UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☑ **[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

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

For the transition period from __________ to ____________________

Commission file number 1-12378

NVR, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**54-1394360**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)

11700 Plaza America Drive, Suite 500
Reston, Virginia 20190
(703) 956-4000

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☑

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 o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as described in Exchange Act Rule 12b-2).

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

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

The aggregate market value of the voting stock held by non-affiliates of NVR, Inc. on June 30, 2005, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $4.5 billion.

As of February 17, 2006 there were 5,553,365 total shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of NVR, Inc. to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934 on or prior to April 30, 2006 are incorporated by reference into Part III of this report.

INDEX

PART I

Item 1. Business.

General

NVR, Inc. (“NVR”) was formed in 1980 as NVHomes, Inc. NVR operates in two business segments, homebuilding and mortgage banking. NVR conducts its homebuilding activities directly, except for Rymarc Homes which is operated as a wholly owned subsidiary, and its mortgage banking operations which is operated primarily through a wholly owned subsidiary, NVR Mortgage Finance, Inc. (“NVRM”). Unless the context otherwise requires, references to “NVR”, “we”, “us” or “our” include NVR and its subsidiaries.

We are one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, MD metropolitan areas. While we operate in multiple locations in thirteen states, primarily in the eastern part of the United States, approximately 38% of our home settlements in 2005 occurred in the Washington, D.C. and Baltimore, MD metropolitan areas, which accounted for 52% of our 2005 homebuilding revenues. Our homebuilding operations include the construction and sale of single-family detached homes, townhomes and condominium buildings under four trade names: Ryan Homes, NVHomes, Fox Ridge Homes, and Rymarc Homes. The Ryan Homes, Fox Ridge Homes, and Rymarc Homes products are moderately priced and marketed primarily to first-time homeowners and first-time move-up buyers. The Ryan Homes product is currently sold in twenty-one metropolitan areas located in Maryland, Virginia, West Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware, Michigan and Kentucky. The Fox Ridge Homes product is sold solely in the Nashville, TN metropolitan area and the Rymarc Homes product is sold solely in the Columbia, South Carolina market. The NVHomes product is marketed primarily to move-up and upscale buyers and is sold in the Washington, D.C., Baltimore, MD, Philadelphia, PA and the Maryland Eastern Shore metropolitan areas. In 2005, our average price of a unit settled was approximately $375,000.

We do not engage in the land development business. Instead, we acquire finished building lots at market prices from various development entities under fixed price purchase agreements that require deposits that may be forfeited if we fail 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 up to 10%, of the aggregate purchase price of the finished lots.

Our lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and land development. We may, at our option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of our intent not to acquire the finished lots under contract. Our 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 agreements. We do not have any financial guarantees or completion obligations and, with the exception of three specific performance contracts for 80 lots existing at December 31, 2005, we do not guarantee specific performance under these purchase agreements. We generally seek to maintain control over a supply of lots believed to be suitable to meet our sales objectives for the next 24 to 36 months.

On a very limited basis, NVR also obtains finished lots using joint venture limited liability corporations (“LLC’s”). All LLC’s are structured such that NVR is a non-controlling member and is at risk only for the amount invested. NVR is not a borrower, guarantor or obligor on any of the LLC’s debt. NVR enters into a standard fixed price purchase agreement to purchase lots from these LLC’s. At December 31, 2005, NVR had an aggregate investment in thirteen separate LLC’s totaling approximately $15 million, which controlled approximately 1,000 lots.

In addition to building and selling homes, we provide a number of mortgage-related services through our mortgage banking operations. Through operations in each of our homebuilding markets, NVRM originates mortgage loans almost exclusively for our homebuyers. NVRM generates revenues primarily from origination fees, gains on sales of loans and title fees. NVRM sells all of the mortgage loans it closes into the secondary markets on a servicing released basis.

Segment information for our homebuilding and mortgage banking businesses is included in Note 2 to the consolidated financial statements.

Homebuilding

Products

We offer single-family detached homes, townhomes, and condominium buildings with many different basic home designs. These home designs have a variety of elevations and numerous other options. Our homes combine traditional or colonial exterior designs with contemporary interior designs and amenities, generally include two to four bedrooms, and range from approximately 1,000 to 7,300 square feet. During 2005, the prices of our homes ranged from approximately $90,000 to $2,000,000.

Markets

We operate in the following geographic regions:

Washington:	Washington, D.C. metropolitan area and adjacent counties in Maryland, Virginia and West Virginia
Baltimore:	Baltimore, MD metropolitan area and adjacent counties in Pennsylvania
North:	Delaware, Kentucky, Maryland Eastern Shore, Michigan, New Jersey, New York, Ohio and Pennsylvania
South:	North Carolina, South Carolina, Tennessee and Richmond, VA

Further discussion of settlements, new orders and backlog activity by region for each of the last three years can be found in *Management's Discussion and Analysis of Financial Condition and Results of Operations* (see Item 7 of this report).

Backlog

Backlog totaled 8,310 units and approximately $3.7 billion at December 31, 2005 compared to backlog of 7,372 units and approximately $2.9 billion at December 31, 2004. Our cancellation rate was approximately 12% during 2005. Assuming that our cancellation rate in 2006 is consistent with that experienced in 2005, approximately 88% of the units in backlog at December 31, 2005 will settle in 2006. However, we can provide no assurance that our historical cancellation rate is indicative of the actual cancellation rate that may occur in 2006. See Risk Factors in Item 1A.

Construction

We utilize independent subcontractors under fixed price contracts to perform construction work on our homes. The subcontractors' work is performed under the supervision of our employees who monitor quality control. We use many independent subcontractors in our various markets and we are not dependent on any single subcontractor or on a small number of subcontractors.

Land Development

We are not in the land development business. We purchase finished lots from various land developers under fixed price purchase agreements that require deposits that may be forfeited if we fail 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 up to 10%, of the aggregate purchase price of the finished lots. We are not dependent on any single developer or on a small number of developers.

Sales and Marketing

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

Regulation

NVR and its subcontractors must comply with various federal, state and local zoning, building, environmental, advertising and consumer credit statutes, rules and regulations, as well as other regulations and requirements in connection with our construction and sales activities. All of these regulations have increased the cost to produce and market our products, and in some instances, have delayed our developers' abilities to deliver us finished lots. Counties and cities in which we build homes have at times declared moratoriums on the issuance of building permits and imposed other restrictions in the areas in which sewage treatment facilities and other public facilities do not reach minimum standards. To date, restrictive zoning laws and the imposition of moratoriums have not had a material adverse effect on our construction activities. However, in certain markets in which we operate, we believe that our growth has been hampered by the longer time periods necessary for our developers to move projects through the approval process.

Competition and Market Factors

The housing industry is highly competitive. We compete with numerous homebuilders of varying size, ranging from local to national in scope, some of which have greater financial resources than we do. We also face competition from the home resale market. Our homebuilding operations compete primarily on the basis of price, location, design, quality, service and reputation. We historically have been one of the market leaders in each of the markets where we build homes.

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

We are dependent upon building material suppliers for a continuous flow of raw materials. Whenever possible, we utilize standard products available from multiple sources. In the past, such raw materials have been generally available to us in adequate supply.

Mortgage Banking

We provide a number of mortgage related services to our homebuilding customers through our mortgage banking operations. Our mortgage banking operations also include separate subsidiaries that broker title insurance and perform title searches in connection with mortgage loan closings for which they receive commissions and fees. Because NVRM originates mortgage loans almost exclusively for our homebuilding customers, NVRM is dependent on our homebuilding segment. In 2005, NVRM closed approximately 11,300 loans with an aggregate principal amount of approximately $3.4 billion.

NVRM sells all of the mortgage loans it closes to investors in the secondary markets on a servicing released basis, typically within 30 days from the loan closing. NVRM is an approved seller/servicer for FNMA, GNMA, FHLMC, VA and FHA mortgage loans.

Competition and Market Factors

NVRM's main competition comes from national, regional, and local mortgage bankers, mortgage brokers, thrifts and banks in each of these markets. NVRM competes primarily on the basis of customer service, variety of products offered, interest rates offered, prices of ancillary services and relative financing availability and costs.

Regulation

NVRM is an approved seller/servicer of FNMA, GNMA, FHLMC, FHA and VA mortgage loans, and is subject to all of those agencies' rules and regulations. These rules and regulations restrict certain activities of NVRM. NVRM is currently eligible and expects to remain eligible to participate in such programs. In addition, NVRM is subject to regulation at the state and federal level with respect to specific origination, selling and servicing practices.

Pipeline

NVRM's mortgage loans in process that have not closed ("Pipeline") at December 31, 2005 and 2004, had an aggregate principal balance of $2.1 billion and $1.9 billion, respectively. Our cancellation rate was approximately 25% in 2005. Assuming that the cancellation rate in 2006 is consistent with that experienced in 2005, approximately 75% of the Pipeline at December 31, 2005 is expected to close in 2006. However, we can provide no assurance that the prior year cancellation rate is indicative of the actual cancellation rate that may occur in 2006. See Risk Factors in Item 1A.

Employees

At December 31, 2005, we employed 5,401 full-time persons, of whom 2,151 were officers and management personnel, 345 were technical and construction personnel, 1,039 were sales personnel, 823 were administrative personnel and 1,043 were engaged in various other service and labor activities. None of our employees are subject to a collective bargaining agreement and we have never experienced a work stoppage. We believe that our employee relations are good.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our principal Internet website can be found at *http://www.nvrinc.com.* We make available free of charge on or through our website, access to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after such material is electronically filed, or furnished, to the SEC.

