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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2003**

**OR**

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

**For the transition period from ______ to ______**

**Commission File Number: 1-12378**

# NVR, Inc.
**(Exact name of registrant as specified in its charter)**

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

**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)**

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

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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act of 1934). Yes ☒ No ☐

As of October 23, 2003 there were 7,087,397 total shares of common stock outstanding.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NVR, Inc.**

Condensed Consolidated Balance Sheets

(in thousands, except per share and share data)

| | September 30, 2003 | December 31, 2002 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| ***Homebuilding:*** | | |
| Cash and cash equivalents | $ 220,282 | $ 139,796 |
| Receivables | 15,444 | 10,807 |
| Inventory: | | |
| Lots and housing units, covered under sales agreements with customers | 553,545 | 400,008 |
| Unsold lots and housing units | 34,743 | 25,558 |
| Manufacturing materials and other | 5,226 | 11,108 |
| Inventory not owned, consolidated per FIN 46 | 15,462 | — |
| | 608,976 | 436,674 |
| Property, plant and equipment, net | 22,151 | 22,126 |
| Reorganization value in excess of amounts allocable to identifiable assets, net | 41,580 | 41,580 |
| Goodwill, net | 6,379 | 6,379 |
| Contract land deposits | 270,962 | 231,229 |
| Other assets | 115,814 | 110,007 |
| | 1,301,588 | 998,598 |
| ***Mortgage Banking:*** | | |
| Cash and cash equivalents | 3,007 | 3,049 |
| Mortgage loans held for sale, net | 130,636 | 163,410 |
| Mortgage servicing rights, net | 158 | 5,611 |
| Property and equipment, net | 873 | 941 |
| Reorganization value in excess of amounts allocable to identifiable assets, net | 7,347 | 7,347 |
| Other assets | 2,868 | 3,332 |
| | 144,889 | 183,690 |
| **Total assets** | $ 1,446,477 | $ 1,182,288 |

(Continued)

See notes to condensed consolidated financial statements.

**NVR, Inc.**

Condensed Consolidated Balance Sheets (Continued)

(in thousands, except per share and share data)

| | September 30, 2003 | December 31, 2002 |
|---|---|---|
| | (unaudited) | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| ***Homebuilding:*** | | |
| Accounts payable | $ 171,221 | $ 145,209 |
| Accrued expenses and other liabilities | 138,227 | 142,215 |
| Liabilities related to inventory not owned, consolidated per FIN 46 | 14,177 | — |
| Obligations under incentive plans | 70,339 | 97,803 |
| Customer deposits | 165,515 | 118,174 |
| Other term debt | 4,627 | 4,903 |
| Senior notes | 200,000 | 115,000 |
| | 764,106 | 623,304 |
| ***Mortgage Banking:*** | | |
| Accounts payable and other liabilities | 19,627 | 16,482 |
| Notes payable | 97,672 | 139,257 |
| | 117,299 | 155,739 |
| Total liabilities | 881,405 | 779,043 |
| ***Commitments and contingencies*** | | |
| ***Shareholders' equity:*** | | |
| Common stock, $0.01 par value; 60,000,000 shares authorized; 20,597,709 and 20,602,921 shares issued as of September 30, 2003 and December 31, 2002, respectively | 206 | 206 |
| Additional paid-in-capital | 329,045 | 262,867 |
| Deferred compensation trust – 453,207 and 428,698 shares as of September 30, 2003 and December 31, 2002, respectively, of NVR, Inc. common stock | (52,235) | (35,647) |
| Deferred compensation liability | 52,235 | 35,647 |
| Retained earnings | 1,260,375 | 968,074 |
| Less treasury stock at cost – 13,514,412 and 13,580,531 shares at September 30, 2003 and December 31, 2002, respectively | (1,024,554) | (827,902) |
| Total shareholders' equity | 565,072 | 403,245 |
| **Total liabilities and shareholders' equity** | $ 1,446,477 | $ 1,182,288 |

See notes to condensed consolidated financial statements.

**NVR, Inc.**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** |
| ***Homebuilding:*** | | | | |
| Revenues | $ 956,848 | $ 847,044 | $ 2,508,786 | $ 2,291,936 |
| Other income | 998 | 1,219 | 2,522 | 2,679 |
| Cost of sales | (719,507) | (645,869) | (1,882,154) | (1,744,928) |
| Selling, general and administrative | (57,002) | (62,474) | (168,401) | (167,954) |
| Operating income | 181,337 | 139,920 | 460,753 | 381,733 |
| Loss from extinguishment of 8% Senior Notes due 2005 | (8,503) | — | (8,503) | — |
| Interest expense | (3,425) | (3,433) | (10,486) | (9,651) |
| Homebuilding income | 169,409 | 136,487 | 441,764 | 372,082 |
| ***Mortgage Banking:*** | | | | |
| Mortgage banking fees | 20,844 | 17,148 | 56,483 | 48,190 |
| Interest income | 1,393 | 1,644 | 3,960 | 4,662 |
| Other income | 297 | 180 | 704 | 462 |
| General and administrative | (6,869) | (5,526) | (17,196) | (16,979) |
| Interest expense | (282) | (617) | (1,091) | (1,408) |
| Mortgage banking income | 15,383 | 12,829 | 42,860 | 34,927 |
| ***Total segment income*** | 184,792 | 149,316 | 484,624 | 407,009 |
| Income tax expense | (75,389) | (57,336) | (192,323) | (154,486) |
| ***Net Income*** | $ 109,403 | $ 91,980 | $ 292,301 | $ 252,523 |
| ***Basic earnings per share*** | $ 15.30 | $ 12.58 | $ 41.06 | $ 34.36 |
| ***Diluted earnings per share*** | $ 12.55 | $ 10.14 | $ 33.53 | $ 27.16 |
| ***Basic average shares outstanding*** | 7,151 | 7,310 | 7,118 | 7,349 |
| ***Diluted average shares outstanding*** | 8,716 | 9,074 | 8,718 | 9,299 |

See notes to condensed consolidated financial statements.

