph (b) of Section 5.02 hereof;

(ii) a Default or an Event of Default would occur or be continuing;
or

(iii) the aggregate amount of all Restricted Payments, including such proposed Restricted Payment, made by the Company and its Restricted Subsidiaries, from and after the Issue Date and on or prior to the date of such Restricted Payment, shall exceed the sum (the "Basket") of:

(A) 50% of Consolidated Net Income of the Company for the period (taken as one accounting period), commencing with the first full fiscal quarter which includes the Issue Date, to and including the fiscal quarter ended immediately prior to the date of each calculation for which internal financial statements are available (or, if Consolidated Net Income for such period is negative, then minus 100% of such deficit); plus

(B) 100% of the amount of any Indebtedness of the Company or a Restricted Subsidiary Incurred after the Issue Date that is converted into or exchanged for Qualified Capital Stock of the Company after the Issue Date; plus

(C) to the extent that any Restricted Investment made after the date of this First Supplemental Indenture is sold for cash or otherwise reduced or liquidated or repaid for cash, in whole or in part, the lesser of (1) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (2) the initial amount of such Restricted Investment; plus

(D) unless accounted for pursuant to clause (B) above, 100% of the aggregate net proceeds (after payment of reasonable out-of-pocket expenses, commissions and discounts incurred in connection therewith) received by the Company from the sale or issuance (other than to a Subsidiary of the Company) of its Qualified Capital Stock after the Issue Date and on or prior to the date of such Restricted Payment; plus

(E) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after the Issue Date in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after the Issue Date and only to the extent not included in the calculation of Consolidated Net Income), an amount equal to the lesser of (x) the book value in accordance with GAAP of the Company's or a Restricted Subsidiary's Investment in such Subsidiary, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary; plus

(F) 100% of tax benefits, if any, for the period (taken as one accounting period), commencing with the first full fiscal quarter which includes the Issue Date, realized by the Company from stock option exercises and from the issuance of the Company's Qualified Capital Stock pursuant to equity-based employee benefit plans that are recorded as an increase to shareholders' equity in accordance with GAAP; plus

(G) \$50,000,000.

(b) The foregoing clause (a) does not prohibit:

(i) the payment of any dividend within 60 days after the date of its declaration if such dividend could have been made on the date of its declaration in compliance with the foregoing provisions;

(ii) the payment of cash dividends or other distributions to any Equity Investor or joint venture participant of a Restricted Subsidiary with respect to a class of Capital Stock of such Restricted Subsidiary or joint venture owned by such Equity Investor or joint venture participant so long as the Company or its Restricted Subsidiaries simultaneously receive a dividend or distribution with respect to their Investment in such Restricted Subsidiary or joint venture either in U.S. Legal Tender or the same form as the dividend or distribution received by such Equity Investor or joint venture participant and in proportion to their proportionate interest in the same class of Capital Stock of such Restricted Subsidiary (or in the case of a joint venture that is a partnership or a limited liability company, as provided for in the documentation governing such joint venture), as the case may be;

(iii) repurchases or redemptions of Capital Stock of the Company from any former directors, officers and employees of the Company in the aggregate up to \$3,000,000 during any calendar year (provided, however, that any amounts not used in any calendar year may be used in any subsequent year);

(iv) the retirement of Capital Stock of the Company or the retirement in Indebtedness of the Company, in exchange for or out of the proceeds of a substantially concurrent sale (other than a sale to a Subsidiary of the Company) of, other shares of its Qualified Capital Stock and the retirement of Capital Stock or Indebtedness of a Restricted Subsidiary in exchange for or out of the proceeds of a substantially concurrent sale of its Qualified Capital Stock, provided that, in each case, the amount of any such proceeds is excluded for purposes of clause (a)(iii)(D) above; or

(v) repurchases by the Company of Capital Stock of the Company (from Persons other than officers or directors of the Company) in one or more open market and/or privately negotiated transactions of up to \$85,000,000 in the aggregate at any time or from time to time on or before March 31, 2002; provided that any such repurchases not made pursuant to this clause (v) on or before March 31, 2002 may not be made at any subsequent time.

Any Restricted Payment made in accordance with clauses (i) and (iii) of this paragraph shall reduce the Basket. In calculating the Basket, any Restricted Payment not made in cash and any non-cash amounts received for purposes of clause (D) shall be valued at fair market value as determined in good faith by the Board of Directors, whose determination shall be conclusive and whose resolution with respect thereto shall be delivered to the Trustee promptly after the adoption thereof."

SECTION 1.02 NEW YORK LAW TO GOVERN. THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECOND SUPPLEMENTAL INDENTURE.

SECTION 1.03 EFFECTIVE DATE. This Second Supplemental Indenture shall be effective as of the date first above written and upon the execution and delivery hereof by each of the parties hereto.

SECTION 1.04 COUNTERPARTS. This Second Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed by their respective officers hereunto duly authorized, all as of the date first above written.

Dated: February 27, 2001

NVR, INC.

By: _____
Name: Dwight C. Schar
Title: Chairman of the Board, Chief
Executive Officer and President

By: _____
Name: Paul C. Saville
Title: Senior Vice President,
Chief Financial Officer and Treasurer

Attest:

Dated: February 27, 2001

THE BANK OF NEW YORK
as Trustee

By: _____
Name:
Title:

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement") made this first day of January 2001, between NVR, INC., a Virginia corporation (the "Company") and PAUL C. SAVILLE, a resident of Virginia (the "Executive").

WHEREAS, the parties wish to terminate all prior employment agreements and amendments thereto; and

WHEREAS, the parties wish to establish the terms of the Executive's future employment with the Company.

ACCORDINGLY, the parties agree as follows:

1. Employment, Duties and Acceptance.

1.1 Employment by the Company. The Company hereby employs the Executive,

for itself and its affiliates, to render exclusive and full-time services to the Company. The Executive will serve in the capacity of Senior Vice President -Finance, Chief Financial Officer and Treasurer of the Company. The Executive will perform such duties as are imposed on the holder of that office by the By-laws of the Company and such other duties as are customarily performed by one holding such position in the same or similar businesses or enterprises as those of the Company. The Executive will perform such other related duties as may be assigned to him from time to time by the Company's Board of Directors. The Executive will devote all his full working time and attention to the performance of such duties and to the promotion of the business and interests of the Company. This provision, however, will not prevent the Executive from investing his funds or

assets in any form or manner, or from acting as a member of the Board of Directors of any companies, businesses, or charitable organizations, so long as such investments or companies do not compete with the Company, subject to the limitations set forth in Section 7.1.

1.2 Acceptance of Employment by the Executive. The Executive accepts such employment and shall render the services described above.

1.3 Place of Employment. The Executive's principal place of employment shall be the Washington, D.C. metropolitan area, subject to such reasonable travel as the rendering of services associated with such position may require.

2. Duration of Employment.

This Agreement and the employment relationship hereunder will continue in effect for six (6) years from January 1, 2001 through January 1, 2007. It may be extended beyond January 1, 2007 by mutual, written agreement at any time. In the event of the Executive's termination of employment during the term of this Agreement, the Company will be obligated to pay all base salary, bonus and other benefits then accrued, as well as cash reimbursement for all accrued but unused vacation, plus, if applicable, the additional payments provided for in Sections 6.1, 6.2, 6.4 and 6.6 of this Agreement.

3. Compensation.

3.1 Base Salary. As compensation for all services rendered pursuant to this Agreement, the Company will pay to the Executive an annual base salary of THREE HUNDRED SIXTY-THREE THOUSAND DOLLARS (\$363,000), payable in equal monthly installments of THIRTY THOUSAND TWO HUNDRED FIFTY DOLLARS (\$30,250). The Company's Board of Directors in its sole discretion may increase, but may not reduce, the Executive's annual base salary.

3.2 Bonuses. The Executive shall be eligible to be paid a bonus annually

in cash or in the registered stock of NVR, Inc. as determined by the Compensation Committee of the Board of Directors or in a combination thereof in a maximum amount of 100% of the Executive's annual base salary. This bonus shall be paid at the same time (or times) and in the same manner as other senior executives of the Company. Entitlement to the bonus is dependent on the Executive meeting certain goals, which shall be established annually by the Company.

3.3 Participation in Employee Benefit Plans. The Executive shall be

permitted during the term of this Agreement, if and to the extent eligible to participate in any group life, hospitalization or disability insurance plan, health program, pension plan, Employee Stock Ownership Plan or similar benefit plan of the Company, which may be available to other comparable executives of the Company generally, on the same terms as such other executives. The Executive shall be entitled to paid vacation and all customary holidays each year during the term of this Agreement in accordance with the Company's policies.

3.4 Expenses. Subject to such policies as may from time to time be

established by the Company's Board of Directors, the Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive in the performance of the Executive's services under this Agreement upon presentation of expense statements or vouchers or such other supporting information as it may require.

4. Management Long-Term Stock Option Plans.

The Executive is a participant in the 1993 NVR, Inc. Management Equity Incentive Plan, 1994 NVR, Inc. Management Equity Incentive Plan, 1996 NVR, Inc. Management Long-Term Stock Option Plan and the 1998 NVR, Inc. Management Long-Term Stock Option Plan. The Executive has entered into separate agreements

governing the terms of his participation in the Plans.

5. High Performance Compensation Plan.

The Executive is a participant in the NVR, Inc. High Performance Compensation Plan - Number 1 and the NVR, Inc. High Performance Compensation Plan - Number 2. The Executive has entered into separate agreements governing the terms of his participation in the Plans.

6. Termination or Disability.

6.1 Termination Upon Death. If the Executive dies during the term hereof,

this Agreement shall terminate, except that the Executive's legal representatives shall be entitled to receive the Executive's base salary and accrued Bonus for the period ending on the last day of the second calendar month following the month in which the Executive's death occurred. Accrued Bonus shall be calculated as one hundred percent of Base Salary multiplied by the fraction (x) the number of days in calendar year up to last day of second calendar month following the month in which Executive died divided by (y) 365 days.

6.2 Disability. If during the term hereof the Executive becomes

physically or mentally disabled, whether totally or partially, so that the Executive is, in the discretion of the Company's Board of Directors, substantially unable to perform his services hereunder, the Executive shall transfer from active to disability status. Nothing in this Section 6.2 shall be deemed to in any way affect the Executive's right to participate in any disability plan maintained by the Company and for which the Executive is otherwise eligible. If the Executive transfers to disability status he would be entitled to receive the Executive's Base Salary and accrued Bonus for the period ending on the last day of the second calendar month following the month in which the Executive is transferred to disability status. Accrued Bonus shall be calculated as one hundred percent of Base Salary multiplied by the fraction (x) the number of days in calendar

year up to last day of second calendar month following the month in which the Executive was transferred to disability status divided by (y) 365 days.

- 6.3 Termination for Cause. If the Executive is convicted of any felony,

other crime involving moral turpitude, or any crime or offense which results in his incarceration for more than three months, is guilty of gross misconduct in connection with the performance of his duties as described in Section 1.1 hereunder, or materially, breaches affirmative or negative covenants or undertakings set forth in Section 7, the Company at any time by written notice to the Executive, may terminate the Executive's employment hereunder. Any such termination shall be for Cause.
- 6.4 Termination Without Cause. In the event the Company on sixty (60)

days' notice terminates the Executive's employment without Cause (as such term is defined in Section 6.3) during the term of this Agreement, then as full satisfaction of the Company's obligations to the Executive, the Executive shall be entitled to payment of TWO HUNDRED PERCENT (200%) of his then annual base salary, paid in twelve equal monthly installments beginning on the fifteenth day of the first month following the date of termination. The Executive shall also be provided with outplacement services with a firm jointly selected by the Executive and the Company at a cost not to exceed THIRTY THOUSAND DOLLARS (\$30,000).
- 6.5 Voluntary Termination. The Executive may on sixty (60) days' notice

terminate his employment hereunder. In such event, he shall not be entitled to any severance pay except in the circumstances described in Section 6.6 below.
- 6.6 Voluntary Termination-Change of Control. In the event the Executive

voluntarily terminates his employment hereunder in connection with or within one (1) year after a Change of Control of the Company (as defined below), the Executive shall receive a payment of TWO HUNDRED PERCENT (200%) of his then annual

base salary, as well as his accrued pro-rata bonus (on the assumption that the maximum annual bonus would have been paid pursuant to Section 3.2) through the date of termination. Payment of such amount shall be in twelve equal monthly installments beginning on the first day of the first month following the date of termination. For purposes of this Agreement, "Change of Control" means (i) any transaction or series of transactions (including, without limitation, a tender offer, merger or consolidation) the result of which is that any "person" or "group" (within the meaning of Section 13 (d) and 14 (d) (2) of the Exchange Act), becomes the "beneficial owner" (as defined in rule 13d-3 under the Exchange Act) of more than 50 percent of the total aggregate voting power of all classes of the voting stock of the Company and/or warrants or options to acquire such voting stock, calculated on a fully diluted basis, or (ii) if all or substantially all of the assets of the Company are sold or otherwise transferred to any individual, corporation, partnership, trust, association, joint venture, pool, syndicate or similar organization or group acting in concert or (iii) the Company is liquidated or dissolved or adopts a plan of liquidation or (iv) a merger consolidation or other reorganization or business combinations with any party including a leveraged buy-out or a going private transaction and where there has been a significant reduction

in Executive's responsibilities.

6.7 Voluntary Termination-Change in Senior Management Accompanied by

Change in Business Philosophy. If the Company elects a new Chairman

and/or Chief Executive Officer (the "New Officer") or provided that the New Officer enacts major changes in the Company's business philosophy, mission or business strategies, the Executive may voluntarily terminate his employment. To provide sufficient time for a transfer of the Executive's responsibilities and duties, he shall be required to provide sixty (60) days notice prior to such voluntary termination and the Company shall have the option of extending the notice an additional thirty (30) days. In the event the Executive voluntarily terminates his employment in connection with or within one year after the election of a New Officer accompanied by any of the changes described in this Section 6.7, he shall not be

entitled to any severance pay and shall not be bound by the "Covenant Not to Compete" described in Section 7.