Our website also includes a corporate governance section which contains the Company's Corporate Governance Guidelines, Code of Ethics, Board of Directors' Committee Charters for the Audit, Compensation, Corporate Governance, Nominating and Qualified Legal Compliance Committees, Policies and Procedures for the Consideration of Board of Director Candidates and Policies and Procedures on Securityholder Communications with the Board of Directors. Additionally, amendments to and waivers from a provision of the Code of Ethics that apply to NVR's principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions will be disclosed on our website.

In addition, you may request a copy of the foregoing filings (excluding exhibits), charters, guidelines and codes, and any waivers or amendments to such codes which are applicable to our executive officers, senior financial officers or directors, at no cost by writing to us at NVR, Inc., 11700 Plaza America Drive, Suite 500, Reston, VA 20190, Attention: Investor Relations Department or by telephoning us at (703) 956-4000.

Item 1A. Risk Factors.

Forward-Looking Statements

Some of the statements in this Form 10-K, as well as statements made by NVR, Inc. ("NVR") in periodic press releases or other public communications, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, 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 comparable terminology. All statements other than of historical facts are forward looking statements. Forward looking statements contained in this document include those regarding market trends, NVR's financial position, business strategy, projected plans and objectives of management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of NVR to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to the following: general economic and business conditions (on both a national and regional level); interest rate changes; access to suitable financing; competition; the availability and cost of land and other raw materials used by NVR in its homebuilding operations; shortages of labor; weather related slow-downs; building moratoriums; 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.

RISK FACTORS

Our business is affected by the risks generally incident to the residential construction business, including, but not limited to:

- actual and expected direction of interest rates, which affect our costs, the availability of construction financing, and long-term financing for potential purchasers of homes;
- the availability of adequate land in desirable locations on reasonable terms;
- unexpected changes in customer preferences; and
- changes in the national economy and in the local economies of the markets in which we have operations.

Interest rate movements, inflation and other economic factors can negatively impact our business.

High rates of inflation generally affect the homebuilding industry adversely because of their adverse impact on interest rates. High interest rates not only increase the cost of borrowed funds to homebuilders but also have a significant effect on housing demand and on the affordability of permanent mortgage financing to prospective purchasers. We are also subject to potential volatility in the price of commodities that impact costs of materials used in our homebuilding business. Increases in prevailing interest rates could have a material adverse effect on our sales, profitability, stock performance and ability to service our debt obligations.

Our financial results also are affected by the risks generally incident to our mortgage banking business, including interest rate levels, the impact of government regulation on mortgage loan originations and servicing and the need to issue forward commitments to fund and sell mortgage loans. Our homebuilding customers accounted for almost all of our mortgage banking business in 2005. The volume of our continuing homebuilding operations therefore affects our mortgage banking business.

Our operations may also be adversely affected by other economic factors within our markets such as negative changes in employment levels, job growth, and consumer confidence, one or all of which could result in reduced demand or price depression from current levels. Such negative trends could have a material adverse effect on homebuilding operations.

Our mortgage banking business also is affected by interest rate fluctuations. We also may experience marketing losses resulting from daily increases in interest rates to the extent we are unable to match interest rates and amounts on loans we have committed to originate with forward commitments from third parties to purchase such loans. Increases in interest rates may have a material adverse effect on our mortgage banking revenue, profitability, stock performance and ability to service our debt obligations.

These factors and thus, the homebuilding business, have at times in the past been cyclical in nature. Any downturn in the national economy or the local economies of the markets in which we operate could have a material adverse effect on our sales, profitability, stock performance and ability to service our debt obligations. In particular, approximately 38% of our home settlements during 2005 occurred in the Washington, D.C. and Baltimore, MD metropolitan areas, which accounted for 52% of our 2005 homebuilding revenues. Thus, we are dependent to a significant extent on the economy and demand for housing in those areas.

Our inability to secure and control an adequate inventory of lots could adversely impact our operations.

The results of our homebuilding operations are dependent upon our continuing ability to control an adequate number of homebuilding lots in desirable locations. There can be no assurance that an adequate supply of building lots will continue to be available to us on terms similar to those available in the past, or that we will not be required to devote a greater amount of capital to controlling building lots than we have historically. An insufficient supply of building lots in one or more of our markets, an inability of our developers to deliver finished lots in a timely fashion, or our inability to purchase or finance building lots on reasonable terms could have a material adverse effect on our sales, profitability, stock performance and ability to service our debt obligations.

If the market value of our inventory declines, our profit could decrease.

Inventory risk can be substantial for homebuilders. The market value of building lots and housing inventories can fluctuate significantly as a result of changing market conditions. In addition, inventory carrying costs can be significant and can result in losses in a poorly performing project or market. We must, in the ordinary course of our business, continuously seek and make acquisitions of lots for expansion into new markets as well as for replacement and expansion within our current markets. In the event of significant changes in economic or market conditions, we may dispose of certain subdivision inventories on a bulk or other basis which may result in a loss which could have a material adverse effect on our profitability, stock performance and ability to service our debt obligations.

Our current indebtedness may impact our future operations and our ability to access necessary financing.

Our homebuilding operations are dependent in part on the availability and cost of working capital financing, and may be adversely affected by a shortage or an increase in the cost of such financing. If we require working capital greater than that provided by our operations and our credit facility, we may be required to seek to increase the amount available under the facility or to obtain alternative financing. No assurance can be given that additional or replacement financing will be available on terms that are favorable or acceptable. If we are at any time unsuccessful in obtaining sufficient capital to fund our planned homebuilding expenditures, we may experience a substantial delay in the completion of any homes then under construction. Any delay could result in cost increases and could have a material adverse effect on our sales, profitability, stock performance, ability to service our debt obligations and future cash flows.

Our existing indebtedness contains financial and other restrictive covenants and any future indebtedness may also contain covenants. These covenants include limitations on our ability, and the ability of our subsidiaries, to incur additional indebtedness, pay cash dividends and make distributions, make loans and investments, enter into transactions with affiliates, effect certain asset sales, incur certain liens, merge or consolidate with any other person, or transfer all or substantially all of our properties and assets. Substantial losses by us or other action or inaction by us or our subsidiaries could result in the violation of one or more of these covenants which could result in decreased liquidity or a default on our indebtedness, thereby having a material adverse effect on our sales, profitability, stock performance and ability to service our debt obligations.

Our mortgage banking operations are dependent on the availability, cost and other terms of mortgage warehouse financing, and may be adversely affected by any shortage or increased cost of such financing. No assurance can be given that any additional or replacement financing will be available on terms that are favorable or acceptable. Our mortgage banking operations are also dependent upon the securitization market for mortgage-backed securities, and could be materially adversely affected by any fluctuation or downturn in such market.

Government regulations and environmental matters can negatively affect our operations.

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations that impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular area. We have from time to time been subject to, and may also be subject in the future to, periodic delays in our homebuilding projects due to building moratoriums in the areas in which we operate. Changes in regulations that restrict homebuilding activities in one or more of our principal markets could have a material adverse effect on our sales, profitability, stock performance and ability to service our debt obligations.

We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. We are subject to a variety of environmental conditions that can affect our business and our homebuilding projects. The particular environmental laws that apply to any given homebuilding site vary greatly according to the location and environmental condition of the site and the present and former uses of the site and adjoining properties. Environmental laws and conditions may result in delays, cause us to incur substantial compliance and other costs, or prohibit or severely restrict homebuilding activity in certain environmentally sensitive regions or areas, thereby adversely affecting our sales, profitability, stock performance and ability to service our debt obligations.

We are an approved seller/servicer of FNMA, GNMA, FHLMC, FHA and VA mortgage loans, and are subject to all of those agencies’ rules and regulations. Any significant impairment of our eligibility to sell/service these loans could have a material adverse impact on our mortgage operations. In addition, we are subject to regulation at the state and federal level with respect to specific origination, selling and servicing practices. Adverse changes in governmental regulation may have a negative impact on our mortgage loan origination business.

We face competition in our housing and mortgage banking operations.

The homebuilding industry is highly competitive. We compete with numerous homebuilders of varying size, ranging from local to national in scope, some of whom have greater financial resources than we do. We face competition:

- for suitable and desirable lots at acceptable prices;
- from selling incentives offered by competing builders within and across developments; and
- from the existing home resale market.

Our homebuilding operations compete primarily on the basis of price, location, design, quality, service and reputation. Historically we have been one of the leading homebuilders in each of the markets where we operate.

The mortgage banking industry is also competitive. Our main competition comes from national, regional and local mortgage bankers, thrifts, banks and mortgage brokers in each of these markets. Our mortgage banking operations compete primarily on the basis of customer service, variety of products offered, interest rates offered, prices of ancillary services and relative financing availability and costs.

There can be no assurance that we will continue to compete successfully in our homebuilding or mortgage banking operations. An inability to effectively compete may have an adverse impact on our sales, profitability, stock performance and ability to service our debt obligations.

A shortage of building materials or labor may adversely impact our operations.

The homebuilding business has from time to time experienced building material and labor shortages, including shortages in insulation, drywall, certain carpentry work and concrete, as well as fluctuating lumber prices and supply. In addition, high employment levels and strong construction market conditions could restrict the labor force available to our subcontractors and us in one or more of our markets. Significant increases in costs resulting from these shortages, or delays in construction of homes, could have a material adverse effect upon our sales, profitability, stock performance and ability to service our debt obligations.

Product liability litigation and warranty claims may adversely impact our operations.

