

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, 2002

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 ☐

As of October 16, 2002 there were 7,260,084 total shares of common stock  
outstanding.

NVR, Inc.  
Form 10-Q  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2002	December 31, 2001
	----- (unaudited)	-----
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 79,688	\$ 134,181
Receivables	13,068	5,745
Inventory:		
Lots and housing units, covered under sales agreements with customers	402,226	356,275
Unsold lots and housing units	28,646	37,265
Manufacturing materials and other	5,650	8,835
	-----	-----
	436,522	402,375
Property, plant and equipment, net	20,419	15,397
Reorganization value in excess of amounts allocable to identifiable assets, net	41,580	41,580
Goodwill, net	6,379	6,379
Contract land deposits	214,868	155,652
Other assets	81,424	76,556
	-----	-----
	893,948	837,865
	-----	-----
Mortgage Banking:		
Cash and cash equivalents	3,001	4,430
Mortgage loans held for sale, net	173,792	142,059
Mortgage servicing rights, net	5,324	1,328
Property and equipment, net	641	781
Reorganization value in excess of amounts allocable to identifiable assets, net	7,347	7,347
Other assets	3,406	1,237
	-----	-----
	193,511	157,182
	-----	-----
Total assets	\$ 1,087,459	\$ 995,047
	=====	=====

(Continued)

See notes to condensed consolidated financial statements.

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

	September 30, 2002 ----- (unaudited)	December 31, 2001 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	\$ 145,199	\$ 127,658
Accrued expenses and other liabilities	88,795	114,781
Obligations under incentive plans	96,703	72,241
Customer deposits	111,806	81,924
Other term debt	5,001	5,259
Senior notes	115,000	115,000
	-----	-----
	562,504	516,863
	-----	-----
Mortgage Banking:		
Accounts payable and other liabilities	14,490	10,355
Notes payable	153,727	118,711
	-----	-----
	168,217	129,066
	-----	-----
 Total liabilities	 730,721	 645,929
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 20,602,921 and 20,614,365 shares issued as of September 30, 2002 and December 31, 2001, respectively	206	206
Additional paid-in-capital	260,761	193,757
Deferred compensation trust-371,788 and 393,955 shares of NVR, Inc. common stock as of September 30, 2002 and December 31, 2001, respectively	(23,157)	(24,201)
Deferred compensation liability	23,157	24,201
Retained earnings	889,127	636,604
Less treasury stock at cost-13,513,569 and 13,139,332 shares at September 30, 2002 and December 31, 2001, respectively	(793,356)	(481,449)
	-----	-----
Total shareholders' equity	356,738	349,118
	-----	-----
Total liabilities and shareholders' equity	\$ 1,087,459	\$ 995,047
	=====	=====

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Homebuilding:				
Revenues	\$ 847,044	\$ 677,962	\$ 2,291,936	\$ 1,845,676
Other income	1,219	655	2,679	2,963
Cost of sales	(645,869)	(530,041)	(1,744,928)	(1,442,882)
Selling, general and administrative	(62,474)	(48,183)	(167,954)	(129,517)
Amortization of reorganization value in excess of amounts allocable to identifiable assets and goodwill	-	(1,813)	-	(5,440)
Operating income	139,920	98,580	381,733	270,800
Interest expense	(3,433)	(2,976)	(9,651)	(8,799)
Homebuilding income	136,487	95,604	372,082	262,001
Mortgage Banking:				
Mortgage banking fees	17,148	13,922	48,190	36,827
Interest income	1,644	1,670	4,662	4,334
Other income	180	274	462	583
General and administrative	(5,526)	(6,564)	(16,979)	(18,705)
Amortization of reorganization value in excess of amounts allocable to identifiable assets and goodwill	-	(272)	-	(816)
Interest expense	(617)	(480)	(1,408)	(1,267)
Mortgage banking income	12,829	8,550	34,927	20,956
Total segment income	149,316	104,154	407,009	282,957
Income tax expense	(57,336)	(41,662)	(154,486)	(113,183)
Net Income	\$ 91,980	\$ 62,492	\$ 252,523	\$ 169,774
Basic Earnings per Share:	\$ 12.58	\$ 8.02	\$ 34.36	\$ 20.99
Diluted Earnings per Share:	\$ 10.14	\$ 6.68	\$ 27.16	\$ 17.57