6.8 Effectiveness. In the event any of the events described in this

Section 6 should occur during the term of this Agreement, and result in payments to the Executive which would in their normal course continue beyond the term of this Agreement, such payments shall be made at such times and in such amounts as if the term of this Agreement had not expired.

7. Covenant Not to Compete.

The covenant set forth in Section 7.1 shall be applicable for a period of one (1) year after termination in the event the Executive is terminated pursuant to Section 6.4 "Without Cause" or to Section 6.5 "Voluntary" or to Section 6.6 "Voluntary Termination -Change of Control". It shall be applicable for a period of two (2) years after termination in the event the Executive is terminated pursuant to Section 6.3 for "Cause".

7.1 Scope. During the term of Executive's employment under this

Agreement, and for the applicable period thereafter, Executive hereby covenants and agrees that neither he nor any affiliate (as defined hereinbelow), at any time, directly or indirectly, will (i) engage, whether as an employee or otherwise, in the Homebuilding and Mortgage Financing Business (as defined hereinbelow) on behalf of himself or any other person or entity, whether conducted individually or through an affiliate; (ii) own, acquire an interest in, manage, operate, join or control, or participate in the ownership, acquisition, management, operation or control of, or be a director, agent, representative, shareholder of more than 1% of the outstanding stock, partner, employee, officer, or consultant of, any enterprise of any kind that is engaged in the Homebuilding Business or Mortgage Financing Business; (iii) induce or attempt to induce any customer or potential customer of the Company to discontinue, in whole or in part, business, or not to do business, with the Company or (iv) hire or attempt to hire any person now or hereafter

employed by the Company.

7.2 Definitions. For purposes of this Agreement, (i) the term "affiliate"

shall mean Executive, Executive's spouse, and any minor children ("immediate family") and any entity that Executive and/or any members of his immediate family control, either directly or indirectly; (ii) "control" for purposes of the immediately preceding clause shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract, or otherwise); and (iii) the term "Homebuilding Business" and "Mortgage Financing Business" shall mean the business of designing, constructing, and/or the origination, underwriting, placement or sale of residential home mortgages at any location within any Standard Metropolitan Statistical Area (as determined by the Census Bureau, Department of Commerce, United States Government) in which is located any office of the Company which has been assigned to the Executive's area of managerial responsibility at any time within the last two years of the employment of the Executive with the Company.

7.3 Reasonableness. The Executive acknowledges that the restrictions

contained in this Section 7 are reasonable and necessary to protect the business and interests of the Company, and that it would be impossible to measure in money the damages that would accrue to the Company by reason of the Executive's failure to perform his obligations under this Section 7. Therefore, the Executive hereby agrees that in addition to any other remedies that the Company may have at law or at equity with respect to this Section 7, the Company shall have the right to have all obligations, undertakings, agreements, and covenants set forth herein specifically performed, and that the Company shall have the right to obtain an order of such specific performance (including preliminary and permanent injunctive relief to prevent a breach or contemplated breach of any provision of this Section 7) in any court of the United States or any state or political subdivision thereof, without the necessity of proving actual damage; provided that the Company is not in breach of any of its obligations hereunder.

7.4 No Waiver. No waiver by the Company of a breach of, or of a default

under, any of the provisions of this Agreement, nor their failure on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as to the waiver of any such provision, rights, or privileges hereunder.

7.5 Blue-Pencilling. If any part of any provision of this Section 7

shall be determined to be invalid or unenforceable under applicable law, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining terms of such provision or the remaining provisions of this Section 7. The Executive hereby covenants and agrees that to the extent any provision or portion of this Agreement shall be held, found, or deemed to be unreasonable, unlawful, or unenforceable, then any necessary modifications shall be made (but only to such extent) so that such provision or portion hereof shall be legally enforceable to the fullest extent permitted by applicable law. The Executive further agrees and authorizes any court of competent jurisdiction to enforce any such provision or portion hereof in order that such provision or portion hereof shall be enforced by such court to the fullest extent permitted by applicable law.

7.6 Confidentiality. During the term of the Executive's employment with

the Company, he will acquire information of a proprietary or confidential nature and knowledge about the operations of the Company. Accordingly, the Executive agrees not to use or to disclose to any third party, or cause to be used, in any manner, directly or indirectly, the information described immediately above. The Executive further agrees to return to the Company promptly upon the termination of the Executive's employment with the Company, and all information of a proprietary or confidential nature acquired by the Executive at any time during the course of his employment with the Company, to the extent such information has been reduced to writing, together with any and all documents and materials of any

kind then in the possession or control of the Executive which may be the property of the Company or any affiliate, whether confidential or otherwise, including any copies which may have been made by or for the Executive.

7.7 No Conflict. The Covenant Not to Compete set forth in this Section 7

shall supersede and override any and all limitations on Executive's right to compete with the Company including, without limitation, any similar covenants not to compete in the Stock Option Agreements and the Performance Share Agreements executed in conjunction with the 1993 and 1994 NVR, Inc. Management Equity Incentive Plans, 1996 and 1998 NVR, Inc. Management Long-Term Stock Option Plans and the NVR, Inc. High Performance Compensation Plans - Number 1 and 2 and shall be the sole standard by which Executive shall be bound.

8. Other Provisions.

8.1 Notices. Any notice or other communication required or which may be

given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission, or if mailed, four days after the date of mailing as follows:

(i) if the Company, to:

NVR, Inc.
7601 Lewinsville Road, Suite 300
McLean, Virginia 22102

(ii) if the Executive, to:

Paul C. Saville
9616 Brookmeadow Drive
Vienna, Virginia 22182

- 8.2 Entire Agreement. This Agreement contains the entire agreement

between the parties with respect to the subject matter hereof and
supersedes all prior agreements, written or oral, with respect
thereto.
- 8.3. Waiver and Amendments. This Agreement may be amended, modified,

superseded, cancelled, renewed or extended, and the terms and
conditions hereof may be waived, only by a written instrument signed
by the parties or, in the case of a waiver, by the party waiving
compliance. No delay on the part of any party in exercising any right,
power or privilege hereunder shall operate as a waiver thereof, nor
shall any waiver on the part of any party of any right, power or
privilege hereunder, nor any single or partial exercise of any right,
power or privilege hereunder, preclude any other or further exercise
thereof or the exercise of any other right, power or privilege
hereunder.
- 8.4 Governing Law. This Agreement shall be governed and construed in

accordance with the laws of the Commonwealth of Virginia.
- 8.5 Assignability. This Agreement, and the Executive's rights and

obligations hereunder, may not be assigned by the Executive. The
Company shall assign this Agreement and its rights, together with its
obligations, to any entity which will substantially carry on the
business of the Company subject to the Executive's rights set forth in
this Agreement, but the Company shall even after such assignment be
fully liable to the Executive for all obligations set forth herein.
- 8.6 Counterparts. This Agreement may be executed in two or more

counterparts, each of which shall be deemed an original but all of
which shall constitute one and the same instrument.

8.7 Headings. The headings in this Agreement are for reference purposes

only and shall not in any way affect the meaning or interpretation of
this Agreement.

8.8 Indemnification. The Company shall indemnify the Executive and hold

him harmless for any acts or decisions made by him in good faith while
performing services for the Company or its affiliates and shall use
its best efforts to obtain coverage for him under an insurance policy
(whether now in force or hereinafter obtained) during the term of this
Agreement covering the officers and directors of the Company or its
affiliates. The Company will pay all expenses including attorney's
fees, actually and necessarily incurred by the Executive in connection
with any appeal thereon including the cost of court settlement arising
or alleged to arise from his employment by the Company.

9. Arbitration.

Any controversy or claim arising out of or in connection with this Agreement shall be settled by arbitration in accordance with the rules then pertaining of the American Arbitration Association. Such controversies shall be submitted to three arbitrators, one arbitrator being selected by the Company, one arbitrator being selected by the Executive, and the third being selected by the two so selected by the Company and the Executive or, if they cannot agree upon a third, by the American Arbitration Association. In the event that either the Company or the Executive, within one month after any notification of any demand for arbitration hereunder, shall not have selected its arbitrator and given notice thereof by registered or certified mail to the other, such arbitrator shall be selected by the American Arbitration Association. Confirmation of any award in any such arbitration may be held in any court having jurisdiction of the person against whom such award is rendered. Regardless of the circumstances giving rise to the need for arbitration, until such arbitration shall be finally determined and ended, the base salary of the Executive pursuant to Section 3.1, subject to the provisions of Section 6, shall be paid monthly until the expiration of the term of this Agreement, and Bonus pursuant to Section 3.2, subject to the provisions of Section 6, shall be earned and paid in accordance with Section 3.2 until the expiration of the term of this agreement. If the results of such

arbitration are more favorable to the position taken by the Executive than that taken by the Company, in the opinion of the arbitrators, then all costs and expenses incurred by the Executive in connection with such arbitration shall be paid by the Company.

10. Effective Date.

This Agreement shall be effective as of January 1, 2001.

IN WITNESS WHEREOF, The parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

NVR, INC.

By: _____
_____ PAUL C. SAVILLE

MASTER REPURCHASE AGREEMENT

Dated as of January 9, 2001

Between:

BEAR STEARNS MORTGAGE CAPITAL CORPORATION

and

NVR MORTGAGE FINANCE INC.

Applicability

- - - - -

From time to time the parties hereto may enter into transactions in which NVR Mortgage Finance Inc. ("Seller") agrees to transfer to Bear Stearns Mortgage Capital Corporation ("Buyer") Mortgage Loans against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Mortgage Loans at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and shall be governed by this Agreement, as the same shall be amended from time to time.

Definitions

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"Act of Insolvency", with respect to either Buyer or Seller, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or such party seeking the appointment of a receiver, trustee, custodian or similar official for such party or any substantial part of its property, or (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by a party of a general assignment for the benefit of creditors, or (iv) the admission in writing by a party of such party's inability to pay such party's debts as they become due;

"Additional Purchased Mortgage Loans", Mortgage Loans provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;

(a) "Agency" shall refer to GNMA, FNMA or FHLMC, as the case may be;

(b) "Agency Security" shall refer to a GNMA Security, a FNMA Security or a FHLMC Security;

(c) "BSCI", Bear Stearns & Co. Incorporated;

"Business Day", any day other than a Saturday, Sunday and any day on which banks located in the State of New York are authorized or required to close for business;

"Buyer's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of a percentage, agreed to by Buyer and Seller prior to entering into the Transaction and specified in the related Request/Confirmation, to the Repurchase Price for such Transaction as of such date;

"Custodian", the custodian named in the Custodial Agreement and any permitted successor thereto;

"Custodial Agreement", the Custodial Agreement among Buyer, Seller and the Custodian providing for the custody of records relating to the Purchased Mortgage Loans;

(d) "FHA", the Federal Housing Administration;

(e) "FHLMC", the Federal Home Loan Mortgage Corporation;

(f) "FHLMC Guide", the Freddie Mac Sellers' and Servicers' Guide, as such Guide may hereafter from time to time be amended;

(g) "FHLMC Security", a Mortgage Participation Certificate issued and guaranteed by FHLMC and backed by a pool of Mortgage Loans;

(h) "FNMA", the Federal National Mortgage Association;

(i) "FNMA Guide", the Fannie Mae MBS Selling and Servicing Guide, as such Guide may hereafter from time to time be amended;

(j) "FNMA Security", a Guaranteed Mortgage Pass-Through Certificate issued and guaranteed by FNMA and backed by a pool of Mortgage Loans;

(k) "GAAP", to generally accepted accounting principals consistently applied.

(l) "GNMA", the Government National Mortgage Association;

(m) "GNMA Guide", the GNMA Mortgage-Backed Securities Guide, as such Guide may hereafter from time to time be amended;

(n) "GNMA Security", a fully-modified pass-through mortgage-backed certificate guaranteed by GNMA and backed by a pool of Mortgage Loans;

(o) "Guide", the GNMA Guide, the FNMA Guide or the FHLMC Guide, as

applicable;

"Income", with respect to any Mortgage Loan at any time, any principal thereof then payable and all payments of interest and principal together with other distributions thereon or proceeds thereof;

"Loan Schedule", a schedule of Mortgage Loans identifying each Mortgage Loan: (1) in the case of all Mortgage Loans, by Seller's loan number, Mortgagor's name and address (including the state and zip code) of the mortgaged property, whether such Mortgage Loan bears a fixed or adjustable interest rate, the loan-to-value ratio, the outstanding principal amount as of a specified date, the initial interest rate borne by such Mortgage Loan, the original principal balance thereof, the current scheduled monthly payment of principal and interest, the maturity of the related Note, the property type, the occupancy status, the appraised value, the original term to maturity and whether or not the Mortgage Loan (including the related Note) has been modified; and (2) in the case of adjustable rate Mortgage Loans, the interest rate borne by such Mortgage Loan on the Purchase Date, the index and applicable determination date for each adjustment period, the gross margin, the payment adjustment period (in months), months to next payment adjustment, periodic payment adjustment cap, lifetime payment adjustment cap, lifetime payment cap, interest rate adjustment, periodic interest adjustment cap, lifetime interest rate adjustment, cap amount paid to date, credit grade, FICO score, lien flag, prepay flag/terms, debt to income ratio, fees charged up front and pre-tax disposable income;

"Margin Deficit", the meaning specified in Paragraph 4(a) hereof;

"Market Value", with respect to any Mortgage Loans as of any date, the fair market value of such Mortgage Loans on such date as determined by Buyer in its reasonable business judgment from time to time and at such times as it may elect in its sole discretion; provided, however, that a Market Value of zero shall be

assigned to (i) any Mortgage Loan that has been delinquent for at least thirty (30) days, (ii) any Mortgage Loan that has been subject to this Agreement for more than one hundred and eighty (180) days in aggregate or (iii) any Mortgage Loan with respect to which there is a breach of a representation or warranty made by Seller in this Agreement or the Custodial Agreement that materially adversely affects Buyer's interests hereunder;