Construction defect and home warranty claims are common and can represent a substantial risk for the homebuilding industry. The cost of insuring against construction defect and product liability claims, as well as the claims themselves, can be high. In addition, insurance companies limit coverage offered to protect against these claims. Further restrictions on coverage available, or significant increases in premium costs or claims could have a material adverse effect on our financial results.

Weather-related and other events beyond our control may adversely impact our operations.

Extreme weather or other events, such as hurricanes, tornadoes, earthquakes, forest fires, floods, terrorist attacks or war, may affect our markets, our operations and our profitability. These events may impact our physical facilities or those of our suppliers or subcontractors, causing us material increases in costs, or delays in construction of homes, which could have a material adverse effect upon our sales, profitability, stock performance and ability to service our debt obligations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate offices are located in Reston, Virginia, where we currently lease approximately 61,000 square feet of office space. The current executive office lease expires in April 2015.

We lease manufacturing facilities in the following six locations: Thurmont, Maryland; Burlington County, New Jersey; Farmington, New York; Kings Mountain, North Carolina; Darlington, Pennsylvania; and Portland, Tennessee. These facilities range in size from approximately 40,000 square feet to 400,000 square feet and combined total approximately 1,000,000 square feet of manufacturing space. All of our manufacturing facilities are leased. Each of these leases contain various options for extensions of the lease and for the purchase of the facility. The Portland lease expires in 2009. The Thurmont and Farmington leases expire in 2014, and the Kings Mountain and Burlington County leases expire in 2023 and 2024, respectively. The Darlington lease expires in 2025.

We also lease office space in multiple locations for homebuilding divisional offices and mortgage banking and title services branches under leases expiring at various times through 2011, none of which are individually material to our business. We anticipate that, upon expiration of existing leases, we will be able to renew them or obtain comparable facilities on acceptable terms.

Item 3. Legal Proceedings.

(in thousands)

We are involved in various claims and litigation arising principally in the ordinary course of business. At this time, we are not involved in any legal proceedings that we believe are likely to have a material adverse effect on our financial condition or results of operations.

In April 2005, the United States Environmental Protection Agency (the "EPA") notified NVR that the Company was allegedly in violation of Section 308(a) of the Clean Water Act (the "Act") at a construction site in Pennsylvania relative to storm water management during the homebuilding construction process. The notice informed NVR that the Company might be subject to administrative fines of up to $157 for the alleged violations. Subsequently, in September 2005, NVR received a request from the EPA pursuant to the Act for information about storm water discharge practices utilized in connection with other recent homebuilding projects undertaken by the Company. NVR is working with the EPA to provide the requested information and to review NVR's compliance with the Act. It is not known at this time whether the EPA will seek to take legal action or impose penalties in connection with the alleged violation at the construction site in Pennsylvania.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2005.

Executive Officers of the Registrant

Name	Age	Positions
Dwight C. Schar	64	Chairman of the Board of NVR
William J. Inman	58	President of NVRM
Paul C. Saville	50	President and Chief Executive Officer of NVR
Dennis M. Seremet	50	Vice President, Chief Financial Officer and Treasurer of NVR
Robert W. Henley	39	Vice President and Controller of NVR

Dwight C. Schar has been Chairman of the Board since September 30, 1993. Mr. Schar also served as the President and Chief Executive Officer of NVR from September 30, 1993 through June 30, 2005.

William J. Inman has been President of NVRM since January 1992.

Paul C. Saville was named President and Chief Executive Officer of NVR, effective July 1, 2005. Prior to July 1, 2005, Mr. Saville had served as Senior Vice President Finance, Chief Financial Officer and Treasurer of NVR since September 30, 1993 and Executive Vice President from January 1, 2002 through June 30, 2005.

Dennis M. Seremet was named Vice President, Chief Financial Officer and Treasurer of NVR, effective July 1, 2005. Prior to July 1, 2005, Mr. Seremet had been Vice President and Controller of NVR since April 1, 1995, and was named Senior Vice President on January 1, 2005.

Robert W. Henley was named Vice President and Controller of NVR effective July 1, 2005. Prior to July 1, 2005, Mr. Henley served as Manager of SEC Reporting from 1995 through 2000. In 2000, Mr. Henley was appointed to the position of Assistant Controller.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares of common stock are listed and principally traded on the American Stock Exchange ("AMEX"). The following table sets forth the high and low closing prices per share for our common stock for each fiscal quarter during the years ended December 31, 2005 and 2004:

	HIGH	LOW
Prices per Share:		
2005:		
First Quarter	$ 808.00	$ 709.00
Second Quarter	$ 810.00	$ 712.50
Third Quarter	$ 938.00	$ 799.50
Fourth Quarter	$ 886.00	$ 660.00
2004:		
First Quarter	$ 483.00	$ 414.50
Second Quarter	$ 492.00	$ 410.00
Third Quarter	$ 561.00	$ 452.75
Fourth Quarter	$ 769.40	$ 533.80

As of the close of business on February 10, 2006, there were 489 shareholders of record.

We have never paid a cash dividend on our shares of common stock. In addition, we do not expect to pay a cash dividend in the foreseeable future as we continue with our objective of increasing shareholder value by using earnings to fund continued growth in our homebuilding and mortgage banking operations. We may from time to time repurchase shares of our common stock to also further that objective. Our bank indebtedness contains certain restrictive covenants, which limit our ability to pay cash dividends on our common stock. See further discussion of the covenants in the Liquidity section of Part II, Item 7 of the Form 10-K.

We had two repurchase authorizations outstanding during the quarter ended December 31, 2005. On July 28, 2005 (the "July Authorization") and November 3, 2005 (the "November Authorization"), we publicly announced the Board of Director's approval for us to purchase up to an aggregate of $300 million of our common stock in one or more open market and/or privately negotiated transactions under each of the two authorizations. Neither the July Authorization nor the November Authorization has an expiration date. During the quarter ended December 31, 2005, we completed the utilization of the July Authorization. The following table provides information regarding common stock repurchases for the quarter ended December 31, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
October 1-31, 2005(1)	227,900	$ 754.99	227,900	$ 100,833
November 1-30, 2005 (1)	124,400	$ 688.79	124,400	$ 315,148
December 1-31, 2005 (2)	273,600	$ 710.27	273,600	$ 120,818

(1) All shares were purchased under the July Authorization.

(2) 20,845 shares were purchase under the July Authorization, and 252,755 shares were purchased under the November Authorization. This fully utilized the July Authorization. The aggregate $120,818 of our common stock that may yet be purchased relates solely to the November Authorization which was fully utilized in January 2006.

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

The following tables set forth selected consolidated financial data. The selected income statement and balance sheet data have been extracted from our consolidated financial statements for each of the periods presented and is not necessarily indicative of results of future operations. The selected financial data should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes included elsewhere in this report.

	Year Ended December 31,				
	2005	2004	2003	2002	2001
Consolidated Income Statement Data:					
Homebuilding data:					
Revenues	$5,177,743	$4,247,503	$3,600,917	$3,060,671	$2,559,744
Gross profit	1,439,713	1,091,217	889,056	725,302	557,454
Mortgage Banking data:					
Mortgage banking fees	84,604	72,219	76,647	65,454	52,591
Interest income	5,014	4,249	5,198	6,184	7,025
Interest expense	1,759	1,088	1,293	1,870	1,728
Consolidated data:					
Income from continuing operations	$ 697,559	$ 523,204	$ 419,791	$ 331,470	$ 236,794
Income from continuing operations per diluted share(1)	$ 89.61	$ 66.42	$ 48.39	$ 36.05	$ 24.86

	December 31,				
	2005	2004	2003	2002	2001
Consolidated Balance Sheet Data:					
Homebuilding inventory	$ 793,975	$ 588,540	$ 523,773	$ 436,674	$402,375
Contract land deposits	549,160	384,959	284,432	231,229	155,652
Total assets	2,269,588	1,777,967	1,363,105	1,182,288	995,047
Notes and loans payable	463,141	213,803	257,859	259,160	238,970
Shareholders' equity	677,162	834,995	494,868	403,245	349,118
Cash dividends per share	—	—	—	—	—

(1) For the years ended December 31, 2005, 2004, 2003, 2002 and 2001, income from continuing operations per diluted share was computed based on 7,784,382; 7,876,869; 8,674,363; 9,193,677 and 9,525,960 shares, respectively, which represents the weighted average number of shares and share equivalents outstanding for each year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(dollars in thousands, except per share data)

Results of Operations for the Years Ended December 31, 2005, 2004, and 2003

Overview

Our primary business is the construction and sale of single-family detached homes, townhomes and condominium buildings. To fully serve our homebuilding customers, we also operate a mortgage banking and title services business. We primarily conduct our operations in mature supply-constrained markets. Additionally, we generally grow our business through market share gains in our existing markets and by expanding into markets contiguous to our current active markets. We currently operate in the following regions:

Washington: Washington, D.C. metropolitan area and adjacent counties in Maryland, Virginia and West Virginia

Baltimore: Baltimore, MD metropolitan area and adjacent counties in Pennsylvania

North: Delaware, Kentucky, Maryland Eastern Shore, Michigan, New Jersey, New York, Ohio and Pennsylvania

South: North Carolina, South Carolina, Tennessee and Richmond, VA

We believe we operate our business with a conservative operating strategy. We do not engage in land development and primarily construct homes on a pre-sold basis. This strategy allows us to maximize inventory turnover, which enables us to minimize market risk and to operate with less capital, thereby enhancing rates of return on equity and total capital. In addition, we focus on obtaining and maintaining a leading market position in each market we serve. This strategy allows us to gain valuable efficiencies and competitive advantages in our markets, which we believe contributes to minimizing the adverse effects of regional economic cycles and provides growth opportunities within these markets.