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 252,523	\$ 169,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,492	10,834
Mortgage loans closed	(1,605,363)	(1,344,108)
Proceeds from sales of mortgage loans	1,596,903	1,329,607
Gain on sale of mortgage servicing rights	(280)	(98)
Gain on sale of loans	(35,485)	(25,851)
Net change in assets and liabilities:		
Increase in inventories	(34,147)	(87,414)
Increase in receivables	(7,288)	(4,725)
Increase in contract land deposits	(59,216)	(45,980)
Increase in accounts payable, customer deposits and accrued expenses	123,979	92,210
Increase in obligations under incentive plans	24,462	5,484
Other, net	(3,408)	(2,591)
Net cash provided by operating activities	258,172	97,142
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,740)	(4,629)
Principal payments on mortgage loans held for sale	793	399
Proceeds from sales of mortgage servicing rights, net	4,048	11,822
Other, net	255	118
Net cash (used) provided by investing activities	(3,644)	7,710
Cash flows from financing activities:		
Purchase of NVR common stock for funding of deferred compensation plan	(37,469)	(3,542)
Net borrowings under notes payable and other term debt	34,758	79,046
Payment of senior note consent fees	(2,125)	(4,928)
Redemption of mortgage-backed bonds	--	(690)
Purchase of treasury stock	(313,820)	(203,911)
Proceeds from exercise of stock options	8,206	5,406
Net cash used by financing activities	(310,450)	(128,619)
Net decrease in cash	(55,922)	(23,767)
Cash, beginning of the period	138,611	137,708
Cash, end of period	\$ 82,689	\$ 113,941
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ 6,981	\$ 7,090
Income taxes paid, net of refunds	\$ 81,848	\$ 66,590

See notes to condensed consolidated financial statements.

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

1. Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements include the accounts of NVR, Inc. ("NVR" or the "Company") and its subsidiaries. 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 2001 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, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

For the quarters and nine month periods ended September 30, 2002 and 2001, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

2. 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
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2001	\$ 206	\$ 193,757	\$ 636,604	\$(481,449)	\$ (24,201)	\$ 24,201
Net income	-	-	252,523	-	-	-
Deferred compensation activity	-	-	-	-	1,044	(1,044)
Purchase of NVR common stock for treasury	-	-	-	(313,820)	-	-
Purchase of NVR common stock for deferred compensation plan	-	-	-	(37,469)	-	-
Option activity	-	8,206	-	-	-	-
Tax benefit from stock-based compensation activity	-	98,180	-	-	-	-
Treasury shares issued upon option exercise	-	(39,382)	-	39,382	-	-
	-----	-----	-----	-----	-----	-----
Balance, September 30, 2002	\$ 206	\$ 260,761	\$ 889,127	\$(793,356)	\$ (23,157)	\$ 23,157
	=====	=====	=====	=====	=====	=====

During the first nine months of 2002, 855,062 options to purchase shares of the Company's common stock were exercised. NVR received \$8,206 in aggregate equity proceeds from the exercise of options and has recorded a tax benefit directly to equity of \$98,180. 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.

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

The Company repurchased 1,058,567 shares of its common stock at an aggregate purchase price of \$313,820 during the nine months ended September 30, 2002. In addition, 170,732 shares of the Company's common stock were purchased at an aggregate purchase price of \$37,469 by the Company's Rabbi Trust, which holds the investments for the Deferred Compensation Plan. These shares are recorded in the Company's treasury stock account until such shares are vested under the respective compensation plan (see footnote 4).