"Mortgage", the mortgage, deed of trust or other instrument creating a first or second lien on an estate in fee simple interest in real property securing a Note;

"Mortgage Loan", a first lien mortgage loan on single family residential property consisting of a Note secured by a Mortgage that is intended to back the Agency Security specified in the related Request/Confirmation;

"Mortgagor", the obligor on a Note;

"Note", the Note or other evidence of indebtedness evidencing the indebtedness of a Mortgagor under a Mortgage Loan;

"Price Differential", with respect to any Transaction hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such

Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);

"Pricing Rate", the per annum percentage rate for determination of the Price Differential, which rate shall be specified in the related Request/Confirmation;

"Prime Rate", the prime rate of U.S. money center commercial banks as published in The Wall Street Journal;

"Purchase Date", the date with respect to each Transaction on which Purchased Mortgage Loans are sold by Seller to Buyer hereunder;

"Purchase Price", (i) on the Purchase Date, the price at which Purchased Mortgage Loans are sold by Seller to Buyer hereunder, and (ii) thereafter, such price decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof;

"Purchased Mortgage Loans", the Mortgage Loans sold by Seller to Buyer in a Transaction hereunder, and any Mortgage Loans substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Mortgage Loans" with respect to any Transaction at any time also shall include Additional Purchased Mortgage Loans delivered pursuant to Paragraph 4(a);

"Replacement Mortgage Loans", the meaning specified in Paragraph 11(e)(ii) hereof;

"Repurchase Date", the date on which Seller is to repurchase the Purchased Mortgage Loans from Buyer, including any date determined by application of the provisions of Paragraphs 3(e) or 11 hereof;

"Repurchase Price", the price at which Purchased Mortgage Loans are to be resold by Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination, increased by any amount determined by the application of the provisions of Paragraph 11 hereof;

"Request/Confirmation", the request and confirmation substantially in the form of Exhibit A hereto delivered pursuant to Paragraph 3 hereof;

(p) "Security Release Form" shall refer to (i) Freddie Mac Form 996 (Warehouse Lender Release of Security Interest) in the case of a FHLMC Security, (ii) Fannie Mae Form 2004 (Security Release Certification) in the case of a FNMA Security and (iii) Form HUD 11711A (Release of Security Interest) in the case of a GNMA Security;

(q) "Takeout Assignment" shall refer to an assignment, substantially in the form of Exhibit C hereto, executed by the Seller in favor of Buyer assigning all of the Seller's rights under a Takeout Commitment;

(r) "Takeout Commitment" shall refer to a trade confirmation from the Takeout Investor to the Seller confirming the details of a forward trade between the Takeout Investor and the Seller with respect to one or more Agency Securities, which trade confirmation shall be valid, binding and in full force and effect and relate to pools of Mortgage Loans that satisfy the "good delivery standard" of the Public Securities Association as set forth in the Public Securities Association Uniform Practices Guide;

(s) "Takeout Investor" shall refer to a securities dealer or other financial institution, listed in Exhibit F hereto, who has made a Takeout Commitment. Such list may be modified from time to time by Buyer in its sole discretion, upon written notice to the Seller, or by the Seller with the written consent of Buyer. Such amended list shall be delivered by the Seller to the Custodian;

(t) "VA" shall refer to the Department of Veterans Affairs.

Initiation; Request/Confirmation; Termination; Transactions Optional

Any agreement to enter into a Transaction shall be made in writing at the initiation of Seller. In the event that Seller desires to enter into a Transaction hereunder, Seller shall deliver to Buyer prior to 5:00 p.m., New York City time, on the Business Day prior to the proposed Purchase Date, a Request/Confirmation complete in every respect except for the signature of an authorized representative of Buyer. Buyer shall, upon its receipt and approval thereof, promptly execute and return the signed Request/Confirmation to Seller.

The Request/Confirmation shall describe the Purchased Mortgage Loans in a manner satisfactory to Buyer (which may be by attaching a Loan Schedule thereto), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction mutually agreeable to Buyer and Seller.

Each Request/Confirmation shall be binding upon the parties hereto unless written notice of objection is given by the objecting party to the other party within one (1) Business Day after Buyer has delivered the completed Request/Confirmation to Seller.

In the event of any conflict between the terms of a Request/Confirmation and this Agreement, such Request/Confirmation shall prevail.

In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the Business Day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by resale by Buyer to Seller or its agent of the Purchased Mortgage Loans and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller hereunder) against the transfer of the Repurchase Price to

an account of Buyer.

The adjustment mechanism and the index for any adjustable rate Mortgage Loan must be satisfactory to Buyer in its sole discretion.

Notwithstanding any provision of this Agreement or the Custodial Agreement to the contrary, the initiation of each Transaction is subject to the approval of Buyer in its sole discretion. Buyer may, in its sole discretion, reject any Mortgage Loan from inclusion in a Transaction hereunder for any reason.

Margin Maintenance

If at any time the aggregate Market Value of all Purchased Mortgage Loans subject to all Transactions hereunder is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Buyer's option, to transfer to Buyer cash or additional Mortgage Loans reasonably acceptable to Buyer ("Additional Purchased Mortgage Loans"), so that the cash and aggregate Market Value of the Purchased Mortgage Loans, including any such Additional Purchased Mortgage Loans, will thereupon equal or exceed such aggregate Buyer's Margin Amount.

If the notice to be given by Buyer to Seller under subparagraph (a) above is given at or prior to 10:00 a.m. New York city time on a Business Day, Seller shall transfer cash or Additional Purchased Mortgage Loans to Buyer prior to the close of business in New York City on the date of such notice, and if such notice is given after 10:00 a.m. New York City time, Seller shall transfer cash or Additional Purchased Mortgage Loans prior to the close of business in New York City on the Business Day following the date of such notice.

Any cash transferred pursuant to this Paragraph shall be held by Buyer as though it were Additional Purchased Mortgage Loans and, unless Buyer shall otherwise consent, shall not reduce the Repurchase Price of the related Transaction.

Income Payments

Where a particular Transaction's term extends over an Income payment date on the Mortgage Loans subject to that Transaction, all payments and distributions, whether in cash or in kind, made on or with respect to the Purchased Mortgage Loans shall, unless otherwise mutually agreed by Buyer and Seller and so long as an Event of Default on the part of Seller shall not have occurred and be continuing, be paid directly to Seller by the related Mortgagor. Buyer shall not be obligated to take any action pursuant to the preceding sentence to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer, at Buyer's option, cash or Additional Purchased Mortgage Loans sufficient to eliminate such Margin Deficit.

(u) All payments and distributions, whether in cash or in kind, made on or with respect to the Agency Securities shall, unless otherwise mutually agreed by Buyer and the Seller, be paid, delivered or transferred directly to BSGI as agent

for Buyer pursuant to the instructions set forth in Exhibit ___.

Security Interest

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(v) Each Transaction involving Mortgage Loans is entered into in contemplation of the issuance of one or more Agency Securities backed by the related Mortgage Loans. The parties intend that the Seller will act as issuer or seller and/or servicer with respect to such Agency Securities, as applicable, and that each Agency Security will be issued in the name of, and delivered to or upon the order of BSCI.

(w) Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Mortgage Loans with respect to all Transactions hereunder and all proceeds thereof. Seller shall pay all fees and expenses associated with perfecting such security interest including, without limitation, the cost of filing financing statements under the Uniform Commercial Code and recording assignments of mortgage as and when required by Buyer in its sole discretion.

Payment and Transfer

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Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Mortgage Loans transferred by one party hereto to the other party shall be transferred by notice to the Custodian to the effect that the Custodian is now holding for the benefit of the transferee the related documents and assignment forms delivered to it under the Custodial Agreement.

Segregation of Documents Relating to Purchased Mortgage Loans

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All documents relating to Purchased Mortgage Loans in the possession of Seller shall be segregated from other documents and securities in its possession and shall be identified as being subject to this Agreement. Ownership of all Purchased Mortgage Loans shall pass to Buyer and nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Mortgage Loans or otherwise pledging or hypothecating the Purchased Mortgage Loans, but no such transaction shall relieve Buyer of its obligations to resell and transfer Purchased Mortgage Loans to Seller pursuant to the terms hereof.

Substitution

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Seller may, subject to agreement with, acceptance by and upon notice to Buyer, substitute Mortgage Loans substantially similar to the Purchased Mortgage Loans (the "Substitute Mortgage Loans") for any Purchased Mortgage Loans. If Seller gives notice to the Buyer at or prior to 10:00 a.m. New York City time on a Business Day, Buyer may elect, by the close of business on the Business Day notice is received or by the close of the next Business Day if notice is given after 10:00 a.m. New York City time on such day, not to accept such substitution. In the event such substitution is accepted by Buyer, such substitution shall be made by Seller's transfer to Buyer of such Substitute Mortgage Loans and Buyer's transfer to Seller of the Purchased Mortgage Loans for which substitution is being made, and after such substitution, the Substitute Mortgage Loans shall be deemed to be Purchased Mortgage Loans. In the event Buyer elects not to accept such substitution, Buyer shall offer Seller the right to

terminate the Transaction.

In the event Seller exercises its right to substitute or terminate under this Paragraph 9, Seller shall be obligated to pay to Buyer, by the close of the Business Day of such substitution or termination, as the case may be, an amount equal to (A) Buyer's actual cost (including all fees, expenses and commissions) of (i) entering into replacement transactions; (ii) entering into or terminating hedge transactions; and/or (iii) terminating transactions or substituting securities in like transactions with third parties in connection with or as a result of such substitution or termination, and (B) to the extent Buyer determines not to enter into replacement transactions, the loss incurred by Buyer directly arising or resulting from such substitution or termination. The foregoing amounts shall be solely determined and calculated by Buyer in good faith. Upon the reasonable request of Seller, Buyer will provide reasonable evidence of the basis of its calculation of such amounts.

Delivery of Additional Documents.

(x) The Seller shall, prior to or simultaneously with the funding of each Transaction, deliver to Buyer through the Custodian the following documents:

(i) A fully executed Custody Receipt, and all other applicable documents required by the Custody Agreement; and

(ii) In the case of a Transaction involving Mortgage Loans that are intended to back an Agency Security, Takeout Assignments in blank in an amount at least equal to all Mortgage Loans subject to this Agreement.

(y) The Seller shall, within thirty (30) days of an Mortgage Loan becoming subject to this Agreement where such Mortgage Loan is intended to back an Agency Security, deliver to Buyer (i) a duly authorized and originally executed Takeout Assignment naming Buyer as the assignee, relating to a pool of Mortgage Loans of which such Mortgage Loan forms a part and in form and substance satisfactory to Buyer and (ii) a copy of the related Agency Registration Form in form and substance satisfactory to Buyer.

(z) The Seller shall, simultaneously with the funding of the initial Transaction under this Agreement relating to each type of Agency Security and from time to time thereafter upon the request of Buyer, deliver to Buyer evidence of the commitment of FHLMC, FNMA or GNMA, as appropriate, pursuant to which the related Agency Securities shall be issued.

(aa) The Seller shall deliver to Buyer on a weekly basis (or more frequently if requested by Buyer), an investor commitment report, substantially in the form attached hereto as Exhibit E, listing the existing commitments of GNMA, FHLMC and FNMA, as applicable (for securitizations) relating to all outstanding Request/Confirmations.

(bb) Buyer, simultaneously with the funding of each Transaction involving Mortgage Loans, shall cause the Custodian to be provided with an executed Security Release Form appropriate for the related Agency Security indicating that Buyer releases its interest in the related Mortgage Loans in the case of securitization of such Mortgage Loans into one or more Agency Securities, upon the issuance of such Agency Security or Securities. Such form

shall be prepared by the Seller and provided to the Custodian on behalf of Buyer in advance of the date on which delivery thereof is required hereby. The Custodian shall execute such form on behalf of Buyer.

Representations, Warranties and Covenants

Buyer and Seller each represents and warrants, and shall on and as of the Purchase Date of any Transaction be deemed to represent and warrant, to the other that:

it is duly authorized to execute and deliver this Agreement, to enter into the Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance;

it will engage in such Transactions as principal (or, if agreed in writing in advance of any Transaction by the other party hereto, as agent for a disclosed principal);

the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal);

it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect; and

the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected.

Seller represents and warrants to Buyer, and shall on and as of the Purchase Date of any Transaction be deemed to represent and warrant, as follows:

The documents disclosed by Seller to Buyer pursuant to this Agreement are either original documents or genuine and true copies thereof;

Seller is a separate and independent corporate entity from the Custodian, Seller does not own a controlling interest in the Custodian either directly or through affiliates and no director or officer of Seller is also a director or officer of the Custodian;

None of the Purchase Price for any Mortgage Loan will be used either directly or indirectly to acquire any security, as that term is defined in Regulation T of the Regulations of the Board of Governors of the Federal Reserve System, and Seller has not taken any action that might cause any Transaction to violate any regulation of the Federal Reserve Board;

Each Mortgage Loan was underwritten in accordance with the written underwriting standards of Seller furnished by Seller to Buyer, and no change to such underwriting standards has occurred since the date of the last written revision to such standards was furnished to Buyer by Seller;

Seller shall be at the time it transfers to Buyer any Mortgage Loans for any Transaction the legal and beneficial owner of such Mortgage Loans, free of any lien, security interest, option or encumbrance; and

Seller used no selection procedures that identified the Mortgage Loans relating to a Transaction as being less desirable or valuable than other comparable assets in Seller's portfolio on the related Purchase Date.