Because we are not active in the land development business, our continued success is contingent upon our ability to control an adequate supply of finished lots on which to build, and on our developers' ability to timely deliver finished lots to meet the sales demands of our customers. Timely delivery of lots by our developers can be influenced by many factors, such as the developer's execution of improvements, weather-related impacts, and the length of time necessary to obtain governmental approval of projects. We have been impacted in the past year and may be negatively impacted in the future by development delays.

We acquire finished building lots at market prices from various development entities under fixed price purchase agreements ("purchase agreements"). These purchase agreements require deposits in the form of cash or letters of credit that may be forfeited if we fail to perform under the purchase agreement. However, we believe that this lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and development. As of December 31, 2005, we controlled approximately 105,000 lots with deposits in cash and letters of credit totaling approximately $600,000 and $17,000, respectively. We also controlled approximately 1,000 lots through investments in joint venture limited liability corporations.

Consolidated revenues and net income for 2005 increased 22% and 33%, respectively, from 2004. The increase in net income coupled with our continuing share repurchase program resulted in a 35% increase in diluted earnings per share in 2005 compared to 2004. The increase in consolidated revenues was primarily driven by our homebuilding business where we experienced an 8% increase in the number of homes settled and a 13% increase in the average settlement price in 2005 from 2004. In addition, the value of homes in backlog at December 31, 2005 exceeded the December 31, 2004 backlog value by 26%.

Homebuilding Segment

The following tables summarizes homebuilding settlements, new orders and backlog activity by region for each of the last three years:

	Year Ended December 31,		
	2005	2004	2003
Settlements:			
Washington	3,663	3,523	3,414
Baltimore	1,551	1,587	1,624
North	5,744	5,211	4,579
South	2,829	2,428	2,433
Total	13,787	12,749	12,050
Average settlement price	$ 374.9	$ 332.2	$ 297.9
New Orders:			
Washington	3,859	3,812	3,407
Baltimore	1,808	1,446	1,719
North	6,062	5,335	4,965
South	2,924	2,638	2,492
Total	14,653	13,231	12,583
Average new order price	$ 404.6	$ 364.1	$ 313.9

	Year Ended December 31,		
	2005	2004	2003
Backlog:			
Washington	2,749	2,553	2,227
Baltimore	1,073	816	1,038
North	3,067	2,749	2,581
South	1,421	1,254	1,044
Total	8,310	7,372	6,890
Average backlog price	$ 442.0	$ 394.2	$ 337.3

The following table summarizes the results of operations for each of the last three years for our homebuilding segment:

	Year Ended December 31,		
	2005	2004	2003
Revenues	$5,177,743	$4,247,503	$3,600,917
Cost of sales	$3,738,030	$3,156,286	$2,711,861
Gross profit margin percentage	27.8%	25.7%	24.7%
Selling, general and administrative expenses	$ 345,525	$ 260,795	$ 231,966

Revenues

Homebuilding revenues for 2005 increased 22% from 2004, primarily as a result of a 13% increase in the average settlement price and an 8% increase in the number of homes settled. Each of these increases was driven by a stronger backlog, both in value and units, at the beginning of 2005 as compared to the beginning of 2004 due to the company’s overall growth and our ability to raise prices year over year during a period of strong housing demand. We experienced increased home settlements year over year in each of our regions except Baltimore where settlements declined slightly from the prior year. Settlements in the Baltimore region were negatively affected by development delays throughout the first three quarters of 2005. The Baltimore region was able to resolve several of these development delays in the fourth quarter, and settlements for this region increased 24% in the fourth quarter of 2005 as compared to the same period in 2004.

Homebuilding revenues for 2004 increased 18% from 2003, primarily as a result of a 12% increase in the average settlement price to $332.2 in 2004 from $297.9 in 2003 and an increase of 6% in the number of homes settled to 12,749 in 2004 from 12,050 in 2003. The increase in average settlement prices was primarily attributable to a 9% higher average price of homes in backlog entering 2004 as compared to 2003 and to a 16% increase in the average price of homes sold during the first six months of 2004 as compared to the same period in 2003. The increase in the number of homes settled was primarily attributable to an 8% higher backlog at the beginning of 2004 as compared to the beginning of 2003.

New Orders

The number of new orders for 2005 increased 11% from 2004, and the value of new orders for 2005 increased 23% to $5,928,815 from $4,817,780 in 2004. The increase in the number of new orders was primarily attributable to an overall increase in the average number of active communities to 522 in 2005 as compared to 450 in 2004. Strong new order growth was experienced in each of our regions except the Washington region, which remained relatively flat with the prior year. Sales in the Washington region were negatively impacted by lower sales absorption during the second half of the year as compared to the same period in 2004 as a result of generally weaker market conditions within the region. The 23% increase in the value of new orders was attributable to both the aforementioned increase in the number of new orders and sustained housing demand year over year, which provided us the opportunity to raise selling prices, resulting in an 11% increase in the average selling price in 2005 as compared to 2004.

The number of new orders for 2004 increased 5% from 2003, while the value of new orders for 2004 increased 22% to $4,817,780 from $3,950,413 in 2003. The increase in the number of new orders was attributable to an overall increase in the average number of active communities to 450 in 2004 as compared to 433 in 2003. Increases year over year in new orders in the Washington, North and South regions were offset partially by a 9% decrease in new orders for the Baltimore region. This decrease resulted primarily from a 7% decrease in the average number of active communities in the Baltimore region year over year, attributable primarily to development delays. The 22% increase in the value of new orders was primarily attributable to the aforementioned increase in the number of new orders and strong housing demand which provided us the opportunity to raise selling prices, resulting in a 16% increase in the average selling price in 2004 as compared to 2003.

Gross Profit

The increase in gross profit margins of 210 basis points (2.1%) in 2005 from 2004 was primarily attributable to the aforementioned increases in average settlement prices year over year. These increases were partially offset by higher land and building commodity prices in 2005 as compared to 2004. Many of the end product building supplies used in our construction operations are impacted by higher, more volatile energy and petroleum costs, including: OSB sheathing; siding material; PVC piping, paint; asphalt; shingles; cement; gypsum; steel; glass and insulation. We are actively engaged in managing these cost increases to minimize their potential margin impact. However, gross margins in future periods may be adversely impacted by these higher costs, as well as expected pricing pressures in 2006 in many of our markets.

Gross profit margins for 2004 increased to 25.7% compared to 24.7% for 2003. The increase in profit margins was attributable to the favorable market conditions allowing us to increase sales prices in a majority of the markets leading to the aforementioned 12% increase in average settlement prices in 2004 as compared to 2003. These increases were partially offset by higher land, lumber and other commodity prices in 2004 as compared to 2003.

Selling, General and Administrative ("SG&A")

SG&A for 2005 increased $84,630, or 32% from 2004, and as a percentage of revenues, increased to 6.7% in 2005 from 6.1% in 2004. The increase in SG&A costs was primarily attributable to increases in personnel costs and selling and marketing costs of approximately $43,400 and $26,500, respectively. Personnel costs have increased primarily as a result of increased wages and management incentive compensation due to increased staffing levels to support our growth strategy. As of December 31, 2005, SG&A staffing levels had increased approximately 23% from December 31, 2004. The increase in selling and marketing costs were attributable to an increase in advertising and selling support costs due to the aforementioned increase in the average number of active communities year over year. SG&A costs in 2006 will be negatively impacted as a result of the implementation of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, ("SFAS 123R"), from which we expect to record after tax expense of approximately $36,000 for the year, based on unvested stock options outstanding at December 31, 2005 (see Recent Accounting Pronouncements section which follows within Item 7 for further discussion).

SG&A for 2004 increased 12% from 2003, but as a percentage of revenues, decreased to 6.1% in 2004 from 6.4% in 2003. The increase in SG&A costs was primarily attributable to increased personnel costs and selling and marketing costs of approximately $11,500 and $10,400, respectively, due to our continued growth.

Backlog

Backlog units and dollars were 8,310 and $3,673,221, respectively, at December 31, 2005 compared to backlog units of 7,372 and dollars of $2,906,041 at December 31, 2004. The increase in backlog units was due primarily to a 10% increase in the number of new orders for the six-month period ended December 31, 2005 as compared to the same period ended December 31, 2004. The 26% increase in backlog dollars was attributable to the 13% increase in backlog units and a 7% increase in the average price of new orders for the six-month period ended December 31, 2005 as compared to the same period in 2004.

Backlog units and dollars were 7,372 and $2,906,041, respectively, at December 31, 2004 compared to backlog units of 6,890 and dollars of $2,323,703 at December 31, 2003. The increase in backlog units was due primarily to a 6% increase in the number of new orders for the six-month period ended December 31, 2004 as compared to the same period ended December 31, 2003. The 25% increase in backlog dollars was attributable to the 7% increase in backlog units and a 16% increase in the average price of new orders for the six-month period ended December 31, 2004 as compared to the same period in 2003.