**NVR, Inc.**
Condensed Consolidated St atements of Cash Flows
(in thousands)
(unaudited)

| | Nine Months Ended September 30, 2003 | Nine Months Ended September 30, 2002 |
|---|---|---|
| ***Cash flows from operating activities:*** | | |
| Net income | $ 292,301 | $ 252,523 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,358 | 5,492 |
| Loss from extinguishment of debt | 8,503 | — |
| Mortgage loans closed | (1,719,191) | (1,605,363) |
| Proceeds from sales of mortgage loans | 1,788,032 | 1,596,903 |
| Gain on sale of mortgage servicing rights | (14) | (280) |
| Gain on sale of loans | (43,870) | (35,485) |
| Net change in assets and liabilities: | | |
| Increase in inventories | (156,840) | (34,147) |
| Increase in receivables | (6,356) | (7,288) |
| Increase in contract land deposits | (41,018) | (59,216) |
| Increase in accounts payable, customer deposits and accrued expenses | 173,336 | 123,979 |
| (Decrease) increase in obligations under incentive plans | (9,525) | 24,462 |
| Other, net | (11,928) | (3,408) |
| Net cash provided by operating activities | 279,788 | 258,172 |
| ***Cash flows from investing activities:*** | | |
| Purchase of property, plant and equipment | (5,217) | (8,740) |
| Principal payments on mortgage loans held for sale | 4,418 | 793 |
| Proceeds from sales of mortgage servicing rights, net | 11,749 | 4,048 |
| Other, net | 406 | 255 |
| Net cash provided (used) by investing activities | 11,356 | (3,644) |
| ***Cash flows from financing activities:*** | | |
| Purchase of NVR common stock for funding of deferred compensation plan | (17,939) | (37,469) |
| Net (repayments) borrowings under notes payable and other term debt | (41,861) | 34,758 |
| Payment of senior note consent fees | — | (2,125) |
| Extinguishment of 8% Senior Notes due 2005 | (119,600) | — |
| Issuance of 5% Senior Notes due 2010 | 200,000 | |
| Purchase of treasury stock | (240,264) | (313,820) |
| Proceeds from exercise of stock options | 8,964 | 8,206 |
| Net cash used by financing activities | (210,700) | (310,450) |
| Net increase (decrease) in cash and cash equivalents | 80,444 | (55,922) |
| Cash and cash equivalents, beginning of the period | 142,845 | 138,611 |
| Cash and cash equivalents, end of period | $ 223,289 | $ 82,689 |
| ***Supplemental disclosures of cash flow information:*** | | |
| Interest paid during the period | $ 8,769 | $ 6,981 |
| Income taxes paid, net of refunds | $ 101,843 | $ 81,848 |
| ***Supplemental disclosures of non-cash activities:*** | | |
| Inventory not owned, consolidated per FIN 46 | $ 15,462 | $ — |

See notes to condensed consolidated financial statements.

### 1. Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements include the accounts of NVR, Inc. ("NVR" or the "Company") and its subsidiaries and certain other entities in which the Company is deemed to be the primary beneficiary (see Note 2). Intercompany accounts and transactions have been eliminated in consolidation. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Because the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America, they should be read in conjunction with the financial statements and notes thereto included in the Company's 2002 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

For the three and nine month periods ended September 30, 2003 and 2002, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

### 2. Consolidation of Variable Interest Entities

*NVR's Finished Lot Acquisition Strategy*

The Company does not engage in the land development business. Instead, the Company acquires finished building lots at market prices from various development entities under fixed price purchase agreements that require deposits that may be forfeited if NVR fails to perform under the agreement. The deposits required under the purchase agreements are in the form of cash or letters of credit in varying amounts and represent a percentage, typically ranging from 0% to 10% of the aggregate purchase price of the finished lots.

This lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and land development. NVR may, at its option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of its intent not to acquire the finished lots under contract. NVR's sole legal obligation and economic loss for failure to perform under these purchase agreements is limited to the amount of the deposit pursuant to the liquidating damage provision contained within the purchase agreement. NVR does not have any financial guarantees or completion obligations and does not guarantee specific performance under these purchase agreements.