(i) The Seller is a GNMA-approved issuer, a GNMA-approved servicer a FHA-approved mortgagee, a VA-approved lender, a FNMA-approved issuer, a FNMA-approved servicer and a FHLMC-approved seller/servicer in good standing

("Approvals");

(ii) Each Mortgage Loan conforms to the requirements and specifications (including, without limitation, all representations and warranties required in respect thereof) set forth in the GNMA Guide, FNMA Guide or FHLMC Guide, as applicable;

(iii) There exists Takeout Assignments in blank relating to Takeout Commitments for an amount of Agency Securities at least equal to the aggregate outstanding principal amount of all Mortgage Loans subject to this Agreement that are not Pooled Mortgage Loans;

(iv) Each and every document, certificate, instrument, insurance policy, escrow and any other item necessary to satisfy the final delivery requirements of FHLMC, FNMA or GNMA as required by the FHLMC Guide, the FNMA Guide or the GNMA Guide, as applicable, for the issuance of the related Agency Security are in form and substance acceptable to FHLMC, FNMA or GNMA, as appropriate, and have been delivered to the Custodian;

(v) The Seller has no notice or knowledge of any fact, event or circumstance whatsoever on the basis of which FHLMC, FNMA or GNMA, as applicable, may delay the issuance of, or refuse to issue, the related Agency Security;

(vi) Each copy of the document or documents evidencing the Agency commitment delivered to Buyer through the Custodian is a true and correct copy, and such GNMA, FHLMC or FNMA commitment has not been withdrawn, amended or supplemented except as has been theretofore disclosed to Buyer in writing;

(vii) Each Mortgage Loan that is intended to back an Agency Security conforms in all respects with all requirements of the Takeout Commitment applicable to the Agency Security to be backed by such Mortgage Loans;

(viii) Each Takeout Commitment is a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law);

(ix) Each Takeout Commitment is enforceable by the Seller against the related Takeout Investor;

(x) Each Takeout Commitment is, by virtue of the related Takeout Assignment, enforceable by Buyer against the related Takeout Investor; and

(xi) Each Takeout Assignment is a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Seller makes the representations and warranties set forth at Exhibit B with respect to the Mortgage Loans as of the related Purchase Date.

Seller covenants with Buyer, from and after the date hereof, as follows:

(xii) The Seller shall immediately notify Buyer if any Approvals are withdrawn or modified;

(xiii) In the case of a Transaction involving Mortgage Loans that will back an Agency Security, the Seller shall not alter or amend the Agency Registration Form relating to such Transaction following the initial preparation thereof without the express approval of Buyer.

(xiv) Without Buyer's express prior written approval, the Seller shall not execute, in favor of any third party other than Buyer or BSGI, any assignment of rights held or purportedly held by the Seller under a Takeout Commitment;

Seller shall immediately notify Buyer if an Event of Default shall have occurred;

Seller shall deliver to Buyer a current Loan Schedule with respect to all Mortgage Loans subject to this Agreement with such frequency as Buyer may require but in no event less frequently than weekly; and

No Mortgage Loan shall be subject to this Agreement for more than one hundred and eighty (180) days in aggregate.

Seller shall, at its own expense, register the Mortgage Loans with MERS and prepare and send, or cause to be prepared and sent, for recordation an individual assignment of each Mortgage Loan to MERS in a form acceptable under the applicable Agency Guide and satisfactory to Buyer.

In the event that MERS is no longer the mortgagee of record, Seller shall assign each Mortgage to such entity as Buyer shall require, in its sole discretion.

Events of Default; Event of Termination

The following events shall constitute events of default (each an "Event of Default") hereunder with respect to Buyer or Seller, as applicable:

Seller fails to repurchase or Buyer fails to transfer Purchased Mortgage Loans upon the applicable Repurchase Date pursuant to the terms hereof;
Seller or Buyer fails, after one (1) Business Day's notice, to comply with Paragraph 4 hereof;
An Act of Insolvency occurs with respect to Seller or Buyer or any controlling entity thereof;

Any representation or warranty made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated; provided, however, that in the case of

representations and warranties made with respect to the Purchased Mortgage Loans, such circumstance shall not constitute an Event of Default if, after determining the Market Value of the Purchased Mortgage Loans without taking into account the Purchased Mortgage Loans with respect to which such circumstance has occurred, no other Event of Default shall have occurred and be continuing;

Any covenant shall have been breached in any material respect; provided,

however, that in the case of covenants made with respect to the Purchased

Mortgage Loans, such circumstance shall not constitute an Event of Default if, after determining the Market Value of the Purchased Mortgage Loans without taking into account the Purchased Mortgage Loans with respect to which such circumstance has occurred, no other Event of Default shall have occurred and be continuing;

Buyer shall have reasonably determined that Seller is or will be unable to meet its commitments under this Agreement, shall have notified Seller of such determination and Seller shall not have responded with appropriate information to the contrary to the

satisfaction of Buyer within twenty-four (24) hours;

This Agreement shall for any reason cease to create a valid, first priority security interest in any of the Purchased Mortgage Loans purported to be covered hereby;

A final judgment by any competent court in the United States of America for the payment of money in an amount of at least \$100,000 is rendered against Seller, and the same remains undischarged for a period of sixty (60) days during which execution of such judgment is not effectively stayed;

Any event of default or any event which with notice, the passage of time or both shall constitute an event of default shall occur and be continuing under any repurchase or other financing agreement for borrowed funds or indenture for borrowed funds by which Seller is bound or affected shall occur and be continuing;

In the judgment of Buyer a material adverse change shall have occurred in the business, operations, properties, prospects or condition (financial or otherwise) of Seller;

Seller shall be in default with respect to any normal and customary covenants under any debt contract or agreement, any servicing agreement or any lease to which it is a party, which default could materially adversely affect the financial condition of Seller (which covenants include, but are not limited to, an Act of Insolvency of Seller or the failure of Seller to make required payments under such contract or agreement as they become due);

Seller shall fail to promptly notify Buyer of (i) the acceleration of any debt obligation or the termination of any credit facility of Seller; (ii) the amount and maturity of any such debt assumed after the date hereof; (iii) any adverse developments with respect to pending or future litigation involving Seller; and (iv) any other developments which might materially and adversely affect the financial condition of Seller; or

Seller shall have failed to comply in any material respect with its obligations under the Custodial Agreement.

If an Event of Default shall have occurred and be continuing, then, at the option of the nondefaulting party, exercised by written notice to the defaulting party (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an Act of Insolvency), the Repurchase Date for each Transaction hereunder shall be deemed immediately to occur.

In all Transactions in which the defaulting party is Seller, if Buyer is deemed to have exercised the option referred to in subparagraph (b) of this Paragraph, (i) Seller's obligations hereunder to repurchase all Purchased Mortgage Loans in such Transactions shall thereupon become immediately due and payable, (ii) to the extent permitted by applicable law, the Repurchase Price with respect to each such Transaction shall be increased by the aggregate amount obtained by daily application of (x) the greater of the Pricing Rate for such Transaction and the Prime Rate to (y) the Repurchase Price for such Transaction as of the Repurchase Date as determined pursuant to subparagraph (b) of this Paragraph (decreased as of any day by (A) any amounts retained by Buyer with respect to such Repurchase Price pursuant to clause (iii) of this subparagraph, (B) any proceeds from the sale of Purchased Mortgage Loans pursuant to subparagraph (e)(i) of this Paragraph, and (C) any amounts credited to the account of Seller pursuant to subparagraph (f) of this Paragraph) on a 360 day per year basis for

the actual number of days during the period from and including the date of the Event of Default giving rise to such option to but excluding the date of payment of the Repurchase Price as so increased, (iii) all Income paid after such exercise or deemed exercise shall be payable to and retained by Buyer applied to the aggregate unpaid Repurchase Prices owed by Seller, and (iv) Seller shall immediately deliver or cause the Custodian to deliver to Buyer any documents relating to Purchased Mortgage Loans subject to such Transactions then in Seller's possession.

In all Transactions in which the defaulting party is Buyer, upon tender by Seller of payment of the aggregate Repurchase Prices for all such Transactions, Buyer's right, title and interest in all Purchased Mortgage Loans subject to such Transactions shall be deemed transferred to Seller, and Buyer shall deliver or cause the Custodian to deliver all documents relating to such Purchased Mortgage Loans to Seller.

After one (1) Business Day's notice to the defaulting party (which notice need not be given if an Act of Insolvency shall have occurred, and which may be the notice given under subparagraph (b) of this Paragraph or the notice referred to in clause (ii) of the first sentence of subparagraph (a) of this Paragraph), the nondefaulting party may:

as to Transactions in which the defaulting party is Seller, (A) immediately sell on a servicing released or servicing retained basis as Buyer deems desirable, in a recognized market at such price or prices as Buyer may in its sole discretion deem satisfactory, any or all Purchased Mortgage Loans subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by Seller hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Mortgage Loans, to give Seller credit for such Purchased Mortgage Loans in an amount equal to the Market Value therefor on such date against the aggregate unpaid Repurchase Prices and any other amounts owing by Seller hereunder; and

as to Transactions in which the defaulting party is Buyer, (A) purchase mortgage loans ("Replacement Mortgage Loans") having substantially the same outstanding principal amount, maturity and interest rate as any Purchased Mortgage Loans that are not transferred by Buyer to Seller as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Mortgage Loans, to be deemed to have purchased Replacement Mortgage Loans at the price therefor on such date, calculated as the average of the prices obtained from three (3) nationally recognized registered broker/dealers that buy and sell comparable mortgage loans in the secondary market.

As to Transactions in which the defaulting party is Buyer, Buyer shall be liable to Seller (i) with respect to Purchased Mortgage Loans (other than Additional Purchased Mortgage Loans), for any excess of the price paid (or deemed paid) by Seller for Replacement Mortgage Loans therefor over the Repurchase Price for such Purchased Mortgage Loans and (ii) with respect to Additional Purchased Mortgage Loans, for the price paid (or deemed paid) by Seller for the Replacement Mortgage Loans therefor. In addition, Buyer shall be liable to Seller for interest on such remaining liability with respect to each such purchase (or

deemed purchase) of Replacement Mortgage Loans from the date of such purchase (or deemed purchase) until paid in full by Buyer. Such interest shall be at a rate equal to the greater of the Pricing Rate for such Transaction or the Prime Rate.

For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by Seller of its option under subparagraph (b) of this Paragraph.

The defaulting party shall be liable to the nondefaulting party for the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a consequence of an Event of Default, together with interest thereon at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate. Expenses incurred in connection with an Event of Default shall include without limitation those costs and expenses incurred by the nondefaulting party as a result of the early termination of any repurchase agreement or reverse repurchase agreement entered into by the nondefaulting party in connection with the Transaction then in default.

The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

At the option of Buyer, exercised by written notice to Seller, the Repurchase Date for any or all Transactions shall be deemed to immediately occur in the event that the senior debt obligations or short-term debt obligations of Bear Stearns & Co. Inc. shall be rated below the four highest generic grades (without regard to any pluses or minuses reflecting gradations within such generic grades) by any nationally recognized statistical rating organization.

The exercise by any party of remedies after the occurrence of an Event of Default shall be conducted in a commercially reasonable manner.

Servicing of the Purchased Mortgage Loans

The parties hereto agree and acknowledge that, notwithstanding the purchase and sale of the Purchased Mortgage Loans contemplated hereby, Seller shall service the Purchased Mortgage Loans for the benefit of Buyer and, if Buyer shall exercise its rights to sell the Purchased Mortgage Loans pursuant to this Agreement prior to the related Repurchase Date, Buyer's assigns; provided,

however, that the obligation of Seller to service Purchased Mortgage Loans for

the benefit of Buyer as aforesaid shall cease upon the payment to Buyer of the Repurchase Price therefor.

The Seller shall service and administer the Mortgage Loans in accordance with prudent mortgage loan servicing standards and procedures generally accepted in the mortgage banking industry and in accordance with the standards incorporated (with respect to the GNMA securitization program) the GNMA Guide or (with respect to the FNMA securitization program) the FNMA Guide or (with respect to the FHLMC securitization program) the FHLMC Guide; provided,

however, that the Seller shall at all times comply with applicable law and FHA

regulations and VA regulations so that the FHA insurance, VA guarantee or any other applicable insurance or guarantee, if any, in respect of any Mortgage Loan is not voided or reduced. The Seller shall at all times maintain accurate and complete records of its servicing of the Mortgage Loans. Seller will provide Buyer with monthly reports, substantially identical in form to FNMA's standard form of remittance report with respect to all Purchased Mortgage Loans then involved in any Transaction hereunder.

Buyer may, in its sole discretion if an Event of Default shall have occurred and be continuing, without payment of any termination fee or any other amount to Seller, (i) sell the Mortgage Loans on a servicing released basis or (ii) terminate Seller as the servicer of the Purchased Mortgage Loans with or without cause.

Single Agreement

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

Notices and Other Communications

Except as otherwise expressly provided herein, all such notices or communications shall be in writing (including, without limitation, telegraphic, facsimile or telex communication) or confirmed in writing and such notices and other communications shall, when mailed, telegraphed, communicated by facsimile transmission or telexed, be effective when received at the address for notices for the party to whom such notice or communications is to be given as follows:

if to Seller:

NVR Mortgage Finance Inc.
100 Ryan Court
Pittsburgh, PA 15205
Attention: Barbara Bubak
Telephone: (412) 429-4576
Telecopy: _____

if to Buyer:

Bear Stearns Mortgage Capital Corporation
245 Park Avenue
New York, New York

Attention: John M. Garzone
Telephone: (212) 272-3853
Telecopy: (212) 272-2053

Notwithstanding the foregoing, however, that a facsimile transmission shall be deemed to be received when transmitted so long as the transmitting machine has provided an electronic confirmation of such transmission, and provided further,

however, that all financial statements delivered shall be hand-delivered or sent

by first-class mail. Either party may revise any information relating to it by notice in writing to the other party, which notice shall be effective on the third business day following receipt thereof.