Mortgage Banking Segment

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 years ended December 31, 2005, 2004 and 2003:

	2005	2004	2003
Loan closing volume:			
Total principal	$3,388,118	$2,716,630	$2,369,867
Segment income:	$ 57,739	$ 50,862	$ 57,754
Capture rate:	87%	84%	83%
Mortgage Banking Fees:			
Net gain on sale of loans	$ 62,279	$ 52,858	$ 59,095
Title services	21,072	18,353	16,341
Servicing fees	1,253	1,008	1,197
Gain on sale of servicing	—	—	14
	$ 84,604	$ 72,219	$ 76,647

Loan closing volume for the year ended December 31, 2005 increased 25% from 2004. The 2005 increase was primarily attributable to a 15% increase in the average loan amount, and a year over year 9% increase in the number of units closed. The increase in the average loan amount reflects the aforementioned increase in the homebuilding segment's average selling prices. The unit increase for the year ended December 31, 2005 reflects an increase in the number of settlements by the homebuilding segment and an increase in the percentage of the number of loans closed for NVR's homebuyers who obtain a mortgage to purchase the home ("Capture Rate").

Segment income for the year ended December 31, 2005 increased approximately $6,900 from 2004. The increase was primarily due to an increase in mortgage banking fees attributable to the aforementioned increase in closed loan volume. This was net of an approximate $6,000 increase in general and administrative expenses during 2005. The increase in general and administrative expenses was primarily due to an increase in salaries and other personnel costs due to a 26% increase in the total number of NVRM employees in 2005 versus 2004. The additional staffing is to position NVRM for future growth and to increase the Capture Rate.

Traditionally, adjustable rate mortgages and brokered mortgages have been generally less profitable products than fixed rate mortgages. During 2004 and early 2005, we saw a shift to these less profitable products. However, in the second half of 2005, with the change in interest rates, the differential between fixed rate and adjustable rate mortgages narrowed, and we are now experiencing a favorable product mix shift back to fixed rate mortgages. We expect this product mix shift to continue into 2006.

Mortgage loans held for sale increased approximately $55,000 at December 31, 2005 compared to December 31, 2004. This was primarily due to a 46% increase in the December 2005 loan closing volume compared to December 2004. Mortgage loans held for sale are typically sold to third-party investors within 30 days from date of closing.

Loan closing volume for the year ended December 31, 2004 increased 14% from 2003. The 2004 increase is primarily attributable to a 12% increase in the average loan amount, and a year over year 2% increase in the number of units closed. The increase in the average loan amount reflects the aforementioned increase in the homebuilding segment's average selling prices. The unit increase for the year ended December 31, 2004 reflects an increase in the number of settlements by the homebuilding segment and a slight increase in the Capture Rate.

Segment income for the year ended December 31, 2004 decreased approximately $6,900 from 2003. The decrease was primarily due to a product mix shift during 2004 from fixed rate mortgages to adjustable rate mortgages and brokered mortgages. The decrease was also due to higher costs incurred of approximately $3,400 related to the contractual repayment of loan sale income to investors for loans that were paid in full within a set number of days following the sale of the loan. The decreases due to the product mix shift and contractual repayments was partially offset by the higher 2004 loan volume. General and administrative expenses also increased by approximately $1,800 from 2003 to 2004, largely due to an 15% increase in the total number of NVRM employees in 2004 versus 2003.

Seasonality

Overall, we do not experience material seasonal fluctuations in sales, settlements or loan closings.

Effective Tax Rate

Our consolidated effective tax rates were 39.0%, 40.0%, and 39.7% in 2005, 2004 and 2003, respectively. The lower effective tax rate in 2005 was primarily due to the favorable tax impact of the new Internal Revenue Code Section 199 domestic manufacturing deduction established by the American Jobs Creation Act of 2004.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, ("SFAS 123R"). SFAS 123R is a revision of SFAS 123 and supersedes APB No. 25. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes fair value as the measurement objective in accounting for share-based payment arrangements. In April 2005, the Securities and Exchange Commission amended the effective date for SFAS 123R. SFAS 123R is now effective as of the beginning of the first interim or annual reporting period of a registrant's first fiscal year beginning on or after June 15, 2005. SFAS 123R applies to all awards granted, modified, repurchased or cancelled after the effective date, and all outstanding portions of awards granted prior to the effective date which are unvested as of the effective date of the pronouncement.

Entities may adopt the provisions of SFAS 123R using either the modified prospective or modified retrospective methods. Under the modified prospective method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosure. For periods before the required effective date, the modified retrospective application may be applied to either (a) all prior years for which SFAS 123 was effective or (b) only to prior interim periods in the year of initial adoption, on a basis consistent with the pro forma disclosures required for those periods by SFAS 123. SFAS 123R becomes effective for us beginning in the first quarter of 2006. We plan to adopt the SFAS 123R using the modified prospective method. We expect our full year after tax expense to be approximately $36,000 in 2006 related to the implementation of SFAS 123R, based on unvested stock options outstanding at December 31, 2005.

Liquidity and Capital Resources

Lines of Credit and Notes Payable

Our 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"). During 2005, we increased the available borrowings under the Facility to $400,000 from $150,000 by refinancing our previous working capital agreement. The current Facility now provides for borrowings of up to $400,000 subject to certain borrowing base limitations. The Facility expires in December 2010 and outstanding amounts bear interest at either (i) the prime rate plus an Applicable Margin (as defined within the Facility) based on NVR's credit rating and/or debt to capital ratio or (ii) London Interbank Offering Rate ("LIBOR") plus applicable margin as defined above. The weighted-average interest rates for the amounts outstanding under the Facility were 5.9% and 4.0% for 2005 and 2004, respectively. Up to $150,000 of the Facility is currently available for issuance in the form of letters of credit, of which $26,412 was outstanding at December 31, 2005. The Facility contains various affirmative and negative covenants. The negative covenants include among others, certain limitations on transactions involving the creation of guarantees, sale of assets, acquisitions, mergers, investments and land purchases. Additional covenants include (i) a minimum adjusted consolidated tangible net worth requirement (ii) a maximum leverage ratio requirement, and (iii) an interest coverage ratio requirement. These covenants restrict the amount in which we would be able to pay in dividends each year. We are also subject to borrowing base restrictions if our senior debt rating falls below investment grade. At December 31, 2005 we were in compliance with all covenants under the Facility and there were no borrowing base limitations reducing the amount available to us for borrowings. At December 31, 2005, we had direct borrowings outstanding under the Facility of $103,000.

NVR's mortgage banking segment provides for its mortgage origination and other operating activities using cash generated from operations as well as various short-term credit facilities. NVRM has available an annually renewable mortgage warehouse facility (the "Revolving Credit Agreement") with an aggregate borrowing limit of $175,000. This limit was temporarily increased to $225,000 on December 15, 2005 to accommodate heavy year-end closing volume. The borrowing limit reverted back to $175,000 on January 15, 2006. The Revolving Credit Agreement is used to fund NVRM's mortgage origination activities, under which $156,816 was outstanding at December 31, 2005. As of December 31, 2005, borrowing base limitations reduced the amount available to NVRM for borrowings to approximately $184,500. The Revolving Credit Agreement expires in August 2006. The interest rate under the Revolving Credit Agreement is either: (i) LIBOR plus 1.125%, or (ii) 1.125% to the extent that NVRM provides compensating balances. The weighted average interest rate for amounts outstanding under the Revolving Credit Agreement was 4.4% during 2005. NVRM's mortgage warehouse facility limits the ability of NVRM to transfer funds to NVR in the form of dividends, loans or advances. In addition, NVRM is required to maintain a minimum net worth of $14,000. NVRM also currently has available an aggregate of $50,000 of borrowing capacity in an uncommitted gestation and repurchase agreement. Amounts outstanding under the uncommitted gestation and repurchase agreement accrue interest at various rates tied to the LIBOR rate and are collateralized by gestation mortgage-backed securities and whole loans. There were no borrowings under this uncommitted facility during 2005.

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

On June 17, 2003, we completed an offering, at par, for $200,000 of 5% Senior Notes due 2010 (the "Notes") under the 1998 Shelf Registration. The offering of the Notes resulted in aggregate net proceeds of approximately $199,400, 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 our existing and future unsecured senior indebtedness and indebtedness under our working capital credit facility. The Notes are senior in right of payment to any future subordinated indebtedness that we may incur. We may redeem the Notes, in whole or in part, at any time upon not less than 30 nor more than 60 days notice at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed, or (b) the discounted present value of the remaining scheduled payments of the Notes to be redeemed, plus, in each case, accrued and unpaid interest.

On July 14, 2003, we 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 charge to pre-tax homebuilding income of $8,503.

On May 27, 2004, we filed a shelf registration statement (the "2004 Shelf Registration") with the SEC to register up to $1,000,000 for future offer and sale of debt securities, common shares, preferred shares, depositary shares representing preferred shares and warrants. The SEC declared the 2004 Shelf Registration effective on June 15, 2004. NVR expects to use the proceeds received from future offerings issued under the 2004 Shelf Registration for general corporate purposes. In addition, we have $55,000 remaining available for issuance under the 1998 Shelf Registration. This discussion of our shelf registration capacity does not constitute an offer of any securities for sale.

Equity Repurchases

In addition to funding growth in our homebuilding and mortgage banking operations, we historically have used a substantial portion of our excess liquidity to repurchase outstanding shares of our common stock in open market and privately negotiated transactions. This ongoing repurchase activity is conducted pursuant to publicly announced Board authorizations, and is typically executed in accordance with the safe-harbor provisions of Rule 10(b)-18 of the Securities and Exchange Act of 1934. The repurchase program assists us in accomplishing our primary objective, creating increases in shareholder value. See Part II, Item 5 of the Form 10-K for disclosure of amounts repurchased during the fourth quarter of 2005. For the year ended December 31, 2005, we repurchased approximately 1,269,000 shares of our common stock at an aggregate purchase price of $962,609. We repurchased approximately 162,000 shares of our common stock at an aggregate purchase price of $120,818 during January 2006, which fully utilized all available share repurchase authorizations.