*Adoption of FIN 46*

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 46 (“FIN 46”), *Consolidation of Variable Interest Entities*. FIN 46 requires the primary beneficiary of a variable interest entity to consolidate that entity. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the variable interest entity’s expected losses, receives a majority of the entity’s expected residual returns, or both, as a result of ownership, contractual, or other financial interests in the entity. Prior to the issuance of FIN 46, an enterprise generally consolidated an entity when the enterprise had a controlling financial interest in the entity through ownership of a majority voting interest. Upon adoption, FIN 46 applied immediately to variable interest entities created after January 31, 2003. Pursuant to FASB staff position No. 46-6 (“FSP 46-6”), a public entity need not apply the provisions of FIN 46 to an interest held in a variable interest entity or potential variable interest entity until the end of the first interim or annual period ending after December 15, 2003, if the variable interest entity was created before February 1, 2003, and the public entity has not issued financial statements reporting that variable interest entity in accordance with FIN 46. NVR has elected to defer the application of FIN 46 to its interests in potential variable interest entities created prior to February 1, 2003 pursuant to FSP 46-6.

From February 1, 2003 through September 30, 2003, the Company entered into fixed price lot purchase agreements with an aggregate purchase price of approximately $900,000, by making or committing to make deposits of approximately $80,000. The Company determined that it is the primary beneficiary of certain of the variable interest entities with which it has entered into purchase agreements. NVR estimated the current fair value of the land underlying these purchase agreements and consolidated that amount and a related liability. The liability represents the difference between the estimated current fair value of the land under contract and the Company’s related deposits. The effect of the consolidation at September 30, 2003 was the inclusion on the balance sheet of $15,462 to Inventory Not Owned, Consolidated Per FIN 46 with a corresponding inclusion of $14,177 to Liabilities Related To Inventory Not Owned, Consolidated Per FIN 46. NVR does not have access to the financial records of the development entities with which it enters into fixed price purchase agreements, and as a result was unable to consolidate the variable interest entities’ results of operations or cash flows.

**3. Stock-Based Compensation**

At September 30, 2003, the Company had eight active stock-based employee compensation plans. As permitted under Statement of Financial Accounting Standard (“FAS”) No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123*, NVR has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangements as defined by Accounting Principles Board Opinion (“APB”) No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including *Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation*, an interpretation of *APB No. 25*. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation.

(in thousands except per share and share data)

| | Three Months Ended September 30, 2003 | Three Months Ended September 30, 2002 | Nine Months Ended September 30, 2003 | Nine Months Ended September 30, 2002 |
|---|---|---|---|---|
| Net income, as reported | $ 109,403 | $ 91,980 | $ 292,301 | $ 252,523 |
| Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects | (5,233) | (5,755) | (15,585) | (16,740) |
| Pro forma net income | $ 104,170 | $ 86,225 | $ 276,716 | $ 235,783 |
| Earnings per share: | | | | |
| Basic—as reported | $ 15.30 | $ 12,58 | $ 41.06 | $ 34.36 |
| Basic—pro forma | $ 14.57 | $ 11.80 | $ 38.88 | $ 32.08 |
| Diluted—as reported | $ 12.55 | $ 10.14 | $ 33.53 | $ 27.16 |
| Diluted—pro forma | $ 12.21 | $ 9.87 | $ 32.55 | $ 26.39 |

## 4. Shareholders' Equity

A summary of changes in shareholders' equity is presented below:

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Deferred Comp. Trust | Deferred Comp. Liability | Total |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2002** | $ 206 | $ 262,867 | $ 968,074 | $ (827,902) | $ (35,647) | $ 35,647 | $ 403,245 |
| Net income | — | — | 292,301 | — | — | — | 292,301 |
| Deferred compensation activity, net | — | 3,135 | — | — | (16,588) | 16,588 | 3,135 |
| Purchase of common stock for treasury | — | — | — | (240,264) | — | — | (240,264) |
| Option activity | — | 8,964 | — | — | — | — | 8,964 |
| Tax benefit from stock-based compensation activity | — | 97,691 | — | — | — | — | 97,691 |
| Treasury shares issued upon option exercise | — | (43,612) | — | 43,612 | — | — | — |
| **Balance, September 30, 2003** | $ 206 | $ 329,045 | $ 1,260,375 | $ (1,024,554) | $ (52,235) | $ 52,235 | $ 565,072 |

Approximately 710,000 options to purchase shares of the Company's common stock were exercised during the first nine months of 2003. The Company settles option exercises by issuing shares of treasury stock to option holders. Shares are relieved from the treasury account based on the weighted average cost basis of treasury shares acquired. The Company repurchased approximately 644,000 shares of its common stock at an aggregate purchase price of $240,264 during the nine months ended September 30, 2003.

## 5. Segment Disclosures

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.

(in thousands except per share and share data)

**For the Nine Months Ended September 30, 2003**

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Revenues from external customers | $ 2,508,786 | $ 56,483 | $ 2,565,269(a) |
| Segment profit | 450,267 | 42,860 | 493,127(b) |
| Segment assets | 1,238,167 | 137,542 | 1,375,709(b) |

(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 profit | $ 450,267 | $ 42,860 | $ 493,127 |
| Less: Loss from extinguishment of 8% Senior Notes due 2005 | (8,503) | — | (8,503) |
| Consolidated income before income taxes | $ 441,764 | $ 42,860 | $ 484,624 |
| Segment assets | $ 1,238,167 | $ 137,542 | $ 1,375,709 |
| Add: Excess reorganization value and goodwill | 47,959 | 7,347 | 55,306 |
| Inventory not owned, consolidated per FIN 46 | 15,462 | — | 15,462 |
| Total consolidated assets | $ 1,301,588 | $ 144,889 | $ 1,446,477 |