Payment of Expenses

Seller shall pay on demand all fees and expenses (including, without limitation, the fees and expenses for legal services of any kind whatsoever) incurred by Buyer or the Custodian in connection with this Agreement and the Custodial Agreement and the transactions contemplated hereby and thereby, whether or not any Transactions are entered into hereunder, including, by way of illustration and not by way of limitation, the fees and expenses incurred in connection with (i) the preparation, reproduction and distribution of this Agreement and the Custodial Agreement and any opinions of counsel, certificates of officers or other documents contemplated by the aforementioned agreements and (ii) any Transaction under this Agreement; provided, however, that Seller shall

not be required to pay the fees and expenses of Buyer incurred as a result of Buyer's default under this Agreement. The obligation of Seller to pay such fees and expenses incurred prior to or in connection with the termination of this Agreement shall survive the termination of this Agreement.

Opinions of Counsel

Seller shall, on the Purchase Date of the first Transaction hereunder and, upon the request of Buyer, on the Purchase Date of any subsequent Transaction, cause to be delivered to Buyer, with reliance thereon permitted as to any person or entity that purchases the Mortgage Loans from Buyer in a repurchase transaction, a favorable opinion of counsel with respect to the matters set forth in Exhibit G hereto, in form and substance acceptable to Buyer and its counsel.

Further Assurances; Additional Information

Seller shall promptly provide such further assurances or agreements as Buyer may request in order to effect the purposes of this Agreement.

At any reasonable time, Seller shall permit Buyer, its agents or attorneys, to inspect and copy any and all documents and data in its possession pertaining to each Purchased Mortgage Loan that is the subject of such Transaction. Such inspection shall occur upon the request of Buyer at a mutually agreeable location during regular business hours and on a date not more than two (2) Business Days after the date of such request.

Seller agrees to provide Buyer or its agents, from time to time, with such information concerning Seller of a financial or operational nature as Buyer may reasonably request.

Seller shall provide Buyer or its agents, with copies of all filings made by or on

behalf of Seller or any entity that controls Seller, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, promptly upon making such filings.

Buyer as Attorney-in-Fact

Buyer is hereby appointed the attorney-in-fact of Seller for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments that Buyer may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, Buyer shall have the right and power during the occurrence and continuation of any Event of Default to receive, endorse and collect all checks made payable to the order of Seller representing any payment on account of the principal of or interest on any of the Purchased Mortgage Loans and to give full discharge for the same.

Appointment of Agent

Buyer hereby appoints Bear Stearns Mortgage Capital Corporation as its agent for purposes of issuing Requests/Confirmations, determining Market Value, exercising Buyer's rights under any margin maintenance provision of this Agreement and such other purposes as Buyer may direct. The appointment of such agent shall not relieve Buyer of its obligations hereunder.

Wire Instructions

Any amounts to be transferred by Buyer to Seller hereunder shall be sent by wire transfer in immediately available funds to the account of Seller at:

US BANK, N.A.
ABA No. 091000022
Ref.: NVR Mortgage Collateral Account
Acct. No. 104756234357

Any amounts to be transferred by Seller to Buyer hereunder shall be sent by wire transfer in immediately available funds to the account of Buyer at:

BANK ONE, NATIONAL ASSOCIATION
Acct. No.: 5801230
ABA. No.: 071000013
Attn: John Garzone

Amounts received after 3:00 p.m., New York City time, on any Business Day shall be deemed to have been paid and received on the next succeeding Business Day.

Entire Agreement; Severability

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

Non-assignability; Termination

The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

This Agreement and all Transactions outstanding hereunder shall terminate automatically without any requirement for notice on the date occurring three hundred and sixty-four (364) days after the date as of which this Agreement is entered into; provided, however, that this Agreement and any Transaction outstanding hereunder may be extended by mutual agreement of Buyer and Seller; and provided further, however, that no such party shall be obligated to agree to such an extension.

Counterparts

This Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

Governing Law

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

No Waivers, Etc.

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to subparagraph 4(a) hereof will not constitute a waiver of any right to do so at a later date.

Use of Employee Plan Assets

If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.

By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

Intent
- - - - -

The parties intend and acknowledge that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Mortgage Loans subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended.

It is understood that either party's right to liquidate Mortgage Loans delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof, is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.

Disclosure Relating to Certain Federal Protections
- - - - -

The parties acknowledge that they have been advised that:

(a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SAPPY") do not protect the other party with respect to any Transaction hereunder;

(b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SAPPY will not provide protection to the other party with respect to any Transaction hereunder; and

(c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

BEAR STEARNS MORTGAGE CAPITAL CORPORATION

NVR MORTGAGE FINANCE INC.

By: _____

By: _____

Title: _____

Date: _____

Title: _____

Date: _____

REQUEST/CONFIRMATION

TO: NVR Mortgage Finance Inc.
100 Ryan Court
Pittsburgh, PA 15205
Attention: Barbara Bubak

FROM: Bear Stearns Mortgage Capital Corporation

RE: Request/Confirmation under Master Repurchase Agreement, dated as of
January 9, 2001, between Bear Stearns Mortgage Capital Corporation and
NVR Mortgage Finance Inc.

AGENCY (Check one): FNMA FHLMC GNMA

Bear Stearns Mortgage Capital Corporation ("Buyer") is pleased to confirm your
sale and its purchase of the Mortgage Loans described below and listed on the
attached Loan Schedule pursuant to the above-referenced Master Repurchase
Agreement under the following terms and conditions:

	Additional	Aggregate
ORIG. PRINCIPAL AMOUNT OF MORTGAGE LOANS:		_____
CURRENT PRINCIPAL AMOUNT OF MORTGAGE LOANS:		_____
PURCHASE DATE:	_____	_____
REPURCHASE DATE:	_____	_____
PURCHASE PRICE:	_____	_____
PRICING RATE:	_____	_____
MINIMUM REQUIRED MARGIN PERCENTAGE:	_____	_____
PRICE DIFFERENTIAL DUE DATE:	_____	_____

The Master Repurchase Agreement is incorporated by reference into this Request/Confirmation and made a part hereof as if it were fully set forth herein. All capitalized terms used herein but not otherwise defined shall have the meanings specified in the Master Repurchase Agreement.

BEAR STEARNS MORTGAGE CAPITAL
CORPORATION

BY: _____
NAME: _____
TITLE: _____

REQUEST/CONFIRMATION FOR MORTGAGE LOANS
=====

Request No. ____

Date: _____

Investor	Product Type	Wire Date	Loan Number	Borrower Last	Loan Amount	Purchase Price	Amount Funded to Qualified Originator	Market Value	Takeout Date	Note Rate	Commitment Number	Takeout Price	Maturity Date
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TOTALS:

NVR MORTGAGE FINANCE INC.

By: _____
Title: _____
Date: _____

\$ _____

Amount to be funded by Buyer:

REPRESENTATIONS AND WARRANTIES
RELATING TO THE PURCHASED MORTGAGE LOANS

(i) The information with respect to each Mortgage Loan set forth in the related Loan Schedule is true and correct;

(ii) All documentation required to be delivered to the Custodian under the Custodial Agreement has been so delivered;

(iii) Each Purchased Mortgage Loan is a Mortgage;

(iv) Each mortgaged property is improved by a single (one-to-four) family residential dwelling;

(v) No more than 5% by original principal balance of the Purchased Mortgage Loans had loan-to-value ratios in excess of 85%, except for those Purchased Mortgage Loans which are FHA Loans, which had loan-to-value ratios of no more than 100%;

(vi) Each Purchased Mortgage Loan is being serviced by Seller in accordance with the terms of this Agreement;

(vii) The Note related to each Purchased Mortgage Loan bears a fixed or adjustable interest rate;

(viii) Each Mortgage is a valid and subsisting first of record (or is in the process of being recorded) on the mortgaged property subject in all cases to the exceptions to title set forth in the title insurance policy or attorney's opinion of title, with respect to the related Mortgage Loan, which exceptions are generally acceptable to banking institutions in connection with their regular mortgage lending activities, and such other exceptions to which similar properties are commonly subject and which do not individually, or in the aggregate, materially and adversely affect the benefits of the security intended to be provided by such Mortgage;

(ix) Immediately prior to the transfer and assignment of the Mortgage Loans by Seller to Buyer as contemplated by this Agreement, Seller held good and indefeasible title to, and was the sole owner of, each Mortgage Loan (including the related Note) conveyed by Seller subject to no liens, charges, mortgages, encumbrances or rights of others or other liens which will be released simultaneously with such transfer and assignment; and immediately upon the transfer of the Purchased Mortgage Loans as contemplated in this Agreement, Buyer will be the sole owner of each Purchased Mortgage Loan subject to no liens, charges, mortgages, encumbrances or rights of others except as set forth in paragraph (ix) or other liens which will be released simultaneously with such transfer;

(x) No Purchased Mortgage Loan is thirty (30) days or more delinquent;

(xi) There is no delinquent tax or assessment lien on any mortgaged property, and each mortgaged property is free of substantial damage and is in good repair;

(xii) There is no valid and enforceable offset, defense or counterclaim to any Note or Mortgage, including the obligation of the related Mortgagor to pay the unpaid principal of or interest on such Note;

(xiii) There is no mechanics' lien or claim for work, labor or material affecting any mortgaged property which is or may be a lien prior to, or equal with, the lien of the related Mortgage except those which are insured against by any title insurance policy referred to in paragraph (xvi) below;

(xiv) Each Purchased Mortgage Loan at the time it was made complied in all material respects with applicable state and federal laws and regulations, including, without limitation, the federal Truth-in-Lending Act (including the Riegle Community Development Act of 1994) and other consumer protection laws, usury, equal credit opportunity, disclosure and recording laws;

(xv) With respect to each Purchased Mortgage Loan either (a) an attorney's opinion of title has been obtained but no title policy has been obtained or (b) a lender's title insurance policy, issued in standard American Land Title Association form by a title insurance company authorized to transact business in the state in which the related mortgaged property is situated, in an amount at least equal to the original balance of such Purchased Mortgage Loan, insuring the mortgagee's interest under the related Mortgage Loan as the holder of a valid first mortgage lien of record on the real mortgaged property described in the related Mortgage, as the case may be, subject only to exceptions of the character referred to in paragraph (ix) above, was effective on the date of the origination of such Mortgage Loan, and such policy is valid and thereafter such policy shall continue in full force and effect;

(xvi) The improvements upon each mortgaged property are covered by a valid and existing hazard insurance policy with a carrier generally acceptable to Seller that provides for fire and extended coverage representing coverage not less than the least of (A) the outstanding principal balance of the related Purchased Mortgage Loan, (B) the minimum amount required to compensate for damage or loss on a replacement cost basis or (C) the full insurable value of the mortgaged property;

(xvii) If any mortgaged property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy in a form meeting the requirements of the current guidelines of the Flood Insurance Administration is in effect with respect to such mortgaged property with a carrier generally acceptable to Seller in an amount representing coverage not less than the least of (A) the outstanding principal balance of the related Purchased Mortgage Loan, (B) the minimum amount required to compensate for damage or loss on a replacement cost basis or (C) the maximum amount of insurance that is available under the Flood Disaster Protection Act of 1973;

(xviii) Each Mortgage and Note is the legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, except only as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether considered in a proceeding or action in equity or at law), and all parties to each Purchased Mortgage Loan had full legal capacity to execute all documents relating to such Mortgage Loan and convey the estate therein purported to be conveyed;

(xix) Seller has caused and will cause to be performed any and all acts required to be performed to preserve the rights and remedies of Buyer in any insurance policies applicable to any Purchased Mortgage Loans transferred by Seller including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of co-insured, joint loss payee and mortgagee rights in favor of Buyer;

(xx) No more than 10% of the aggregate original outstanding principal balance will be secured by mortgaged properties located within any single zip code area;

(xxi) Each original Mortgage was recorded or is in the process of being recorded, and all subsequent assignments of the original Mortgage have been registered with MERS and have been prepared and delivered for recordation with MERS. In the event that MERS is not being used, all subsequent assignments of the original Mortgage have been prepared and delivered for recordation or have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of or purchasers from Seller;

(xxii) The terms of each Note and each Mortgage have not been impaired, altered or modified in any respect, except by a written instrument which has been recorded, if necessary, to protect the interest of Buyer and which has been delivered to the Custodian. The substance of any such alteration or modification is reflected on the related Loan Schedule;

(xxiii) The proceeds of each Purchased Mortgage Loan have been fully disbursed, and there is no obligation on the part of the mortgagee to make future advances thereunder; any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefor have been complied with; all costs, fees and expenses incurred in making or closing or recording such Mortgage Loans were paid;

(xxiv) The related Note is not and has not been secured by any collateral, pledged account or other security except the lien of the corresponding Mortgage;

(xxv) No Purchased Mortgage Loan has a shared appreciation feature, or other contingent interest feature;

(xxvi) Each mortgaged property is located in the state identified in the respective Loan Schedule and consists of one or more parcels of real mortgaged property with a residential dwelling erected thereon;

(xxvii) Each Mortgage contains a provision for the acceleration of the payment of the unpaid principal balance of the related Purchased Mortgage Loan in the event the related mortgaged property is sold without the prior consent of the mortgagee thereunder;

(xxviii) Any advances made after the date of origination of a Purchased Mortgage Loan have been consolidated with the outstanding principal amount secured by the related Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term reflected on the respective Loan Schedule; the consolidated principal amount does not exceed the original principal amount of the related Purchased Mortgage Loan; no Note permits or obligates Seller to make future advances to the related Mortgagor at the option of the Mortgagor;

(xxix) There is no proceeding pending or threatened for the total or partial condemnation of any mortgaged property, nor is such a proceeding currently occurring, and each mortgaged property is undamaged by waste, fire, water, flood, earthquake or earth movement;