Cash Flows

As shown in the consolidated statement of cash flows for the year ended December 31, 2005, our operating activities provided cash of $532,772. Cash was provided primarily by homebuilding operations and by the realization of a tax benefit of approximately $94,000 from employee stock-based compensation activities. These tax benefits were recorded directly to equity and reduced estimated tax payments during the year. Cash was also provided by a $53,000 increase in customer deposits resulting primarily from the increase in backlog units in 2005 as compared to 2004. Cash was used primarily to fund increases in homebuilding and mortgage loan inventory of approximately $202,000 and $55,000, respectively, and to make deposits on fixed price purchase agreements with developers to acquire control of finished lots. The increase in contract land deposits of approximately $196,000 related to both payments for new, fixed price purchase agreements and to scheduled payments under existing contracts upon achievement of development milestones. We control approximately 105,000 lots at December 31, 2005, as compared to approximately 83,500 lots at December 31, 2004.

Net cash used for investing activities was $22,097 for the year ended December 31, 2005, primarily as a result of approximately $19,000 in property and equipment purchases throughout the period. In addition, on January 1, 2005 we purchased substantially all of the assets and assumed certain liabilities of Marc Homebuilders, Inc., a homebuilder in Columbia, South Carolina for $7,600 in cash (see Note 11 to the consolidated financial statements). The acquired business operates under the Rymarc trade name.

Net cash used for financing activities was $700,514 for the year ended December 31, 2005, primarily as a result of our ongoing common stock repurchase program, offset by a net increase of approximately $249,000 under our credit lines. We repurchased approximately 1,269,000 shares of our common stock in 2005 for an aggregate purchase price of $962,609.

At December 31, 2005, the homebuilding and mortgage banking segments had restricted cash of $5,135 and $1,738, respectively, which includes certain customer deposits, mortgagor tax escrows, insurance escrows, completion escrows and other amounts collected at closing which relates to mortgage loans held for sale and to home sales.

We believe that cash generated from operations and borrowings available under our credit facilities and the public debt markets will be sufficient to satisfy near and longer term cash requirements for working capital and debt service in both our homebuilding and mortgage banking operations.

Off Balance Sheet Arrangements

Lot Acquisition Strategy

We do not engage in the land development business. Instead, we acquire finished building lots at market prices from various development entities under fixed price purchase agreements that require deposits that may be forfeited if we fail 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 up to 10%, of the aggregate purchase price of the finished lots.

Our lot acquisition strategy reduces the financial requirements and risks associated with direct land ownership and land development. We may, at our option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of our intent not to acquire the finished lots under contract. Our 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 agreements. We do not have any financial guarantees or completion obligations and, with the exception of three specific performance contracts for 80 lots at an aggregate purchase price of approximately $7,100 existing at December 31, 2005, we do not guarantee specific performance under these purchase agreements.

At December 31, 2005, we controlled approximately 105,000 lots with an aggregate purchase price of approximately $10,000,000, by making or committing to make deposits of approximately $831,000 in the form of cash and letters of credit. Our entire risk of loss pertaining to the aggregate $10,000,000 contractual commitment resulting from our non-performance under the contracts is limited to the $831,000 deposit amount. Of the $831,000 deposit total, approximately $600,000 in cash and approximately $17,000 in letters of credit have been issued as of December 31, 2005, and $214,000 will be paid subsequent to December 31, 2005, assuming that contractual development milestones are met by the developers (see Contractual Obligations section below). Please refer to Note 3 to the consolidated financial statements for a description of our lot acquisition strategy in relation to our accounting under FIN 46R, *Consolidation of Variable Interest Entities.*

Bonds and Letters of Credit

We enter into bond or letter of credit arrangements with local municipalities, government agencies, or land developers to collateralize our obligations under various contracts. We had $33,325 of contingent obligations under such agreements as of December 31, 2005 (inclusive of the $17,000 of lot acquisition deposits in the form of letters of credit discussed above). We believe we will fulfill our obligations under the related contracts and do not anticipate any losses under these bonds or letters of credit.

Mortgage Commitments and Forward Sales

In the normal course of business, our mortgage banking segment enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by us. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, we enter into optional or mandatory delivery forward sale contracts to sell whole loans and mortgage-backed securities to broker/dealers. The forward sale contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments classified as derivatives. Both the rate lock commitments to borrowers and the forward sale contracts to broker/dealers are undesignated derivatives, and, accordingly, are marked to market through earnings. At December 31, 2005, there were contractual commitments to extend credit to borrowers aggregating approximately $140,000, and open forward delivery sale contracts aggregating approximately $322,000.

Contractual Obligations

Our fixed, non-cancelable obligations as of December 31, 2005, were as follows:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt (a)	$504,816	$269,816	$ 20,000	$215,000	$ —
Capital leases (b)	5,753	586	1,228	1,281	2,658
Operating leases (c)	120,230	27,589	34,928	21,737	35,976
Purchase obligations (d)	214,000	*	*	*	*
Executive officer employment contracts (e)	15,700	3,140	6,280	6,280	—
Other long-term liabilities (f)	64,285	59,315	4,970	—	—
Total	$924,784	$360,446	$ 67,406	$244,298	$ 38,634

(a) Payments include interest payments due on the 5% Senior Notes due 2010. See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding debt and related matters.

(b) The present value of these obligations is included on the Consolidated Balance Sheets. See Note 6 of the Notes to the Consolidated Financial Statements for additional information regarding capital lease obligations.

(c) See Note 10 of the Notes to Consolidated Financial Statements for additional information regarding operating leases.

(d)(*) Amounts represent required payments of forfeitable deposits with land developers under existing, fixed price purchase agreements, assuming that contractual development milestones are met by the developers. We expect to make all payments of these deposits within the next three years but due to the nature of the contractual development milestones that must be met, we are unable to accurately estimate the portion of the deposit obligation that will be made within one year and that portion that will be made within one to three years. In addition to the $214,000 to be paid pursuant to the prior discussion, as of December 31, 2005, we had capitalized forfeitable deposits for fixed price purchase agreements with developers totaling $599,530, and outstanding letters of credit of approximately $17,000.

(e) We have entered into employment agreements with four of our executive officers. Each of the agreements expires on January 1, 2011 and provides for payment of a minimum base salary, which may be increased at the discretion of the Compensation Committee of NVR's Board of Directors (the "Compensation Committee"), and annual incentive compensation of up to 100% of base salary upon achievement of annual performance objectives established by the Compensation Committee. The agreements also provide for payment of severance benefits upon termination of employment, in amounts ranging from $0 to two times the executive officer's then annual base salary, depending on the reason for termination, plus up to $60 in outplacement assistance. Accordingly, total payments under these agreements will vary based on length of service, any future increases to base salaries, annual incentive payments earned, and the reason for termination. The agreements have been reflected in the above table assuming the continued employment of the executive officers for the full term of the respective agreements, and at the executive officers' current base salaries. The above balances do not include any potential annual incentive compensation. The actual amounts paid could differ from that presented.

(f) Amounts represent payments due under incentive compensation plans and are included on the Consolidated Balance Sheets, $3,730 of which is recorded in the Mortgage Banking accounts payable and other liabilities line item.

Critical Accounting Policies

General

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate the estimates we use to prepare the consolidated financial statements, and update those estimates as necessary. In general, our estimates are based on historical experience, on information from third party professionals, and other various assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ materially from those estimates made by management.

Variable Interest Entities

Revised Financial Interpretation No. 46 ("FIN 46R"), *Consolidation of Variable Interest Entities*, which was effective for us as of March 31, 2004, requires the primary beneficiary of a variable interest entity to consolidate that entity on its financial statements. 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. Expected losses are the expected negative variability in the fair value of an entity's net assets exclusive of its variable interests, and expected residual returns are the expected positive variability in the fair value of an entity's net assets, exclusive of its variable interests.

Forward contracts, such as the fixed price purchase agreements utilized by us to acquire finished lot inventory, are deemed to be variable interests under FIN 46R. Therefore, the development entities with which we enter fixed price purchase agreements are examined under FIN 46R for possible consolidation by us, including certain joint venture limited liability corporations ("LLC's") utilized by us to acquire finished lots on a limited basis. We have developed a methodology to determine whether we, or, conversely, the owner(s) of the applicable development entity, are the primary beneficiary of a development entity. The methodology used to evaluate our primary beneficiary status requires substantial management judgment and estimates. These judgments and estimates involve assigning probabilities to various estimated cash flow possibilities relative to the development entity's expected profits and losses and the cash flows associated with changes in the fair value of finished lots under contract. Although we believe that our accounting policy is designed to properly assess our primary beneficiary status relative to our involvement with the development entities from which we acquire finished lots, changes to the probabilities and the cash flow possibilities used in our evaluation could produce widely different conclusions regarding whether we are or are not a development entity's primary beneficiary, possibly resulting in additional, or fewer, development entities being consolidated on our financial statements.

Homebuilding Inventory

The carrying value of inventory is stated at the lower of cost or market value. Cost of lots and completed and uncompleted housing units represent the accumulated actual cost of the units. Field construction supervisors' salaries and related direct overhead expenses are included in inventory costs. Interest costs are not capitalized into inventory. Upon settlement, the cost of the unit is expensed on a specific identification basis. Cost of manufacturing materials is determined on a first-in, first-out basis. Recoverability and impairment, if any, is primarily evaluated by analyzing sales of comparable assets. We believe that our accounting policy is designed to properly assess the carrying value of homebuilding inventory.