**For the Three Months Ended September 30, 2003**

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Revenues from external customers | $ 956,848 | $ 20,844 | $ 977,692(c) |
| Segment profit | 177,912 | 15,383 | 193,295(d) |

(c) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.
(d) The following reconciles segment profit to the respective amounts for the consolidated enterprise:

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Segment profit | $ 177,912 | $ 15,383 | $ 193,295 |
| Less: Loss from extinguishment of 8% Senior Notes due 2005 | (8,503) | — | (8,503) |
| Consolidated income before income taxes | $ 169,409 | $ 15,383 | $ 184,792 |

**For the Nine Months Ended September 30, 2002**

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Revenues from external customers | $ 2,291,936 | $ 48,190 | $ 2,340,126(e) |
| Segment profit | 372,082 | 34,927 | 407,009(e) |
| Segment assets | 845,989 | 186,164 | 1,032,153(f) |

(e) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.
(f) The following reconciles segment assets to the respective amounts for the consolidated enterprise:

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Segment assets | $ 845,989 | $ 186,164 | $ 1,032,153 |
| Add: Excess reorganization value and goodwill | 47,959 | 7,347 | 55,306 |
| Total consolidated assets | $ 893,948 | $ 193,511 | $ 1,087,459 |

(in thousands except per share and share data)

**For the Three Months Ended September 30, 2002**

| | Homebuilding | Mortgage Banking | Totals |
|---|---|---|---|
| Revenues from external customers | $ 847,044 | $ 17,148 | $ 864,192(g) |
| Segment profit | 136,487 | 12,829 | 149,316(g) |

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

## 6. Debt

On June 17, 2003, the Company issued, at par, $200,000 of 5% Senior Notes due 2010 (the “Notes”). The offering of the Notes resulted in aggregate net proceeds of approximately $199,700, after deducting offering expenses. The Notes mature on June 15, 2010 and bear interest at 5%, payable semi-annually in arrears on June 15 and December 15, commencing on December 15, 2003. The Notes are general unsecured obligations and rank equally in right of payment with all of NVR’s existing and future unsecured senior indebtedness and indebtedness under our credit facility. On July 14, 2003, the Company used approximately $120,700 of the proceeds to redeem all of the outstanding 8% Senior Notes due 2005, including the payment of accrued interest. The remainder of the net proceeds from the Notes offering will be used for general corporate purposes. The redemption resulted in a third quarter 2003 pre-tax charge to pre-tax homebuilding income as follows:

| | |
|---|---|
| Call premium | $4,600 |
| Unamortized consent fees | 3,476 |
| Unamortized bond issue costs | 427 |
| Total | $8,503 |

In August 2003, the Company executed a credit agreement for a $150 million working capital revolving credit facility (the “Facility”), replacing the Company’s $135 million credit facility which was set to expire in May 2004. The Facility bears interest at a variable rate based on the type of borrowing and other criteria set forth in the Facility. The Facility expires in August 2007. Up to approximately $50,000 of the Facility is currently available for issuance in the form of letters of credit of which $19,102 was outstanding at September 30, 2003. The Company did not have any outstanding borrowings under the Facility at September 30, 2003.

During the third quarter of 2003, the mortgage revolving warehouse credit facility (“Warehouse Credit Facility”) was amended, extending the expiration date to August 2004. The Warehouse Credit Facility provides for borrowings up to $175,000, of which the Company had $97,672 outstanding at September 30, 2003.

## 7. Excess Reorganization Value and Goodwill

Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, requires goodwill and reorganization value in excess of amounts allocable to identifiable assets (“excess reorganization value”) to be tested for impairment on an annual basis subsequent to the year of adoption. The Company completed the annual assessment of impairment during the first quarter of 2003 and determined that there was no impairment of either goodwill or excess reorganization value.

## 8. Guarantees and Product Warranties

The FASB issued FIN 45, *Guarantors’ Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, in November 2002. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee for all guarantees issued after December 31, 2002. NVR has not issued any guarantees subsequent to December 31, 2002, and accordingly, the adoption of FIN 45 had no impact on the Company’s financial condition, results of operations or cash flows.

(in thousands except per share and share data)

FIN 45 also requires additional disclosures to be made by a guarantor in its interim and annual financial statements regarding its obligations under certain guarantees, including product warranties. The Company establishes warranty and product liability reserves to provide for estimated future expenses as a result of construction and product defects, product recalls and litigation incidental to NVR's homebuilding business. Liability estimates are determined based on management's judgment considering such factors as historical experience, the likely current cost of corrective action, manufacturers' and subcontractors' participation in sharing the cost of corrective action, consultations with third party experts such as engineers, and discussions with our General Counsel and other outside counsel retained to handle specific product liability cases. The following table reflects the changes in the Company's warranty reserve during the nine months ended September 30, 2003:

| | |
|---|---|
| Warranty reserve, December 31, 2002 | $ 32,255 |
| Provision | 21,027 |
| Payments | (19,444) |
| Warranty reserve, September 30, 2003 | $ 33,838 |

## 9. Other New Accounting Pronouncements

In April 2003, the FASB issued FAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. FAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FAS 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS 149 is effective for contracts entered into or modified after June 30, 2003. Adoption of FAS 149 did not have a material impact on NVR's results of operations, cash flows or financial condition.