(xxx) All of the improvements which were included for the purposes of determining the appraised value of any mortgaged property lie wholly within the boundaries and building restriction lines of such mortgaged property, and no improvements on adjoining properties encroach upon such mortgaged property, and are stated in the title insurance policy and affirmatively insured;

(xxxii) No improvement located on or being part of any mortgaged property is in violation of any applicable zoning law or regulation; all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of each mortgaged property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities and such mortgaged property is lawfully occupied under the applicable law;

(xxxiii) With respect to each Mortgage constituting a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in such Mortgage, and no fees or expenses are or will become payable by the owner of the Mortgage Loan to the trustee under the deed of trust, except in connection with a trustee's sale after default by the related Mortgagor;

(xxxiiii) Each Mortgage contains customary and enforceable provisions which render the rights and remedies of the holder thereof adequate for the realization against the related mortgaged property of the benefits of the security, including (A) in the case of a Mortgage designated as a deed of trust, by trustee's sale and (B) otherwise by judicial foreclosure. There is no homestead or other exemption other than any applicable Mortgagor redemption rights available to the related Mortgagor which would materially interfere with the right to sell the related mortgaged property at a trustee's sale or the right to foreclose the related Mortgage;

(xxxv) There is no default, breach, violation or event of acceleration existing under any Mortgage or the related Note and no event which, with the passage of time or with notice and the

expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration; and Seller has not waived any default, breach, violation or event of acceleration;

(xxxv) No instrument of release or waiver has been executed in connection with any Purchased Mortgage Loan, and no Mortgagor has been released, in whole or in part, except in connection with an assumption agreement which has been approved by the primary mortgage guaranty insurer, if any, and which has been delivered to the Custodian;

(xxxvi) Each Purchased Mortgage Loan was originated based upon a full appraisal, which included an interior inspection of the subject mortgaged property unless such Mortgage Loan was subject to FNMA or FHLMC underwriting guides, in which case the Purchased Mortgage Loan conformed to such guidelines;

(xxxvii) No more than 15% of the aggregate original outstanding principal balance is secured by mortgaged properties that are non-owner occupied mortgaged properties (i.e., investor-owned and vacation);

(xxxviii) There do not exist any hazardous substances, hazardous wastes or solid wastes, as such terms are defined in the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act of 1976, or other federal, state or local environmental legislation on any mortgaged property;

(xxxix) Seller was properly licensed or otherwise authorized, to the extent required by applicable law, to originate or purchase each Purchased Mortgage Loan; and the consummation of the transactions herein contemplated, including, without limitation, the ownership of the Purchased Mortgage Loans by Buyer will not involve the violation of such laws;

(xl) With respect to each mortgaged property subject to a ground lease (i) the current ground lessor has been identified and all ground rents which have previously become due and owing have been paid; (ii) the ground lease term extends, or is automatically renewable, for at least five (5) years beyond the maturity date of the related Purchased Mortgage Loan; (iii) the ground lease has been duly executed and recorded; (iv) the amount of the ground rent and any increases therein are clearly identified in the lease and are for predetermined amounts at predetermined times; (v) the ground rent payment is included in the mortgagor's monthly payment as an expense item in determining the qualification of the mortgagor for such Mortgage Loan; (vi) Buyer has the right to cure defaults on the ground lease; and (vii) the terms and conditions of the leasehold do not prevent the free and absolute marketability of the mortgaged property. The outstanding principal balance of Purchased Mortgage Loans with related mortgaged properties subject to ground leases does not exceed 10% of the aggregate original outstanding principal balance;

(xli) Seller has not received a notice of default of any first-lien Mortgage Loan secured by any mortgaged property which has not been cured by a party other than Seller;

(xlii) No Purchased Mortgage Loan is subject to a temporary rate reduction pursuant to a buydown program;

(xliv) No more than 10% of the aggregate original outstanding principal balance of the Purchased Mortgage Loans was originated under Seller's non-income verification program; and

(xlv) The interest rate on each Purchased Mortgage Loan is calculated on the basis of a year of 360 days with twelve 30-day months.

(xlv) Each Mortgage Loan that is not a FHA Loan or VA Loan with an LTV in excess of 80% is covered by a Primary Mortgage Insurance Policy which is disclosed on the Mortgage Loan Schedule attached hereto, and the Primary Mortgage Insurance Policy is in full force and effect.

(xlvi) With respect to each Mortgage Loan that is a FHA Loan or a VA Loan is indicated as such on the Mortgage Loan Schedule; the Mortgage Loan is fully insured by FHA or guaranteed by the VA, as applicable; the FHA insurance or VA guarantee is in full force and effect; no FHA Loan or VA Loan is subject to any defect which would diminish or impair such insurance or guarantee; all prior transfers, if any, of any FHA Loan or VA Loan have been, and the sale to the Purchaser of any such FHA Loan or VA Loan is, in compliance with applicable law and the regulations; and no circumstances exist with respect to any such FHA Loan or VA Loan which would permit FHA or VA to deny the effectiveness of its insurance or guarantee.

(xlvii) In servicing and administering any FHA Loan or VA Loan, the Seller has complied with applicable law and regulations, as the same may be amended from time to time, and has promptly discharged all obligations of the mortgagee thereunder and under the related Mortgage including the timely giving of notices thereunder; the full benefit of the insurance or guarantee, as the case may be, shall inure to the Purchaser; and no reduction or curtailment of principal, interest or any fees, costs or expenses to be paid by the FHA or VA under the insurance contract or guarantee shall result from any act or omission of the Seller.

[TAKEOUT ASSIGNMENT]

_____("Takeout Investor")
(Address)
Attention: _____

Gentlemen:

Attached hereto is a correct and complete copy of your confirmation of commitment (the "Commitment"), trade-dated _____, 19__, to purchase \$_____ of ____% ____ year:

(Check Box)

- (a) Government National Mortgage Association;
- (b) Federal National Mortgage Association; or
- (c) Federal Home Loan Mortgage Corporation;

mortgage-backed pass-through securities ("Securities") at a purchase price of _____ from _____. This is to confirm that (i) the Commitment is in full force and effect, (ii) the Commitment has been assigned to _____ ("Assignee") whose acceptance of such assignment is indicated below, (iii) you will accept delivery of such Securities directly from Assignee and (iv) you will pay Assignee for such Securities. Payment will be made "delivery versus payment (DVP)" to Assignee in immediately available funds. Assignee shall have the right to require you to fulfill your obligation to purchase the Securities.

Notwithstanding the foregoing, the obligation to deliver the Securities to you shall be that of NVR Mortgage Finance Inc. and your sole recourse for the failure of such delivery shall be against NVR Mortgage Finance Inc..

If you have any questions, please call _____ of the Assignee at _____ immediately.

Very truly yours,

NVR MORTGAGE FINANCE INC.

By: _____
Title: _____
Date: _____

Agreed to:

[ASSIGNEE]

By: _____
Title: _____
Date: _____

PAYMENT INSTRUCTIONS FOR AGENCY SECURITIES
=====

FED FNMA AND FRLMC SECURITY INSTRUCTIONS: _____

PTC GNMA SECURITY INSTRUCTIONS: _____

EXHIBIT E

INVESTOR COMMITMENT REPORT
=====

Mortgage Loans
(Securitization)

Confirmation/ Funding Request (Listed by Number) -----	Trade Date -----	Takeout Investor or Purchasing Agency -----	Delivery Month -----	MBS Type -----	Note/Coupon Rate -----	Delivery Price -----	Amount -----	Trade Number -----	Commitment Number -----	Reason -----
---	------------------------	--	----------------------------	----------------------	------------------------------	----------------------------	-----------------	--------------------------	-------------------------------	-----------------

TAKEOUT INVESTORS

OPINION OF COUNSEL TO SELLER

1. Seller is duly organized and validly existing as a corporation in good standing under the laws of the State of _____ and has power and authority to enter into and perform its obligations under this Agreement and the Custodial Agreement. Seller is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business transacted by it requires such qualification and in which the failure so to qualify would have a material adverse effect on the business, properties, assets or condition (financial or other) of Seller and its subsidiaries, considered as a whole.

2. This Agreement and the Custodial Agreement have each been duly authorized, executed and delivered by Seller, and each constitutes a valid and legally binding obligation of Seller enforceable against Seller in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights generally and to general equity principles.

3. No consent, approval, authorization or order of any state or federal court or government agency or body is required to be obtained by Seller for the consummation of the transactions contemplated by this Agreement or the Custodial Agreement.

4. The consummation of any of the transactions contemplated by this Agreement and the Custodial Agreement will not conflict with, result in a breach of, or constitute a default under the articles of incorporation or bylaws of Seller or the terms of any indenture or other agreement or instrument known to us to which Seller is party or bound, or any order known to such counsel to be applicable to Seller or any regulations applicable to Seller, of any state or federal court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over Seller.

5. There is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving Seller or relating to the transaction contemplated by this Agreement or the Custodial Agreement which, if adversely determined, would have a material adverse effect on Buyer.

6. Seller is duly registered as a finance company in each state in which Mortgage Loans were originated, to the extent such registration is required by applicable law.

Each Mortgage Loan will have been endorsed in a manner which satisfies any requirement of endorsement in order to transfer all right, title and interest in and to that Mortgage Loan from Seller to Buyer. Each assignment of Mortgage related to each such Mortgage Loan is in recordable form and is sufficient under applicable law to validly and effectively transfer all right, title and interest of Seller to Buyer. This Agreement together with (a) the delivery of such related Mortgage Loans to Custodian, (b) the endorsement of such Mortgage Loans to Buyer and (c) the delivery of the

assignments of Mortgages related to the Mortgage Loans to the Custodian in recordable form assigning such Mortgages to Buyer, creates a valid, perfected security interest in such Mortgage Loans in favor of Buyer. Such security interest will have the same priority and will be subject to the same security interests and liens as apply to such Mortgage Loans in the hands of Seller.

SECOND AMENDMENT TO
LOAN AGREEMENT AND
SECOND AMENDMENT TO
PLEDGE AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO LOAN AGREEMENT AND SECOND AMENDMENT TO PLEDGE AND SECURITY AGREEMENT (the "Amendment") dated as of September 1, 2000 between NVR MORTGAGE FINANCE, INC., a Virginia corporation ("Borrower"), the Lenders party -----
to the Loan Agreement referred to below ("Lenders"), and U.S. BANK NATIONAL ASSOCIATION, as agent ("Agent") for the Lenders.

WITNESSETH THAT:

WHEREAS, the Borrower, the Lenders and the Agent are parties to a Loan Agreement dated as of September 7, 1999, as amended by a Consent, Waiver and First Amendment to Loan Agreement dated as of November 19, 1999 (as so amended, the "Loan Agreement"), pursuant to which the Lenders provide the Borrower with a revolving mortgage warehousing credit facility;

WHEREAS, the Borrower and the Lenders have agreed to amend the Loan Agreement upon the terms and conditions herein set forth;

NOW, THEREFORE, for value received, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lenders agree as follows:

1. Certain Defined Terms. Each capitalized term used herein without being -----
defined herein that is defined in the Loan Agreement shall have the meaning given to it therein.

2. Amendments to Loan Agreement. The Loan Agreement is hereby amended as -----
follows:

(a) The definition of "Eligible Mortgage Loan" in Section 1.1 of the -----
Loan Agreement is hereby amended to (i) add "or REO" before the colon at the end of the second line thereof, (ii) amend clauses (h) and (k) thereof in their entirety to read as follows:

(h) which, except in the case of an Investment Mortgage Loan or REO, has not previously been sold to an Investor and repurchased by Borrower;

(k) except in the case of an Investment Mortgage Loan or REO, with respect to which no more than 180 days have elapsed since the original funding of such Mortgage Loan to the Mortgagor;

(iii) add "or REO" after "Investment Loan" each place it appears therein, (iv) delete the word "and" at the end of clause (o) thereof, (v) delete the period at the end of clause (p) thereof and substitute "; and" therefor, and (vi) add the following clause (q) after clause (p) thereof:

(q) in connection with which, in the case of an Investment Mortgage Loan that has been converted to REO, the requirements of Section 4.08 of the Pledge and Security Agreement have been satisfied.

(b) The definition of "Scheduled Termination Date" in Section 1.1 of the Loan Agreement is hereby amended in its entirety to read as follows:

"Scheduled Termination Date" means August 31, 2001.

(c) The definition of "Swing Advance Limit" in Section 1.1 of the Loan Agreement is hereby amended in its entirety to read as follows:

"Swing Advance Limit" means \$45,000,000.

(d) Section 2.1(g) of the Loan Agreement is hereby amended in its entirety read as follows:

(g) Increases. Borrower may from time to time request any Lender

to increase its Commitment, provided that the total Commitment may be increased to no more than \$125,000,000. That increase must be effected by an amendment executed by Borrower, Agent, and the increasing Lender. Borrower shall execute and deliver to each such Lender a Committed Warehouse Note in the stated amount of its new Commitment. No Lender is obligated to increase its Commitment under any circumstances, and no Lender's Commitment may be increased except by its execution of an amendment as stated above. Each new Lender providing such additional Commitment increase shall be a "Lender" hereunder, entitled to the rights and benefits, and subject to the duties, of a Lender under the Loan Documents. All amounts advanced hereunder pursuant to any such additional Commitment shall be secured by the Collateral on a pari passu basis with all other amounts advanced hereunder. In the event the total Commitment is increased, Borrower shall notify each Lender in writing of such increase. In the case of a Commitment increase, each Lender's Commitment Percentage shall be recalculated to reflect the new proportionate share of the revised total Commitments and the Lender holding an additional Commitment shall, immediately upon receiving notice from Agent, pay to the Agent an amount equal to its pro rata share of the Borrowings outstanding as of such date. All such

payments shall reduce ratably the outstanding principal balance of the Committed Warehouse Notes, shall be distributed by the Agent to the Lenders for application accordingly, and shall represent Borrowings to Borrower under the new or increasing Lender's Committed Warehouse Note. The new or increasing Lender shall be entitled to share ratably in interest accruing on the balances purchased, at the rates provided herein for such balances, from and after the date of such payment. All new Borrowings occurring after an increase of the total Commitments shall be funded in accordance with each Lender's revised Commitment Percentage.