### 3. 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.

For the Nine Months Ended September 30, 2002

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

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

(b) 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 =====	

For the Three Months Ended September 30, 2002

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

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

For the Nine Months Ended September 30, 2001

	Homebuilding -----	Mortgage Banking -----	Totals -----	
Revenues from external customers	\$ 1,845,676	\$ 36,827	\$ 1,882,503	(d)
Segment profit	267,441	21,772	289,213	(e)
Segment assets	766,524	161,677	928,201	(e)

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

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

	Homebuilding -----	Mortgage Banking -----	Totals -----	
Segment profit	\$ 267,441	\$ 21,772	\$ 289,213	
Less: amortization of excess reorganization value and goodwill	(5,440)	(816)	(6,256)	



Consolidated income before  
income taxes

\$ 262,001  
=====

\$ 20,956  
=====

\$ 282,957  
=====

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

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment assets	\$ 766,524	\$ 161,677	\$ 928,201
Add: Excess reorganization value and goodwill	49,773	7,618	57,391
	-----	-----	-----
Total consolidated assets	\$ 816,297	\$ 169,295	\$ 985,592
	=====	=====	=====

For the Three Months Ended September 30, 2001

	Homebuilding -----	Mortgage Banking -----	Totals -----
Revenues from external customers	\$ 677,962	\$ 13,922	\$ 691,884 (f)
Segment profit	97,417	8,822	106,239 (g)

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

(g) The following reconciles segment profit to the respective amounts for the consolidated enterprise:

	Homebuilding -----	Mortgage Banking -----	Totals -----
Segment profit	\$ 97,417	\$ 8,822	\$ 106,239
Less: amortization of excess reorganization value and goodwill	(1,813)	(272)	(2,085)
	-----	-----	-----
Consolidated income before income taxes	\$ 95,604	\$ 8,550	\$ 104,154
	=====	=====	=====

#### 4. Deferred Compensation Plan

In January 2002, the Company amended the High Performance Compensation Plan (the "HP Plan") to require executive officers to defer receipt of compensation earned under the HP Plan for the three-year measurement period ended December 31, 2001 into the Deferred Compensation Plan until the officer's separation of service from the Company. The effect of this amendment is estimated to produce a \$7,975 deferred tax benefit for compensation expense recognized for the HP Plan from inception through December 31, 2001. Amounts deferred into the Deferred Compensation Plan are invested in shares of NVR common stock, which, if vested, will be distributed to the executive officer upon the officer's separation of service. Shares held in the Deferred Compensation Plan for participants terminating prior to full vesting revert back to the Company, and any related compensation expense previously recognized will be reversed in the period of termination.

In the first quarter of 2002, the Company contributed \$37,469 to a Rabbi Trust, which holds the investment for the Deferred Compensation Plan, to fund the total obligations earned by the executive officers under the HP Plan for the three-year measurement period ended December 31, 2001. The Rabbi Trust in turn purchased 170,732 shares of NVR common stock in the open market. In accordance with Emerging Issue Task Force Abstract 97-14, Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested, the shares purchased by the Rabbi Trust will be initially classified as treasury stock in the equity section of the accompanying balance sheet. At each vesting date, the historical basis of the vested shares will be reclassified to the deferred compensation trust caption in the equity section of the balance sheet. Additionally, the portion of the accrued compensation obligation previously expensed relative to the vested shares will be reclassified from obligations under incentive plans within the liability section of the balance sheet to the deferred compensation liability caption in the equity section. The deferred compensation trust and deferred compensation liability accounts will be relieved upon distribution of the shares.

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

During the first nine months of 2002 and 2001, the Company recognized compensation expense of \$26,123 and \$11,527, respectively, under the HP Plan for all measurement periods.

In accordance with Financial Accounting Standards Board Statement No. 128, Earnings per Share ("SFAS 128"), for purposes of calculating basic and diluted earnings per share, the Company classifies the vested shares held in the Rabbi Trust as outstanding shares, weighted to reflect the portion of the period during which the shares were vested. Unvested shares held in the Rabbi Trust are considered outstanding only for purposes of calculating diluted earnings per share. The dilutive effect of such shares is computed using the treasury stock method as defined in SFAS 128.