In May 2003, the FASB issued FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* which establishes standards regarding classification and measurement of certain financial instruments with the characteristics of both liabilities and equity. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Adoption of FAS 150 did not have a material impact on NVR's results of operations, cash flows or financial condition. NVR is still assessing the financial statement impact of FAS 150 relative to the application of FIN 46 to potential variable interest entities created prior to February 1, 2003.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of O perations

### Forward-Looking Statements

Some of the statements in this Form 10-Q, as well as statements made by NVR in periodic press releases and other public communications, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. 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 variations thereof or comparable terminology, or by discussion of strategies, each of which involves risks and uncertainties. All statements other than of historical facts included herein, including those regarding market trends, NVR's financial position, business strategy, projected plans and objectives of management for future operations, are forward-looking statements. 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 any future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, 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 Three and Nine Months Ended September 30, 2003 and 2002

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. Unless otherwise indicated, all references to dollars in this Item 2 are in thousands.

### Homebuilding Segment

NVR operates in the following geographic regions:

| | |
|---|---|
| *Washington:* | Washington, D.C. metropolitan area and adjacent counties in West Virginia |
| *Baltimore:* | Baltimore, MD metropolitan area |
| *North:* | Delaware, New Jersey, New York, Ohio and Pennsylvania |
| *South:* | North Carolina, South Carolina, Tennessee and Richmond, VA |

The following table summarizes settlements, new orders and backlog unit activity for the three and nine month periods ended September 30, 2003 and 2002 by region:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| **Settlements:** | | | | |
| Washington | 821 | 912 | 2,405 | 2,736 |
| Baltimore | 403 | 394 | 1,161 | 1,250 |
| North | 1,256 | 1,140 | 3,230 | 2,934 |
| South | 709 | 651 | 1,752 | 1,629 |
| Total | 3,189 | 3,097 | 8,548 | 8,549 |
| **Average Settlement Price** | $ 299.2 | $ 272.6 | $ 292.6 | $ 267.3 |
| **New Orders:** | | | | |
| Washington | 639 | 675 | 2,572 | 2,838 |
| Baltimore | 431 | 373 | 1,410 | 1,263 |
| North | 933 | 854 | 3,558 | 3,203 |
| South | 489 | 600 | 1,971 | 1,821 |
| Total | 2,492 | 2,502 | 9,511 | 9,125 |
| **Backlog:** | | | | |
| Washington | | | 2,401 | 2,171 |
| Baltimore | | | 1,192 | 852 |
| North | | | 2,523 | 2,024 |
| South | | | 1,204 | 1,087 |
| Total | | | 7,320 | 6,134 |

***Three Months Ended September 30, 2003 and 2002***

During the third quarter of 2003, homebuilding operations generated revenues of $956,848 compared to revenues of $847,044 in the third quarter of 2002. The change in revenues was due to a 9.8% increase in the average sales price of homes closed to $299.2 in 2003 from $272.6 in 2002 and a 3.0% increase in the number of homes settled to 3,189 units in 2003 from 3,097 units in 2002. The increase in the average selling price is attributable to favorable market conditions resulting in price increases in a majority of NVR's markets. The increase in settlements is primarily attributable to the higher backlog levels entering the third quarter of 2003 as compared to the same period in 2002. New orders in the third quarter of 2003 were virtually unchanged from new orders reported in the third quarter of 2002. Strong sales in the North region were offset by weaker sales in the South region due to a 3% decrease in the number of active communities and overall weaker housing activity in that region.

Gross profit margins in the third quarter of 2003 increased to 24.8% as compared to 23.8% for the third quarter of 2002. The increase in gross profit margins was due to favorable market conditions, which provided NVR the opportunity to increase selling prices, and to relatively stable costs for lumber and certain other commodities.

Selling, general and administrative ("SG&A") expenses for the third quarter of 2003 decreased $5,472 from the third quarter of 2002, and as a percentage of revenues, decreased to 6.0% from 7.4%. Increases in other SG&A costs associated with NVR's continued growth were more than offset by an $8,000 decrease in certain management incentives.

Backlog units and dollars were 7,320 and $2,400,984, respectively, at September 30, 2003 compared to 6,134 and $1,836,338, respectively, at September 30, 2002. The increase in backlog units is primarily attributable to a higher beginning backlog balance in 2003 as compared to 2002 and a 7.6% increase in new orders for the six-month period ended September 30, 2003 as compared to the six-month period ended September 30, 2002. The increase in backlog dollars is attributable to the aforementioned increase in backlog units and to an 8.2% increase in the average sales price during the same comparative six-month periods.

*Nine Months Ended September 30, 2003 and 2002*

During the first nine months of 2003, homebuilding operations generated revenues of $2,508,786 compared to revenues of $2,291,936 in the first nine months of 2002. The increase in revenues was primarily due to a 9.5% increase in the average sales price of homes closed to $292.6 in 2003 from $267.3 in 2002. The increase in the average selling price is attributable to favorable market conditions resulting in price increases in a majority of NVR's markets. New orders increased by 4.2% to 9,511 units for the nine months ended September 30, 2003 compared with 9,125 units for the nine months ended September 30, 2002. The increase in new orders resulted from increased sales in NVR's markets outside the Washington region. New sales in the Washington region have declined due primarily to an 8% decrease in the average number of active communities in the current nine month period versus the nine month period ended September 30, 2002. The decline in the average number of active communities is primarily attributable to development delays.