(e) Section 2.4 of the Loan Agreement is hereby amended to add the following subsection (e) at the end thereof:

(e) Construction/Lot Fee. Borrower shall pay to the Agent, for -----
the ratably benefit of Lenders, a fee equal to 0.5% per annum of the average outstanding balance of the Construction/Lot Tranches. Such fee, accrued through the end of each calendar month, shall be paid on the fifth day of the following month. The accrued amount of such fee shall also be payable on the Termination Date. Such fee shall be computed on the basis of the actual number of days elapsed and a year of 360 days.

(f) Sections 2.11(b) and (c) of the Loan Agreement are hereby amended in their entirety to read as follows:

(b) Balance Funded Rate Segment. A Balance Funded Rate Segment -----
consisting of any portion of a Construction/Lot Loan Tranche shall bear interest at the rate of 1.25% per annum. A Balance Funded Rate Segment consisting of any portion of a Gestation Loan Tranche shall bear interest at the rate of 0.65% per annum. A Balance Funded Rate Segment consisting of any portion of a Regular Tranche shall bear interest at the rate of 1.25% per annum.

(c) LIBOR Segments. A LIBOR Segment consisting of any portion of -----
a Construction/Lot Loan Tranche shall bear interest at a rate per annum equal to the sum of LIBOR plus 1.25% per annum. A LIBOR Segment consisting of any portion of a Gestation Loan Tranche shall bear interest at a rate per annum equal to the sum of LIBOR plus 0.65% per annum. A LIBOR Segment consisting of any portion of a Regular Tranche shall bear interest at a rate per annum equal to the sum of LIBOR plus 1.25% per annum.

(g) Section 6.1(b), 6.1(d) and 6.1(e) of the Loan Agreement are hereby amended in their entirety to read as follows:

(b) Promptly after becoming available, and in any event within 45 days after the end of each March, June, September and December, and 30 days

after the end of each other month, a consolidated balance sheet of Borrower and its Subsidiaries, if any, as of the end of such month and the related consolidated statements of income, stockholders' equity and cash flows of Borrower and its Subsidiaries, if any, for such month and the period from the beginning of the current fiscal year of Borrower through the end of such month, (i) certified by the president of the Borrower or the chief financial officer of Parent to have been prepared in accordance with GAAP applied on a basis consistent with prior periods, subject to normal year-end adjustments, and (ii) accompanied by a completed Officer's Certificate in the form of Exhibit I hereto, executed by the president of the Borrower or the chief financial officer of Parent;

(d) [INTENTIONALLY OMITTED];

(e) Promptly and in any event within 30 days after the end of each month, management report regarding Borrower's commitment position, pipeline position and production;

(h) Section 6.22 of the Loan Agreement is hereby amended in its entirety to read as follows:

6.22 Senior Management. If William Inman or Paul Saville shall

cease to hold his current senior management position, unless the same results from unsolicited resignation, death, disability, unsolicited retirement or termination for cause, the Borrower shall promptly thereafter undertake a search for a replacement officer with comparable ability, as determined in good faith by the Borrower's Board of Directors, and shall complete such search within a reasonable period of time, and during such period of time the Borrower shall continue to conduct its business in accordance with customary industry standards.

(i) Section 7.9 and 7.10 of the Loan Agreement are hereby amended in their entirety to read as follows:

7.9 Adjusted Tangible Net Worth. Adjusted Tangible Net Worth at

any date shall not be less than \$8,000,000.

7.10 Liabilities to Adjusted Tangible Net Worth Ratios. The

ratio of (a) the Total Liabilities, excluding the Borrower's (i) net deferred taxes, (ii) Advances to the extent of the aggregate Collateral Value of all Eligible Gestation Mortgage Loans, and (iii) obligations in respect of Repurchase Agreements, to (b) Adjusted Tangible Net Worth, shall not at any time exceed 12.5 to 1.0.

(j) Section 8.1(m) of the Loan Agreement is hereby amended in its entirety to read as follows:

(m) [INTENTIONALLY OMITTED];

(k) Schedule 1.1(a) to the Loan Agreement is hereby amended in its entirety to read as set forth on Schedule 1.1(a) hereto.

(l) Schedule 1.1(b) to the Loan Agreement is hereby amended to add the Pennsylvania Housing Finance Agency as an Investor.

(m) Schedule 5.22 to the Loan Agreement is hereby amended to add the following:

14. Payment of intercompany advances made by the Parent to the Company from time to time under the Subordinated Demand Revolving Note of the Company dated September 7, 1999.

3. Amendment to Pledge and Security Agreement. The Pledge and Security Agreement is hereby amended as follows:

(a) A new Section 4.08, which reads as follows, is added to the Pledge and Security Agreement after Section 4.07:

4.08 REO. If an Investment Mortgage Loan is foreclosed, the resulting REO will remain an Eligible Mortgage Loan if the following documents are delivered to the Agent:

(a) if the purchaser at foreclosure is the Borrower and a redemption period is applicable to the sale:

- (i) a certified copy of the certificate of sale;
- (ii) an assignment of the certificate of sale from the Borrower, in blank; and
- (iii) a copy of a recent appraisal (i.e., not more than 60 days old) of the REO.

(b) if the purchaser at foreclosure is the Borrower and either no redemption period is applicable to the sale or such redemption period has expired:

- (i) a certified copy of the deed conveying the REO to the Borrower;

(ii) a deed conveying the REO, executed in blank by the Borrower;

(iii) an original owner's title insurance policy showing the Borrower as owner, subject only to such exceptions as may be acceptable to the Agent;

(iv) a copy of a recent appraisal (i.e., not more than 60 days old) of the REO; and

(v) if requested by the Agent, a Mortgage on the REO in favor of the Agent, executed by the Borrower.

4. Exiting Lenders. On the Effective Date, the aggregate unpaid principal

amount of the Loans made by The Bank of New York and Chase Bank of Texas, N.A. (the "Exiting Lenders") under the Loan Agreement and related Note, together with all interest, fees and other amounts, if any, payable to each Exiting Lender thereunder as of the Effective Date (the "Payoff Amount"), shall be repaid in full from the proceeds of Loans made by the remaining Lenders, and the Commitments of the Exiting Lenders under the Loan Agreement shall terminate. The Agent shall distribute to the Exiting Lenders by not later than 3:00 P.M. (Minneapolis time) on the Effective Date out of the proceeds of the Loans made for such purpose the amount required to pay each Exiting Lender's Payoff Amount in full, whereupon such Exiting Lender shall no longer be a party to the Loan Agreement other than in respect of rights relating to indemnities and similar rights (including, without limitation, pursuant to Sections 2.10(a), 2.10(b) and 10.1 of the Loan Agreement) for events occurring or matters relating to the period prior to the Effective Date.

5. New Lender. On the Effective Date, Comerica Bank ("Comerica") shall be

a Lender under the Loan Agreement and shall have all of the rights, privileges and benefits of a Lender under the Loan Agreement and the Loan Documents, and shall have all of the duties of a Lender thereunder, as if Comerica had initially been a party to the Loan Agreement as a Lender. Comerica shall make Advances on the Effective Date, as requested by the Agent, so that its outstanding Advances of each Tranche and Segment are equal to its Commitment Percentage of such Advances outstanding on the Effective Date.

6. Conditions to Effectiveness of this Amendment. This Amendment shall

become effective on September 1, 2000 (the "Effective Date"), provided the Agent shall have received at least eight (8) counterparts of this Amendment, duly executed by the Borrower and all of the Lenders (including the Existing Lenders and Comerica), and the following conditions are satisfied:

(a) Before and after giving effect to this Amendment, the representations and warranties of the Borrower in Section 5 of the Loan Agreement and Section 5 of the

Pledge and Security Agreement shall be true and correct as though made on the date hereof, except to the extent such representations and warranties by their terms are made as of a specific date and except for changes that are permitted by the terms of the Loan Agreement.

(b) Before and after giving effect to this Amendment, no Event of Default and no Default shall have occurred and be continuing.

(c) Except as disclosed in the Parent's quarterly report on form 10-Q filed with the Securities and Exchange Commission for the fiscal quarter ended March 31, 2000, no material adverse change in the business, assets, financial condition or prospects of the Borrower shall have occurred since December 31, 1999.

(d) The Agent shall have received the following, each duly executed or certified, as the case may be, and dated as of the date of delivery thereof::

(i) a new Committed Warehousing Promissory Note payable to each Lender holding a Commitment from and after the Effective Date, in the amount of such Lender's respective Commitment Amount after giving effect to this Amendment (each, a "New Note"), duly executed by the Company;

(ii) copy of resolutions of the Board of Directors of the Borrower, certified by its respective Secretary or Assistant Secretary, authorizing or ratifying the execution, delivery and performance of this Amendment;

(iii) a certified copy of any amendment or restatement of the Articles of Incorporation or the By-laws of the Borrower made or entered following the date of the most recent certified copies thereof furnished to the Lenders;

(iv) certified copies of all documents evidencing any necessary corporate action, consent or governmental or regulatory approval (if any) with respect to this Amendment;

(v) a certificate of good standing for the Borrower in the jurisdiction of its incorporation, certified by the appropriate governmental official as of a date not more than 10 days prior to the Effective Date; and

(vi) such other documents, instruments and approvals as the Agent may reasonably request.

7. Acknowledgments. The Borrower and each Lender acknowledges that, as

amended hereby, the Loan Agreement and the Pledge and Security Agreement each remains in full force and effect with respect to the Borrower and the Lenders, and that each reference to the Loan Agreement, the Pledge and Security Agreement or the Notes in the Loan Documents shall

refer to the Loan Agreement or the Pledge and Security Agreement, as amended hereby, or the New Notes. The Borrower confirms and acknowledges that it will continue to comply with the covenants set out in the Loan Agreement and the other Loan Documents, as amended hereby, and that its representations and warranties set out in the Loan Agreement and the other Loan Documents, as amended hereby, are true and correct as of the date of this Amendment, except to the extent such representations and warranties by their terms are made as of a specific date and except for changes that are permitted by the terms of the Loan Agreement. The Borrower represents and warrants that (i) the execution, delivery and performance of this Amendment is within its corporate powers and has been duly authorized by all necessary corporate action; (ii) this Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency, or other similar laws affecting creditors' rights generally and general principles of equity) and (iii) no Events of Default or Default exist.

8. General.

(a) The Borrower agrees to reimburse the Agent upon demand for all reasonable expenses (including reasonable attorneys fees and legal expenses) incurred by the Agent in the preparation, negotiation and execution of this Amendment and any other document required to be furnished herewith, and to pay and save the Lenders harmless from all liability for any stamp or other taxes which may be payable with respect to the execution or delivery of this Amendment, which obligations of the Borrower shall survive any termination of the Loan Agreement.

(b) This Amendment may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

(c) Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

(d) This Amendment shall be governed by, and construed in accordance with, the internal law, and not the law of conflicts, of the State of Minnesota, but giving effect to federal laws applicable to national banks.

(e) This Amendment shall be binding upon the Borrower, the Lenders, the Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Lenders, the Agent and the successors and assigns of the Lenders and the Agent.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

NVR MORTGAGE FINANCE, INC.

By: _____
Its: _____

U.S. BANK NATIONAL ASSOCIATION,
as Agent and Lender

By: _____
Its: _____

FLEET NATIONAL BANK

By: _____
Its: _____

GUARANTY FEDERAL BANK, F.S.B.

By: _____
Its: _____

NATIONAL CITY BANK OF
KENTUCKY

By: _____
Its: _____

COMERICA BANK

By: _____
Its: _____

THE BANK OF NEW YORK,
as Exiting Lender

By: _____
Its: _____

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION,
as Exiting Lender

By: _____
Its: _____

SCHEDULE 1.1(a)

Lender	Commitment Amount
U.S. Bank National Association Mortgage Banking Services U.S. Bank Place 601 Second Avenue South Minneapolis, Minnesota 55402-4302 Attention: Kathleen Connor Telephone: 612-973-0306 Telecopy: 612-973-0826	\$ 45,000,000
Guaranty Federal Bank, F.S.B. 8333 Douglas, 11/th/ Floor Dallas, TX 75225 Attention: Mike Barber Telephone: 214-360-2872 Telecopy: 214-360-1660	\$ 20,000,000
Fleet Bank, N.A. 115 Perimeter Place Suite 500 Atlanta, GA 30346 Attention: Steven S. Selbo Telephone: 770-390-6522 Telecopy: 770-390-9811	\$ 10,000,000
Comerica Bank Comerica Tower at Detroit Center 500 Woodward Avenue Detroit, MI 48226 Attention: Heather D. Hogle Telephone: 313-222-5740 Telecopy: 313-222-9295	\$ 15,000,000
National City Bank of Kentucky 421 W. Market Street Louisville, KY 40202 Attention: Mary Jo Reiss Telephone: 502-581-4197 Telecopy: 502-581-4154	\$ 10,000,000
TOTAL	\$100,000,000

NVR, INC.
7601 Lewinsville Road
McLean, Virginia 22102

Dated as of: December 13, 2000

Fleet National Bank
Individually and as Agent
100 Federal Street
Boston, Massachusetts 02110

Comerica Bank
Comerica Tower
500 Woodward Avenue, 7/th/ Floor
MC 3256
Detroit, Michigan 48226

U.S. Bank National Association
601 Second Avenue, South
Minneapolis, Minnesota 55402

Re: Amendment No. 4 to Third Amended and Restated Credit Agreement

Ladies and Gentlemen:

We refer to the Third Amended and Restated Credit Agreement, dated as of September 30, 1998 (as amended, the "Credit Agreement"), by and among NVR, Inc. (the "Borrower"), Fleet National Bank, successor by merger to BankBoston, N.A. ("Fleet"), U.S. Bank National Association ("USB") and Comerica Bank ("Comerica") (collectively, the "Banks"), and Fleet as Agent for the Banks (the "Agent"). Terms used in this letter of agreement (this "Amendment No. 4") which are not defined herein, but which are defined in the Credit Agreement, shall have the same respective meanings herein as therein.