#### 5. Excess Reorganization Value and Goodwill

The Company has adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), which changed the accounting for goodwill and reorganization value in excess of amounts allocable to identifiable assets ("excess reorganization value") from an amortization approach to an impairment-only approach. SFAS 142 requires goodwill and excess reorganization value, which is no longer subject to amortization, to be tested for impairment as of the beginning of the fiscal year in which SFAS 142 is adopted. The Company completed the assessment of impairment during the first quarter of 2002 and determined that there is no impairment of either goodwill or excess reorganization value as of January 1, 2002. Following is the pro forma effect of adoption of SFAS 142 on the three and nine month periods ended September 30, 2002 and 2001:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net income	\$ 91,980	\$ 62,492	\$ 252,523	\$ 169,774
Add back:				
Goodwill, net of tax	-	165	-	497
Excess reorganization value	-	1,812	-	5,436
Adjusted net income	\$ 91,980	\$ 64,469	\$ 252,523	\$ 175,707
Basic earnings per share:				
Net income	\$ 12.58	\$ 8.02	\$ 34.36	\$ 20.99
Goodwill amortization	-	0.02	-	0.06
Excess reorganization value amortization	-	0.23	-	0.67
Adjusted net income	\$ 12.58	\$ 8.27	\$ 34.36	\$ 21.72
Diluted earnings per share:				
Net income	\$ 10.14	\$ 6.68	\$ 27.16	\$ 17.57
Goodwill amortization	-	0.02	-	0.05
Excess reorganization value amortization	-	0.19	-	0.56
Adjusted net income	\$ 10.14	\$ 6.89	\$ 27.16	\$ 18.18

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

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, 2002 and 2001

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

Three Months Ended September 30, 2002 and 2001

During the third quarter of 2002, homebuilding operations generated revenues of \$847,044 compared to revenues of \$677,962 in the third quarter of 2001. The change in revenues was due to a 12.9% increase in the number of homes settled to 3,097 units in 2002 from 2,742 units in 2001 and a 10.6% increase in the average selling price to \$272.6 in 2002 from \$246.4 in 2001. The increase in settlements is primarily attributable to the higher backlog levels entering the third quarter of 2002 as compared to the same period in 2001. The increase in the average selling price is attributable to price increases in a majority of NVR's markets. New orders increased 34.7% to 2,502 units during the third quarter of 2002 compared with the 1,857 new orders generated during the same period in 2001. The quarter to quarter new order increase is primarily attributable to the lower interest rate environment experienced in the current quarter versus the same 2001 period. New orders in the third quarter of 2001 were also adversely impacted by the events of September 11th.

Gross profit margins in the third quarter of 2002 increased to 23.8% as compared to 21.8% for the third quarter of 2001. The increase in gross 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 2002 increased \$14,291 from the third quarter of 2001, and as a percentage of revenues, increased to 7.4% from 7.1%. The increase in SG&A dollars is primarily attributable to an \$8,000 increase in certain management incentives, increases in personnel to facilitate continued growth, and to the aforementioned increase in revenues.

Backlog units and dollars were 6,134 and \$1,836,338, respectively, at September 30, 2002 compared to 5,593 and \$1,491,260, respectively, at September 30, 2001. The increase in backlog units is primarily attributable to the 18.0% increase in new orders for the six month period ended September 30, 2002 as compared to the six month period ended September 30, 2001. The increase in backlog dollars is attributable to the aforementioned increase in backlog units and to a 12.1% increase in the average sales price during the same comparative six month periods.

#### Nine Months Ended September 30, 2002 and 2001

During the first nine months of 2002, homebuilding operations generated revenues of \$2,291,936 compared to revenues of \$1,845,676 in the first nine months of 2001. The increase in revenues was primarily due to a 12.8% increase in the number of homes settled to 8,549 units in 2002 from 7,577 units in 2001 in addition to a 10.1% increase in the average settlement price to \$267.3 in 2002 from \$242.8 in 2001. The increase in the number of homes settled is primarily attributable to a higher backlog of homes to be delivered at the beginning of 2002 as compared to 2001. The increase in the average selling price is attributable to a larger percentage of settlements of single family detached homes, which, in comparison, are generally higher priced than NVR's single family attached homes, and to favorable market conditions resulting in price increases in a majority of NVR's markets. New orders increased by 13.7% to 9,125 units for the nine months ended September 30, 2002 compared with 8,022 units for the nine months ended September 30, 2001. The period over period new order increase is primarily attributable to a lower interest rate environment experienced in the current nine month period versus the nine month period ended September 30, 2001.

Gross profit margins for the first nine months of 2002 increased to 23.9% compared to 21.8% for the nine months ended September 30, 2001. The increase in gross 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, 2002 increased \$38,437 compared to the same 2001 period, and as a percentage of revenues increased to 7.3% from 7.0%. The increase in SG&A costs is primarily attributable to a \$19,000 increase in certain management incentives, increases in personnel to facilitate continued growth, and to the aforementioned increase in revenues.