Gross profit margins for the first nine months of 2003 increased to 25.0% compared to 23.9% for the nine months ended September 30, 2002. The increase in gross profit margins was due to favorable market conditions, which provided NVR the opportunity to increase selling prices, and to relatively stable costs for lumber and certain other commodities.

SG&A expenses for the nine months ended September 30, 2003 were relatively flat as compared to the same 2002 period, and as a percentage of revenues decreased to 6.7% from 7.3%. Increases in personnel and marketing costs associated with NVR's continued growth were offset by a $17,000 reduction in certain management incentive compensation.

**Mortgage Banking Segment**

***Three and Nine Months Ended September 30, 2003 and 2002***

NVR conducts its mortgage banking activity through NVR Mortgage Finance, Inc. ("NVRM"), a wholly owned subsidiary. NVRM focuses almost exclusively on serving the homebuilding segment's customer base. Following is a table of financial and statistical data for the three and nine months ended September 30, 2003 and 2002:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** |
| ***Loan closing volume:*** | | | | |
| Total principal | $ 624,637 | $ 591,595 | $ 1,719,191 | $ 1,605,363 |
| ***Segment profit:*** | $ 15,383 | $ 12,829 | $ 42,860 | $ 34,927 |
| ***Mortgage Banking Fees:*** | | | | |
| Net gain on sale of loans | $ 16,243 | $ 12,679 | $ 43,870 | $ 35,485 |
| Title services | 4,314 | 4,009 | 11,684 | 11,151 |
| Servicing | 287 | 472 | 915 | 1,274 |
| Gain (loss) on sale of servicing | — | (12) | 14 | 280 |
| | $ 20,844 | $ 17,148 | $ 56,483 | $ 48,190 |

The volume of closed loans for the three months ended September 30, 2003 increased 6% over the same period for 2002. The 2003 increase is attributable to an 8% increase in the average loan amount due to the homebuilding segment's higher average selling prices, offset by a 2% decrease in the number of loans closed. Segment profit for the three months ended September 30, 2003 increased approximately $2,600 over 2002. The increase is primarily due to an increase in mortgage banking fees attributable to the aforementioned increase in closed loan volume and increased secondary marketing gains. Secondary marketing gains for the three months ended September 30, 2003 increased approximately $790 over 2002.

The volume of closed loans for the nine months ended September 30, 2003 increased 7% over the same period for 2002. The 2003 increase is attributable to an 8% increase in the average loan amount due to the homebuilding segment's higher average selling prices, offset by a 1% reduction in the number of loans closed. Segment profit for the nine months ended September 30, 2003 increased approximately $7,900 over 2002. The increase is primarily due to an increase in mortgage banking fees attributable to the aforementioned increase in closed loan volume, increased secondary marketing gains, and higher revenues per loan. Secondary marketing gains for the nine months ended September 30, 2003 increased approximately $2,400 over 2002. Average revenues per loan (including origination fees, ancillary fees and discount points) for 2003 increased by approximately 7%.

**Recent Accounting Pronouncements**

*Adoption of FIN 46*

*NVR's Finished Lot Acquisition Strategy*

NVR does not engage in the land development business. Instead, NVR acquires finished building lots at market prices from various development entities under fixed price purchase agreements that require deposits that may be forfeited if NVR fails to perform under the agreement. The deposits required under the purchase agreements are in the form of cash or letters of credit in varying amounts and represent a percentage, typically ranging from 0% to 10% of the aggregate purchase price of the finished lots.

This lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and land development. NVR may, at its option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of its intent not to acquire the finished lots under contract. NVR's sole legal obligation and economic loss for failure to perform under these purchase agreements is limited to the amount of the deposit pursuant to the liquidating damage provision contained within the purchase agreement. NVR does not have any financial guarantees or completion obligations and does not guarantee specific performance under these purchase agreements.

*Application of FIN 46 to NVR*

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 requires the primary beneficiary of a variable interest entity to consolidate that entity. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the variable interest entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual, or other financial interests in the entity. Prior to the issuance of FIN 46, an enterprise generally consolidated an entity when the enterprise had a controlling financial interest in the entity through ownership of a majority voting interest. Upon adoption, FIN 46 applied immediately to variable interest entities created after January 31, 2003.

From February 1, 2003 through September 30, 2003, NVR entered into fixed price lot purchase agreements with an aggregate purchase price of approximately $900,000, by making or committing to make deposits of approximately $80,000. NVR determined that it is the primary beneficiary of certain of the variable interest entities with which it has entered into purchase agreements. NVR estimated the current fair value of the land underlying these purchase agreements and consolidated that amount and a related liability. The liability represents the difference between the estimated current fair value of the land under contract and NVR's related deposits. The effect of the consolidation at September 30, 2003 was the inclusion on the balance sheet of $15,462 to Inventory Not Owned, Consolidated Per FIN 46 with a corresponding inclusion of $14,177 to Liabilities Related To Inventory Not Owned, Consolidated Per FIN 46. NVR does not have access to the financial records of the development entities with which it enters into fixed price purchase agreements, and as a result was unable to consolidate the variable interest entities' results of operations or cash flows.