We have requested you to make modifications to the Credit Agreement (collectively, the "Modifications"). We have also requested you to consent to the merger of Fox Ridge with and into the Borrower. You have advised us that you are prepared and would be pleased to make the Modifications and give your consent to such merger on the condition that we join with you in this Amendment No. 4.

Accordingly, in consideration of these premises, the promises, mutual covenants and agreements contained in this Amendment No. 4, and fully intending to be legally bound by this Amendment No. 4, we hereby agree with you as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

Effective as of the consummation of the Merger (defined below), the Credit Agreement is amended as follows:

(a) The terms "Loan Documents" and "Credit Agreement" shall, wherever used in the Credit Agreement or any of the other Loan Documents, including, without limitation, each Revolving Credit Note, be deemed to also mean and include this Amendment No. 4.

(b) The definition of "Borrowing Base" contained in Section 1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Borrowing Base". At any time of determination, an amount equal to

the sum of the following assets of Borrower (excluding NVRMF): (i) the book value of Sold Units which are not held as Beneficial Interest Units multiplied by ninety-five percent (95%); plus (ii) the book value of Unsold Units which are not held as Beneficial Interest Units multiplied by eighty percent (80%); plus (iii) the book value of Manufacturing Materials multiplied by eighty percent (80%); plus (iv) up to an aggregate of \$10,000,000, the sum of (a) the book value of Sold Units which are held as Beneficial Interest Units multiplied by ninety-five percent (95%) and (b) the book value of Unsold Units which are held as Beneficial Interest Units multiplied by eighty percent (80%); in each case, as calculated in accordance with GAAP."

(c) The definition of "Restricted Subsidiaries" contained in Section 1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Restricted Subsidiaries". The following entities: NVR Delaware, NVR

Funding, NVR Funding II and NVR Services and such other entities as may be designated as a Restricted Subsidiary under the terms of the New Indenture and which comply with the provisions of Section 9.36.

(d) The last sentence of the definition of "Sold Units" contained in Section 1 of the Credit Agreement is hereby deleted in its entirety.

(e) The following new definition is added to Section 1 of the Credit Agreement as follows:

"Merger". The merger of Fox Ridge with and into the Borrower on the

terms and conditions set forth in the agreement of merger dated as of December 31, 2000, as evidenced by a certificate of merger accepted by the applicable filing office and provided to the Agent.

(f) Section 9.4 of the Credit Agreement is hereby amended to read in its entirety as follows:

"9.4 Use of Proceeds; Letters of Credit. Borrower shall use the

proceeds of the Advances of the Revolving Credit Loans solely to provide for the working capital needs of Borrower and to meet such other capital needs of Borrower as are

provided for under this Agreement and to make Investments and Distributions to the extent expressly permitted under this Agreement."

(g) The parenthetical contained in Section 9.21(i) of the Credit Agreement is amended to read in its entirety as follows:

"(other than NVRMF and its Subsidiaries, NVR Funding, NVR Funding II and NVR Services)".

(h) Section 9.21(o) of the Credit Agreement is hereby deleted in its entirety and replaced by the following new Section 9.21(o):

"(o) provided no Default or Event of Default has occurred and remains uncured, Investments in NVRMF and NVR Funding to the extent set forth below:

(i) in NVRMF, Investments (the "Permitted Maximum NVRMF Investment") from time to time outstanding, in an amount up to (a) \$30,000,000 or (b) if no amounts of the Loans are Outstanding, up to (1) the amount then allowed under the New Indenture if any of the 1998 Senior Notes are outstanding or (2) if the 1998 Senior Notes are not outstanding, \$50,000,000; and

(ii) in NVR Funding, Investments intended and utilized solely for the benefit of NVRMF, up to the Permitted Maximum NVRMF Investment amount (less any then outstanding amounts of Investments in NVRMF made by Borrower under clause (i) above or by NVR Funding under this clause (ii));".

(i) Section 9.26(a) of the Credit Agreement is hereby deleted in its entirety and replaced by the following new Section 9.26(a):

"(a) Borrower shall not enter into or permit any Restricted Subsidiary to enter into any sale and leaseback transactions as seller-lessee or make any acquisitions without the prior written consent of the Majority Banks and the Agent other than (i) the sale and leaseback of model units in the ordinary course of Borrower's business consistent with past practices or as may be provided for in this Agreement; (ii) acquisitions of real estate to the extent permitted by this Agreement; (iii) capital expenditures; (iv) building materials, fixtures, supplies and all other personal property acquired by Borrower in the ordinary course of business consistent with past practices; (v) Investments and Distributions permitted pursuant to (S)(S)9.20 and 9.21; and (vi) other acquisitions in the aggregate amount of \$5,000,000 during the term hereof."

(j) Section 9.26(b) of the Credit Agreement is hereby deleted in its entirety.

(k) Section 10.1(c) of the Credit Agreement is hereby amended by deleting the reference to "(S)9.26(b)" therefrom.

(l) Schedule 6.1(c) to the Credit Agreement is hereby amended to read in its entirety as set forth on Annex 1 attached hereto.

ARTICLE II

CONSENT TO FOX RIDGE MERGER

We have informed you that we intend to merge Fox Ridge with and into the Borrower. Pursuant to Section 9.24 of the Credit Agreement, the Borrower is prohibited from merging or consolidating with or into any Person and is prohibited from allowing any Restricted Subsidiary to merge or consolidate with or into any Person. By your signatures below, please evidence your consent to the merger of Fox Ridge with and into the Borrower on the terms set forth in the agreement of merger dated as of December 31, 2000, a copy of which has been provided to the Agent.

ARTICLE III

CONDITIONS PRECEDENT TO AMENDMENT

The Banks' agreement herein to amend the Credit Agreement and consent to the merger of Fox Ridge with and into the Borrower is subject to the fulfillment of the following conditions:

- (a) The Agent shall have received from the Borrower this Amendment No. 4, duly executed and delivered by the Borrower; and
- (b) the Agent and each of the Banks shall have executed this Amendment No. 4.

The parties hereto acknowledge and agree that in the event that the Merger is not consummated on December 31, 2000, this Amendment No. 4 shall be of no further force or effect and the modifications to the Credit Agreement described herein shall not become effective.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents, warrants and covenants to you as follows:

- (a) Representations in Credit Agreement. To the best of the Borrower's

knowledge, each of the representations and warranties made by or on behalf of the Borrower to you in the Credit Agreement and the other Loan Documents, as amended through this Amendment No. 4, was true and correct when made, and is true and correct in all material respects on and as of the date hereof with the same full force and effect as if each of such representations and warranties had been made by the Borrower on the date hereof and in this Amendment No. 4, except to the extent that such representations and warranties relate solely to a prior date.

- (b) No Events of Default. No Default or Event of Default exists on the

date hereof (after giving effect to the Modifications contemplated hereby and the transactions described herein).

- (c) Binding Effect of Documents. This Amendment No. 4 has been duly

executed

and delivered to you by the Borrower and is in full force and effect as of the date hereof, and the agreements and obligations of the Borrower contained herein constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

(d) Consents. The Borrower has obtained all consents which are necessary

in order to consummate the transactions referred to in this Amendment No. 4, and has furnished copies of all such consents, if any, to the Agent.

ARTICLE V

PROVISIONS OF GENERAL APPLICATION

(a) No Other Changes. Except as otherwise expressly provided by this

Amendment No. 4, all of the terms, conditions and provisions of the Credit Agreement and the other Loan Documents remain unaltered. The Credit Agreement and this Amendment No. 4 shall be read and construed as one agreement.

(b) Governing Law. This Amendment No. 4 is intended to take effect as a

sealed instrument and shall be deemed to be a contract under the laws of the Commonwealth of Massachusetts. This Amendment No. 4 and the rights and obligations of each of the parties hereto shall be governed by and interpreted and determined in accordance with the laws of the Commonwealth of Massachusetts.

(c) Binding Effect; Assignment. This Amendment No. 4 shall be binding

upon and inure to the benefit of each of the parties hereto and their respective successors in title and assigns.

(d) Counterparts. This Amendment No. 4 may be executed in any number of

counterparts, but all such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment No. 4, it shall not be necessary to produce or account for more than one counterpart hereof signed by each of the parties hereto.

(e) Conflict with Other Agreements. If any of the terms of this Amendment

No. 4 shall conflict in any respect with any of the terms of the Credit Agreement or any other Loan Document, the terms of this Amendment No. 4 shall be controlling.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this Amendment No. 4 and return such counterpart to the undersigned, whereupon this Amendment No. 4 shall become a binding agreement between you and the undersigned.

Very truly yours,

NVR, INC.

By: _____
Title:

[Signatures continued on next page]

The foregoing Amendment No. 4 is hereby accepted by the undersigned as of December 13, 2000.

FLEET NATIONAL BANK,
Individually and as Agent

By: _____
Title:

COMERICA BANK

By: _____
Title:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Title:

ANNEX 1

Schedule 6.1(c)

Subsidiaries of NVR, Inc.

1. NV Insurance Brokers, Inc.
2. Dillon Company, Inc.
3. NVR Mortgage Finance, Inc. and its subsidiaries listed below:
 - . Service Tax Corporation
 - . Ryan Mortgage Acceptance Corporation IV
 - . MPS Mortgage Appraisal Services, Inc.
 - . Richmarr Mortgage Corp.
 - . NVR Nevada Mortgage Servicing, Inc.
 - . Heritage Mortgage LP
 - . NVRM Acquisition, Inc. and its subsidiary First Republic Mortgage Corp.
 - . NVR Settlement Services, Inc. and its subsidiaries listed below:
 - . NVR Settlement Services of Tennessee LLC
 - . NVR Settlement Services of Maryland, Inc.
 - . PHM Title Agency LLC
 - . Cornerstone Settlement Services, L.P.
 - . Heritage Settlement Services, L.P.
 - . First NVR Settlement Services LLC
 - . NVR Title Agency LLC
 - . McMurray Settlement Services, L.P.
 - . Legacy Title Agency, Inc.
4. RVN, Inc.
5. NVRD Holding, Inc. and its subsidiary:
 - . NVR Development, Inc. and its subsidiaries listed below:
 - . NVRD California, Inc.
 - . NV California, Inc.
 - . Old Stage Limited Partnership
 - . Centre Ridge II Limited Partnership
 - . Centre Ridge III Limited Partnership
 - . Seven Courts Development General Partnership
 - . NVRD HGDS Associates G.P.
 - . H.R. Remington Properties L.P.
 - . Remington/Carlsbad L.P.
6. NVHL, Inc.
7. Madison Lane G.P.

- 8 M/R Limited Partnership
9. 100 Investment L.P.
10. Land First
11. NVR Services, Inc.
12. NVR Funding II, Inc.
13. HBG/NVR LLC

EXHIBIT 11

NVR, Inc.
 Computation of Earnings Per Share
 (amounts in thousands, except per Share amounts)

	Year Ended December 31, 2000 -----	Year Ended December 31, 1999 -----	Year Ended December 31, 1998 -----
1. Net income	\$ 158,246 =====	\$ 108,881 =====	\$ 56,706 =====
2. Average number of Shares outstanding	9,084	10,190	11,131
3. Shares issuable upon exercise of dilutive options, warrants and subscriptions outstanding during period, based on average market price	----- 1,480 -----	----- 1,898 -----	----- 2,169 -----
4. Average number of Shares and Share equivalents outstanding (2 + 3)	===== 10,564 =====	===== 12,088 =====	===== 13,300 =====
5. Basic earnings per share (1/2)	\$ 17.42 =====	\$ 10.69 =====	\$ 5.10 =====
6. Diluted earnings per share (1/4)	\$ 14.98 =====	\$ 9.01 =====	\$ 4.26 =====

Name of Subsidiary	State of ----- Incorporation or ----- Organization -----
NVR Mortgage Finance, Inc.	Virginia
NVR Settlement Services, Inc.	Pennsylvania
Ryan Mortgage Acceptance Corporation IV	Delaware
RVN, Inc.	Delaware
NVR Services, Inc.	Virginia
NVR Funding II, Inc.	Delaware

Consent of Independent Auditors

The Board of Directors
NVR, Inc.:

We consent to incorporation by reference in the registration statement (No. 33-69754) on Form S-8 (for the NVR, Inc. Directors' Long-Term Incentive Plan), the registration statement (No. 33-69756) on Form S-8 (for the NVR, Inc. Management Equity Incentive Plan), the registration statement (No. 33-69758) on Form S-8 (for the NVR, Inc. Equity Purchase Plan), the registration statement (No. 33-87478) on Form S-8 (for the NVR, Inc. 1994 Management Equity Incentive Plan), the registration statement (No. 333-04975) on Form S-8 (for the NVR, Inc. Management Long-Term Stock Option Plan), the registration statement (No. 333-04989) on Form S-8 (for the NVR, Inc. Directors' Long-Term Stock Option Plan), the registration statement (No. 33-69436) on Form S-3, the registration statement (No. 333-44515) on Form S-3 (for a universal shelf registration for senior or subordinated debt in an amount up to \$400 million), the amended registration statement (No. 333-44515) on Form S-3A (for a universal shelf registration for senior or subordinated debt in an amount up to \$400 million), the registration statement (No. 333-79949) on Form S-8 (for the NVR, Inc. 1998 Directors' Long-Term Stock Option Plan), and the registration statement (No. 333-79951) on Form S-8 (for the NVR, Inc. 1998 Management Stock Option Plan) of our reports on the consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2000, included herein.

KPMG LLP

McLean, Virginia
March 7, 2001