#### Mortgage Banking Segment

##### Three and Nine Months Ended September 30, 2002 and 2001

The mortgage banking segment had operating income of \$12,829 during the quarter ended September 30, 2002 compared to operating income of \$8,822 for the three months ended September 30, 2001. Loan closings were \$591,595 and \$503,065 for the three months ended September 30, 2002 and September 30, 2001, respectively, an increase of 18%. The \$88,530 increase in the dollar volume of loan closings is primarily attributable to a 9% increase in the average loan amount and to an 8% increase in the number of loans closed.

The mortgage banking segment had operating income of \$34,927 during the nine months ended September 30, 2002 compared to operating income of \$21,772 for the nine months ended September 30, 2001. Loan closings were \$1,605,363 and \$1,344,108 for the nine months ended September 30, 2002 and 2001, respectively, an increase of 19%. The \$261,255 increase in the dollar volume of loan closings is primarily attributable to a 10% increase in the average loan amount and to a 9% increase in the number of loans closed.

The improvement in operating income for the three and nine month 2002 periods is primarily the result of higher mortgage banking fees due to the increased dollar volume of loan closings, and a more favorable pricing environment. The three and nine month periods of 2001 were also impacted by approximately \$800 and \$1,700, respectively, for costs associated with the mortgage segment's discontinued retail activities. The mortgage banking segment continues to focus almost exclusively on serving NVR's homebuilding operations. Year to date, this focus has resulted in the mortgage segment capturing an increased percentage of the loans and title work associated with the homebuilding segment's growing customer base. As noted above, the homebuilding segment's settlements increased to 8,549 in the first nine months of 2002 from 7,577 in the first nine months of 2001.

#### Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," that, among other things, rescinded SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt." With the rescission of SFAS No. 4, the early extinguishment of debt generally will no longer be classified as an extraordinary item for financial statement presentation purposes. The provision is effective for fiscal years beginning after May 15, 2002.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which replaces Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The new standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

#### Liquidity and Capital Resources

NVR has \$255,000 of securities available for issuance under a shelf registration statement filed with the Securities and Exchange Commission on January 20, 1998. The shelf registration statement, 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.

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"). The Facility expires on May 31, 2004. During the third quarter of 2002, the aggregate commitment under the Facility was increased to \$135,000, subject to certain borrowing base limitations. The other terms and conditions of the facility remain materially consistent with those in effect prior to the amendment. Up to approximately \$40,000 of the Facility is currently available for issuance in the form of letters of credit of which \$24,935 was outstanding at September 30, 2002. There were no direct borrowings outstanding under the Facility as of September 30, 2002. At September 30, 2002, 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 secured credit facility. NVR's mortgage banking segment has available an annually renewable mortgage warehouse facility with an aggregate available borrowing limit of \$150,000 to fund its mortgage origination activities. During the third quarter of 2002, the warehouse facility was amended, extending the expiration date to August 29, 2003. There was \$144,638 outstanding under this facility at September 30, 2002. NVR's mortgage banking segment also currently has available an aggregate of \$75,000 of borrowing capacity in various uncommitted gestation and repurchase agreements. There was an aggregate of \$8,978 outstanding under such gestation and repurchase agreements at September 30, 2002.

On March 14, 2002, NVR successfully completed a solicitation of consents from holders of its 8% Senior Notes due 2005 ("Notes") to amend the Indenture governing the Notes. The amendment to the Indenture allows NVR to repurchase up to an aggregate \$100 million of its capital stock, in addition to that otherwise provided under NVR's Indenture, in one or more open market and/or privately negotiated transactions through June 1, 2003. On March 19, 2002, NVR paid to each holder of the Notes who provided a consent, an amount equal to 2.0% of the principal amount of such holder's Notes. The aggregate fee paid of \$2,125 was deferred and will be amortized as an adjustment to interest expense over the remaining term of the Notes. As of September 30, 2002, NVR had fully utilized the \$100 million for its intended purpose.