Pursuant to FASB staff position No. 46-6 ("FSP 46-6"), a public entity need not apply the provisions of FIN 46 to an interest held in a variable interest entity or potential variable interest entity until the end of the first interim or annual period ending after December 15, 2003, if the variable interest entity was created before February 1, 2003, and the public entity has not issued financial statements reporting that variable interest entity in accordance with FIN 46. NVR has not yet completed its evaluation and determined the effect of adopting FIN 46 for its currently unconsolidated partnership interests and fixed price purchase agreements that existed as of January 31, 2003. However, that evaluation may require that NVR consolidate assets, liabilities and results of operations of certain of its unconsolidated partnerships and consolidate the estimated fair value of the land (with the related liability) underlying certain of its fixed price purchase agreements. NVR cannot make any definitive conclusion until it completes its evaluation.

*Other Accounting Pronouncements*

In April 2003, the FASB issued Statement of Financial Accounting Standard ("FAS") No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. FAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FAS 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS 149 is effective for contracts entered into or modified after June 30, 2003. Adoption of FAS 149 did not have a material impact on NVR's results of operations, cash flows or financial condition.

In May 2003, the FASB issued FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* which establishes standards regarding classification and measurement of certain financial instruments with the characteristics of both liabilities and equity. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Adoption of FAS 150 did not have a material impact on NVR's results of operations, cash flows or financial condition. NVR is still assessing the financial statement impact of FAS 150 relative to the application of FIN 46 to potential variable interest entities created prior to February 1, 2003.

**Liquidity and Capital Resources**

On June 17, 2003, NVR completed an offering, at par, for $200,000 of 5% Senior Notes due 2010 (the "Notes") under a shelf registration statement filed with the Securities and Exchange Commission on January 20, 1998 (the "Shelf"). The Shelf, as declared effective on February 27, 1998, provides that securities may be offered from time to time in one or more series and in the form of senior or subordinated debt. The offering of the Notes resulted in aggregate net proceeds of approximately $199,700, after deducting offering expenses. The Notes mature on June 15, 2010 and bear interest at 5%, payable semi-annually in arrears on June 15 and December 15, commencing on December 15, 2003. The Notes are general unsecured obligations and rank equally in right of payment with all of NVR's existing and future unsecured senior indebtedness and indebtedness under our existing credit facility. The Notes are senior in right of payment to any future subordinated indebtedness that we may incur. Subsequent to the offering of the Notes, NVR has $55,000 available for issuance under the Shelf.

On July 14, 2003, NVR used approximately $120,700 of the proceeds received from the sale of the Notes to redeem all of the $115,000 outstanding 8% Senior Notes due 2005 at a price of 104% of the principal amount outstanding, including the payment of accrued interest. The redemption resulted in a third quarter pre-tax charge to pre-tax homebuilding income as follows:

| | |
|---|---|
| Call premium | $4,600 |
| Unamortized consent fees | 3,476 |
| Unamortized bond issue costs | 427 |
| Total | $8,503 |

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. During the quarter ended September 30, 2003, NVR closed on a $150 million revolving credit facility (the “Facility”). The Facility replaces NVR’s Third Amended and Restated Credit Agreement dated as of September 30, 1998, which was set to expire on May 31, 2004. The Facility expires in August 2007. Up to approximately $50,000 of the Facility is currently available for issuance in the form of letters of credit of which $19,102 was outstanding at September 30, 2003. There were no direct borrowings outstanding under the Facility as of September 30, 2003. At September 30, 2003, 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 a short-term credit facility. NVR’s mortgage banking segment utilizes an annually renewable mortgage warehouse facility with an aggregate available borrowing limit of $175,000 to fund its mortgage origination activities. During the third quarter of 2003, the warehouse facility was amended, extending the expiration date to August 2004. All other terms and conditions are materially consistent with those disclosed in NVR’s Form 10-K for the year ended December 31, 2002. There was $97,672 outstanding under this facility at September 30, 2003. At September 30, 2003 borrowing base limitations reduced the amount available to NVR for borrowings to approximately $122,000. NVR’s mortgage banking segment also currently has available an aggregate of $50,000 of borrowing capacity in an uncommitted gestation and repurchase agreement. There were no borrowings outstanding under the gestation and repurchase agreement at September 30, 2003.

In November 2002, the Board of Directors approved the repurchase of up to an aggregate of $150,000 of NVR’s common stock in one or more open market and/or privately negotiated transactions. NVR had fully utilized the November 2002 stock repurchase authorization as of March 31, 2003. In February 2003, the Board of Directors approved the repurchase of up to an additional aggregate of $150,000 of NVR’s common stock in one or more open market and/or privately negotiated transactions. Through October 20, 2003, NVR had repurchased shares of its common stock at an aggregate purchase price of approximately $139,000 pursuant to the February 2003 repurchase authorization. In August 2003, the Board of Directors approved the repurchase of up to an aggregate of $200,000 of NVR’s common stock in one or more open market and/or privately negotiated transactions. As of October 20, 2003, NVR had not repurchased any shares of it common stock pursuant to the $200,000 authorization. In aggregate, NVR repurchased approximately 644,000 shares of its common stock at an aggregate purchase price of $240,264 during the nine months ended September 30, 2003. 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.