Contract Land Deposits

We purchase finished lots under fixed price purchase agreements that require deposits that may be forfeited if we fail to perform under the contract. The deposits are in the form of cash or letters of credit in varying amounts and represent a percentage of the aggregate purchase price of the finished lots. We maintain an allowance for losses on contract land deposits that we believe is sufficient to provide for losses in the existing contract land deposit portfolio. The allowance reflects our judgment of the present loss exposure at the end of the reporting period, considering market and economic conditions, sales absorption and profitability within specific communities and terms of the various contracts. Although we consider the allowance for losses on contract land deposits reflected on the December 31, 2005 balance sheet to be adequate, there can be no assurance that this allowance will prove to be adequate over time to cover losses due to unanticipated adverse changes in the economy or other events adversely affecting specific markets or the homebuilding industry.

Intangible Assets

Reorganization value in excess of identifiable assets ("excess reorganization value"), goodwill, and indefinite life intangible assets are not subject to amortization under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Rather, excess reorganization value, goodwill, and other intangible assets are subject to at least an annual assessment for impairment by applying a fair-value based test. We continually evaluate whether events and circumstances have occurred that indicate that the remaining value of excess reorganization value, goodwill, and other intangible assets may not be recoverable. We completed the annual assessment of impairment during the first quarter of 2005, and as of December 31, 2005, we believe that excess reorganization value, goodwill, and other intangible assets were not impaired. This conclusion is based on management's judgment, considering such factors as our history of operating success, our well-recognized brand names, and the significant positions held in the markets in which we operate. However, changes in strategy or adverse changes in market conditions could impact this judgment and require an impairment loss to be recognized for the amount that the carrying value of excess reorganization value, goodwill, and/or other intangible assets exceeds their fair value.

Warranty/Product Liability Accruals

Warranty and product liability accruals are established to provide for estimated future costs as a result of construction and product defects, product recalls and litigation incidental to our business. Liability estimates are determined based on our 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. Although we consider the warranty and product liability accrual reflected on the December 31, 2005 balance sheet (see Note 10 to the consolidated financial statements) to be adequate, there can be no assurance that this accrual will prove to be adequate over time to cover losses due to increased costs for material and labor, the inability or refusal of manufacturers or subcontractors to financially participate in corrective action, unanticipated adverse legal settlements, or other unanticipated changes to the assumptions used to estimate the warranty and product liability accrual.

Impact of Inflation, Changing Prices and Economic Conditions

See Risk Factors included in Item 1A herein.

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

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

Our mortgage banking segment is exposed to interest rate risk as it relates to its lending activities. The mortgage banking segment originates mortgage loans, which are either sold through optional or mandatory forward delivery contracts into the secondary markets. All of the mortgage banking segment's loan portfolio is held for sale and subject to forward sale commitments. NVRM also sells substantially all of its mortgage servicing rights on a servicing released basis.

Our homebuilding segment generates operating liquidity and acquires capital assets through fixed-rate and variable-rate debt. The homebuilding segment's primary debt is a variable-rate working capital revolving credit facility that currently provides for unsecured borrowings up to $400,000, subject to certain borrowing base limitations. The Facility expires in December 2010 and outstanding amounts bear interest at either (i) the prime rate plus an Applicable Margin (as defined within the Facility) based on NVR's credit rating and/or debt to capital ratio or (ii) LIBOR plus applicable margin as defined above. The weighted-average interest rates for the amounts outstanding under the Facility were 5.9% and 4.0% for 2005 and 2004, respectively.

NVRM generates operating liquidity primarily through the mortgage warehouse facility, which had a borrowing limit of $225,000 at December 31, 2005. The available borrowing limit was reduced to $175,000 on January 15, 2006. The mortgage warehouse facility is used to fund its mortgage origination activities. The interest rate under the mortgage warehouse facility is either: (i) LIBOR plus 1.125%, or (ii) 1.125% to the extent that NVRM provides compensating balances. The weighted-average interest rate for amounts outstanding under the mortgage warehouse facility was 4.4% during 2005.

The following table represents the contractual balances of our on-balance sheet financial instruments in dollars at the expected maturity dates, as well as the fair values of those on-balance sheet financial instruments, at December 31, 2005. The expected maturity categories take into consideration the actual and anticipated amortization of principal and does not take into consideration the reinvestment of cash or the refinancing of existing indebtedness. Because we sell all of the mortgage loans we originate into the secondary markets, we have made the assumption that the portfolio of mortgage loans held for sale will mature in the first year. Consequently, outstanding warehouse borrowings and repurchase facilities are also assumed to mature in the first year.

Maturities (000's)

	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value
Mortgage banking segment								
Interest rate sensitive assets:								
Mortgage loans held for sale	$194,157	—	—	—	—	—	$194,157	$194,206
Average interest rate	7.2%	—	—	—	—	—	7.2%	
Interest rate sensitive liabilities:								
Variable rate warehouse line of credit	$156,816	—	—	—	—	—	$156,816	$156,816
Average interest rate (a)	5.5%	—	—	—	—	—	5.5%	
Other:								
Forward trades of mortgage-backed securities (b)	$ (331)	—	—	—	—	—	$ (331)	$ (331)
Forward loan commitments (b)	57	—	—	—	—	—	57	57
Homebuilding segment								
Interest rate sensitive liabilities:								
Fixed rate obligations (c)	$ 161	$215	$244	$302	$200,353	$2,050	$203,325	$199,665
Average interest rate	5.1%	5.1%	5.1%	5.1%	5.2%	13.2%	5.2%	
Variable rate credit facility	$103,000	—	—	—	—	—	$103,000	$103,000
Average interest rate	5.7%	—	—	—	—	—	5.7%	

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

(b) Represents the fair value recorded pursuant to SFAS 133.

(c) The $200,353 maturing in 2010 includes $200,000 for NVR's 5% Senior Notes due June 2010.

Item 8. Financial Statements and Supplementary Data.

The financial statements listed in Item 15 are filed as part of this report and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934.

Based on that evaluation, the principal executive officer and principal financial officer concluded that the design and operation of these disclosure controls and procedures as of December 31, 2005 were effective to ensure that information required to be disclosed in our reports under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our 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, our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Item 10 is hereby incorporated by reference to our Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2006. Reference is also made regarding the executive officers of the registrant to "Executive Officers of the Registrant" following Item 4 of Part I of this report.

Item 11. Executive Compensation.

Item 11 is hereby incorporated by reference to our Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2006.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security ownership of certain beneficial owners and management is hereby incorporated by reference to our Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2006.

Equity Compensation Plan Information

The table below sets forth information as of the end of our 2005 fiscal year for (i) all equity compensation plans approved by our shareholders and (ii) all equity compensation plans not approved by our shareholders:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	1,118,280	$339.46	175,195
Equity compensation plans not approved by security holders	1,966,739	$222.74	36,956
Total	3,085,019	$265.05	212,151

Equity compensation plans approved by our shareholders include the NVR, Inc. Management Equity Incentive Plan, the NVR, Inc. Management Long-Term Stock Option Plan, the NVR, Inc. 1998

Management Long-Term Stock Option Plan, the NVR, Inc. Directors' Long-Term Stock Option Plan, the 1998 Directors' Long-Term Stock Option Plan, and the 2005 Stock Option Plan. Equity compensation plans that have not been approved by our shareholders include the NVR, Inc. 1994 Management Equity Incentive Plan and the NVR, Inc. 2000 Broadly-Based Stock Option Plan. See Note 9 of the *Notes to Consolidated Financial Statements* for a description of each of NVR's equity compensation plans.

Item 13. Certain Relationships and Related Transactions.

Item 13 is hereby incorporated by reference to our Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2006.

Item 14. Principal Accountant Fees and Services.

Item 14 is hereby incorporated by reference to our Proxy Statement expected to be filed with the Securities and Exchange Commission on or prior to April 30, 2006.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this report:

1. Financial Statements

NVR, Inc. — Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Exhibits

Exhibit Number	*Description*
3.1	Restated Articles of Incorporation of NVR, Inc. ("NVR"). Filed as Exhibit 2 to Amendment No. 1 to Form 8-A filed on June 14, 2004 and incorporated herein by reference.
3.2	Bylaws, as amended, of NVR, Inc. Filed as Exhibit 3.1 to Form 8-K filed on November 3, 2005 and incorporated herein by reference.
4.1	Indenture dated as of April 14, 1998 between NVR, as issuer and the Bank of New York as trustee. Filed as Exhibit 4.3 to NVR's Current Report on Form 8-K filed April 23, 1998 and incorporated herein by reference.
4.2	Form of Note (included in Indenture filed as Exhibit 4.1).
4.3	Fourth Supplemental Indenture, dated June 17, 2003, between NVR and U.S. Bank Trust National Association, as successor to The Bank of New York, as trustee. Filed as Exhibit 4.1 to NVR's Current Report on Form 8-K filed June 17, 2003 and incorporated herein by reference.
4.4	Form of Note (included in Indenture filed as Exhibit 4.3).