During the nine months ended September 30, 2002, NVR repurchased 1,058,567 shares of its common stock at an aggregate purchase price of \$313,820. The current year stock purchases have completed the \$300 million share repurchase authorization granted by NVR's Board of Directors earlier in 2002. 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.

In addition to the aforementioned share repurchases, NVR's Rabbi Trust, which holds the investments for the Deferred Compensation Plan, purchased 170,732 shares of NVR's common stock at an aggregate purchase price of \$37,469. The Rabbi Trust shares are recorded in NVR's treasury stock account until such shares are vested under the respective compensation plan (see footnote 4 of the condensed consolidated financial statements).

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.

#### Item 4. Controls and Procedures

Within the 90-day period prior to the filing of this quarterly 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-14. 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 significant changes in NVR's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

11. Computation of Earnings per Share.

(b) Reports on Form 8-K

NVR filed a form 8-K on September 24, 2002, disclosing that its working capital revolving credit facility increased from a committed amount of \$85 million to a committed amount of \$135 million. Amendments No. 6 and No. 7 to the Third Amended and Restated Credit Agreement were filed as exhibits to the Form 8-K.

NVR filed a form 8-K on August 7, 2002, providing separate sworn statements by the Principal Executive Officer and the Principal Financial Officer pursuant to the Securities and Exchange Commission Order No. 4-460.

Exhibit Index

Exhibit Number	Description	Page
- - - - -	- - - - -	- - - - -
11	Computation of Earnings per Share	20



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.

October 22, 2002

NVR, Inc.

By: /s/ Paul C. Saville

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

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Dwight C. Schar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NVR, Inc. ("NVR");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of NVR as of, and for, the periods presented in this quarterly report;
4. NVR's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for NVR and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to NVR, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of NVR's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. NVR's other certifying officer and I have disclosed, based on our most recent evaluation, to NVR's auditors and the audit committee of NVR's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect NVR's ability to record, process, summarize and report financial data and have identified for NVR's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in NVR's internal controls; and
6. NVR's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 22, 2002

By: /s/ Dwight C. Schar

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Dwight C. Schar  
Chairman and Chief Executive Officer

I, Paul C. Saville, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NVR, Inc. ("NVR");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of NVR as of, and for, the periods presented in this quarterly report;
4. NVR's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for NVR and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to NVR, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of NVR's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. NVR's other certifying officer and I have disclosed, based on our most recent evaluation, to NVR's auditors and the audit committee of NVR's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect NVR's ability to record, process, summarize and report financial data and have identified for NVR's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in NVR's internal controls; and
6. NVR's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 22, 2002

By: /s/ Paul C. Saville

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

SARBANES-OXLEY ACT SECTION 906 CERTIFICATIONS

In connection with this quarterly report on Form 10-Q of NVR, Inc. for the period ended September 30, 2002, I, Dwight C. Schar, Chairman and Chief Executive Officer of NVR, Inc., hereby certify pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended September 30, 2002 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, 2002 fairly presents, in all material respects, the financial condition and results of operations of NVR, Inc.

Date: October 22, 2002

By: /s/ Dwight C. Schar

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Dwight C. Schar  
Chairman and Chief Executive Officer

In connection with this quarterly report on Form 10-Q of NVR, Inc. for the period ended September 30, 2002, I, Paul C. Saville, Executive Vice President, Chief Financial Officer and Treasurer of NVR, Inc., hereby certify pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended September 30, 2002 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, 2002 fairly presents, in all material respects, the financial condition and results of operations of NVR, Inc.

Date: October 22, 2002

By: /s/ Paul C. Saville

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
1. Net income	\$ 91,980	\$ 62,492	\$ 252,523	\$ 169,774
2. Average number of shares outstanding	7,310	7,794	7,349	8,090
3. Shares issuable upon exercise of dilutive options and deferred compensation payable in shares of NVR common stock, based on average market price	1,764	1,562	1,950	1,574
4. Average number of shares and share equivalents outstanding (2 + 3)	9,074	9,356	9,299	9,664
5. Basic earnings per share (1/2)	\$ 12.58	\$ 8.02	\$ 34.36	\$ 20.99
6. Diluted earnings per share (1/4)	\$ 10.14	\$ 6.68	\$ 27.16	\$ 17.57