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

**Critical Accounting Policies**

The following significant change has been made to NVR’s critical accounting policies subsequent to the disclosure of critical accounting policies in NVR’s Annual Report on Form 10-K for the year ended December 31, 2002:

As noted above, in January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities*. FIN 46 requires the primary beneficiary of a variable interest entity to consolidate that entity. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the variable interest entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual, or other financial interests in the entity. The methodology used to evaluate whether NVR is the primary beneficiary of a variable interest entity requires substantial management judgment and estimates. These judgments and estimates involve assigning probabilities to various estimated cash flow possibilities relative to the variable interest entity's expected profits and losses and the cash flows associated with changes in the fair value of finished lots under contract. The estimates used by management to assess probabilities of various cash flows must be considered in the context that NVR is not in the land development business, does not possess any in-house expertise relative to the land development business, and that NVR does not have access to the books and records of any of the development entities evaluated as a variable interest entity. Although management believes that its accounting policy is designed to properly assess NVR's primary beneficiary status relative to its involvement with variable interest entities, changes to the probabilities and the cash flow possibilities used in NVR's evaluation could produce different conclusions regarding NVR's status or non-status as a variable interest entity's primary beneficiary. From February 1, 2003 through September 30, 2003, NVR entered into fixed price lot purchase agreements with an aggregate purchase price of approximately $900,000, of which NVR consolidated $15,462.

**Item 4. Controls and Procedures**

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

**Part II.**

**Item 6.** **Exhibits and Reports on Form 8-K**

(a) Exhibits:

| | |
|---|---|
| 11 | Computation of Earnings per Share. |
| 31.1 | Certification of NVR's Chief Executive Officer pursuant to Rule 13a-14(a). |
| 31.2 | Certification of NVR's Chief Financial Officer pursuant to Rule 13a-14(a). |
| 32 | Certification of NVR's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports on Form 8-K

Form 8-K filed on July 18, 2003 reporting the issuance of a press release reporting the financial results for the quarter ended June 30, 2003.

Form 8-K filed on August 12, 2003 reporting NVR, Inc.'s August 8, 2003 closing of a $150 million credit agreement (the "Credit Agreement") with Bank One, NA., as Administrative Agent, U.S. Bank National Association and Comerica Bank, as Syndication Agents, SunTrust Bank, as Documentation Agent and Banc One Capital Markets, Inc., as Lead Arranger and Sole Book Runner. The Credit Agreement replaces NVR's Third Amended and Restated Credit Agreement dated as of September 30, 1998, which was set to expire on May 31, 2004. The Credit Agreement expires on August 7, 2007.

## Exhibit Index

| Exhibit Number | Description | Page |
| --- | --- | --- |
| 11 | Computation of Earnings per Share. | 23 |
| 31.1 | Certification of NVR’s Chief Executive Officer pursuant to Rule 13a-14(a). | 24 |
| 31.2 | Certification of NVR’s Chief Financial Officer pursuant to Rule 13a-14(a). | 25 |
| 32 | Certification of NVR’s Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | 26 |

## SIGNATURE

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

NVR, INC.

October 27, 2003

By: /s/ Paul C. Saville

Paul C. Saville
Executive Vice President, Chief Financial Officer and Treasurer

**Exhibit 11**

**NVR, Inc.**

Computation of Earnings Per Share

(in thousands, except per share amounts)

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2003 | 2002 | 2003 | 2002 |
| **1.** | Net income | $ 109,403 | $ 91,980 | $ 292,301 | $ 252,523 |
| **2.** | Average number of shares outstanding | 7,151 | 7,310 | 7,118 | 7,349 |
| **3.** | Shares issuable upon exercise of dilutive options and deferred compensation payable in shares of NVR common stock, based on average market price | 1,565 | 1,764 | 1,600 | 1,950 |
| **4.** | Average number of shares and share equivalents outstanding (2 + 3) | 8,716 | 9,074 | 8,718 | 9,299 |
| **5.** | Basic earnings per share (1/2) | $ 15.30 | $ 12.58 | $ 41.06 | $ 34.36 |
| **6.** | Diluted earnings per share (1/4) | $ 12.55 | $ 10.14 | $ 33.53 | $ 27.16 |

**Exhibit 31.1**

**SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS**

I, Dwight C. Schar, certify that:

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

Date: October 27, 2003

By: /s/ Dwight C. Schar

Dwight C. Schar
*Chairman and Chief Executive Officer*

**SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS**

I, Paul C. Saville, certify that:

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

Date: October 27, 2003

By: /s/ Paul C. Saville

Paul C. Saville
*Executive Vice President, Chief Financial Officer and Treasurer*

**Exhibit 32**

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

In connection with this quarterly report on Form 10-Q of NVR, Inc. for the period ended September 30, 2003, each of the undersigned officers of NVR, Inc., hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended September 30, 2003 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-Q for the period ended September 30, 2003 fairly presents, in all material respects, the financial condition and results of operations of NVR, Inc.

Date: October 27, 2003

By: /s/ Dwight C. Schar

Dwight C. Schar
*Chairman and Chief Executive Officer*

By: /s/ Paul C. Saville

Paul C. Saville
*Executive Vice President, Chief Financial Officer
and Treasurer*