Exhibit Number	*Description*
10.1*	Employment Agreement between NVR, Inc. and Dwight C. Schar dated July 1, 2005. Filed as Exhibit 10.1 to NVR's Form 8-K filed on June 29, 2005 and incorporated herein by reference 2.1
10.2*	Employment Agreement between NVR, Inc. and Paul C. Saville dated July 1, 2005. Filed as Exhibit 10.2 to NVR's Form 8-K filed on June 29, 2005 and incorporated herein by reference.
10.3*	Employment Agreement between NVR, Inc. and Dennis M. Seremet dated July 1, 2005. Filed as Exhibit 10.3 to NVR's Form 8-K filed on June 29, 2005 and incorporated herein by reference.
10.4*	Employment Agreement between NVR, Inc. and William J. Inman dated July 1, 2005. Filed as Exhibit 10.4 to NVR's Form 8-K filed on June 29, 2005 and incorporated herein by reference.
10.5*	Profit Sharing Plan of NVR, Inc. and Affiliated Companies. Filed as Exhibit 4.1 to NVR's Registration Statement on Form S-8 (No. 333-29241) filed June 13, 1997 and incorporated herein by reference.
10.6	Loan Agreement dated as of September 7, 1999 among NVR Mortgage Finance, Inc. ("NVR Finance") and US Bank National Association, as Agent, and the other lenders party thereto. Filed as Exhibit 10.6 to NVR's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.
10.7*	NVR, Inc. Equity Purchase Plan. Filed as Exhibit 10.10 to the 1993 Registration Statement and incorporated herein by reference.
10.8*	NVR, Inc. Directors Long-Term Incentive Plan. Filed as Exhibit 10.11 to NVR's 1993 Registration Statement and incorporated herein by reference.
10.9*	NVR, Inc. Management Equity Incentive Plan. Filed as Exhibit 10.2 to NVR's 1993 Registration Statement and incorporated herein by reference.
10.10*	Employee Stock Ownership Plan of NVR, Inc. Incorporated by reference to NVR's Annual Report on Form 10-K/A for the year ended December 31, 1994.
10.11*	NVR, Inc. 1994 Management Equity Incentive Plan. Filed as Exhibit to NVR's Annual Report filed on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
10.12*	NVR, Inc. 1998 Management Long-Term Stock Option Plan. Filed as Exhibit 4 to NVR's Registration Statement on Form S-8 (No. 333-79951) filed June 4, 1999 and incorporated herein by reference.
10.13*	NVR, Inc. 1998 Directors' Long-Term Stock Option Plan. Filed as Exhibit 4 to NVR's Registration Statement on Form S-8 (No. 333-79949) filed June 4, 1999 and incorporated herein by reference.
10.14*	The Form of Non-Qualified Stock Option Agreement under the 1998 Directors' Long-Term Stock Option Plan. Filed as Exhibit 10.1 to NVR's Form 8-K filed on August 3, 2005 and incorporated herein by reference.
10.15*	NVR, Inc. Management Long-Term Stock Option Plan. Filed as Exhibit 99.3 to NVR's Registration Statement on Form S-8 (No. 333-04975) filed May 31, 1996 and incorporated herein by reference.
10.16*	NVR, Inc. Directors' Long-Term Stock Option Plan. Filed as Exhibit 99.3 to NVR's Registration Statement on Form S-8 (No. 333-04989) filed May 31, 1996 and incorporated herein by reference.

Exhibit Number	*Description*
10.17*	NVR, Inc. 2000 Broadly-Based Stock Option Plan. Filed as Exhibit 99.1 to NVR's Registration Statement on Form S-8 (No. 333-56732) filed March 8, 2001 and incorporated herein by reference.
10.18*	The NVR, Inc. 2005 Stock Option Plan. Filed herewith.
10.19*	The Form of Non-Qualified Stock Option Agreement under the 2005 Stock Option Plan. Filed herewith.
10.20*	NVR, Inc. High Performance Compensation Plan dated as of January 1, 1996. Filed as Exhibit 10.30 to NVR's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference.
10.21*	NVR, Inc. High Performance Compensation Plan No. 2 dated as of January 1, 1999. Filed as Exhibit 10.31 to NVR's Annual Report filed on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.
10.22*	NVR, Inc. Nonqualified Deferred Compensation Plan. Filed as Exhibit 10.1 to NVR's Form 8-K filed on December 16, 2005 and incorporated herein by reference.
10.23	Mortgage Loan Purchase and Sale Agreement between Greenwich Capital Financial Products, Inc. and NVR Finance, dated as of July 22, 1998. Filed as Exhibit 10.34 to NVR's Annual Report filed on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference.
10.24	Second Amendment to Loan Agreement and Second Amendment to Pledge and Security Agreement dated September 1, 2000 between NVR Finance and U.S. Bank National Association, as agent, and other Lenders party thereto. Filed as Exhibit 10.36 to NVR's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
10.25	Agreement to increase commitments under the NVR Mortgage Finance Warehouse Facility by and among NVR Finance, Comerica Bank, National City Bank of Kentucky, and U.S. Bank National Association dated as of September 28, 2001. Filed as Exhibit 10.22 to NVR's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference.
10.26	Eighth Amendment to Loan Agreement dated as of August 15, 2002 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, Guaranty Bank, Bank One, NA, Comerica Bank, National City Bank of Kentucky and JPMorgan Chase Bank. Filed as Exhibit 10.26 to NVR's Annual Report on Form 10-K for the period ended December 31, 2002 and incorporated herein by reference.
10.27	Ninth Amendment to Loan Agreement dated as of April 16, 2003 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, Guaranty Bank, Bank One, NA, Comerica Bank, National City Bank of Kentucky and JPMorgan Chase Bank. Filed as Exhibit 10.28 to NVR's Annual Report on Form 10-K for the period ended December 31, 2003 and incorporated herein by reference.
10.28	Tenth Amendment to Loan Agreement dated as of August 28, 2003 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, Guaranty Bank, Bank One, NA, Comerica Bank, National City Bank of Kentucky and JPMorgan Chase Bank. Filed as Exhibit 10.29 to NVR's Annual Report on Form 10-K for the period ended December 31, 2003 and incorporated herein by reference.
10.29	Eleventh Amendment to Loan Agreement dated as of August 26, 2004 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, Guaranty Bank, Comerica Bank, National City Bank of Kentucky and JPMorgan Chase Bank. Filed as Exhibit 10.1 to NVR's Current Report on Form 8-K filed August 27, 2004 and incorporated herein by reference.

Exhibit Number	*Description*
10.30	Thirteenth Amendment to Loan Agreement dated as of August 25, 2005 between NVR Mortgage Finance, Inc. and U.S. Bank National Association, Guaranty Bank, Comerica Bank, National City Bank of Kentucky and JPMorgan Chase Bank. Filed as Exhibit 10.1 to NVR's Form 8-K filed August 25, 2005 and incorporated herein by reference.
10.31	Credit Agreement dated as of December 7, 2005 among NVR, Inc. and the lenders party hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, U.S. Bank, National Association, as Syndication Agent, SunTrust Bank and Wachovia Bank, National Association, as Documentation Agents, AmSouth Bank, Comerica Bank, Calyon New York Branch and Mizuho Corporate Bank, Ltd., as Managing Agents, and J.P. Morgan Securities Inc., as Lead Arranger and Sole Book Runner. Filed as Exhibit 10.1 to NVR's Form 8-K filed December 12, 2005 and incorporated herein by reference.
10.33*	Description of the Board of Directors' compensation arrangement. Filed as Exhibit 10.27 to NVR's Annual Report on Form 10-K for the period ended December 31, 2004 and incorporated herein by reference.
10.34*	Summary of 2006 annual incentive plan. Filed herewith.
21	NVR, Inc. Subsidiaries. Filed herewith.
23	Consent of KPMG LLP (Independent Registered Public Accounting Firm). Filed herewith.
31.1	Certification of NVR's Chief Executive Officer pursuant to Rule 13a-14(a). Filed herewith.
31.2	Certification of NVR's Chief Financial Officer pursuant to Rule 13a-14(a). Filed herewith.
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. Filed herewith.

* Exhibit is a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NVR, Inc.

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

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

Signature	Title	Date
/s/ Dwight C. Schar Dwight C. Schar	Executive Chairman	February 23, 2006
/s/ C. Scott Bartlett, Jr. C. Scott Bartlett, Jr.	Director	February 23, 2006
/s/ Robert C. Butler Robert C. Butler	Director	February 23, 2006
/s/ Timothy M. Donahue Timothy M. Donahue	Director	February 23, 2006
/s/ Manuel H. Johnson Manuel H. Johnson	Director	February 23, 2006
/s/ William A. Moran William A. Moran	Director	February 23, 2006
/s/ David A. Preiser David A. Preiser	Director	February 23, 2006
/s/ George E. Slye George E. Slye	Director	February 23, 2006
/s/ John M. Toups John M. Toups	Director	February 23, 2006
/s/ Paul C. Saville Paul C. Saville	Principal Executive Officer	February 23, 2006
/s/ Dennis M. Seremet Dennis M. Seremet	Principal Financial Officer	February 23, 2006
/s/ Robert W. Henley Robert W. Henley	Principal Accounting Officer	February 23, 2006

<u>Report of Independent Registered Public Accounting Firm</u>

The Board of Directors and Shareholders

NVR, Inc.:

We have audited the accompanying consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NVR, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of NVR, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

McLean, Virginia
February 23, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

NVR, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, included in Item 9A to the Company's 2005 Form 10-K, that NVR, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that NVR, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, NVR, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated February 23, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

McLean, Virginia
February 23, 2006

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

	December 31, 2005	December 31, 2004
ASSETS		
Homebuilding:		
Cash and cash equivalents	$ 170,090	$ 362,458
Receivables	40,562	14,020
Inventory:		
Lots and housing units, covered under sales agreements with customers	723,657	538,770
Unsold lots and housing units	60,419	40,052
Manufacturing materials and other	9,899	9,718
	793,975	588,540
Assets not owned, consolidated per FIN 46R	275,306	89,924
Property, plant and equipment, net	31,096	25,330
Reorganization value in excess of amounts allocable to identifiable assets, net	41,580	41,580
Goodwill and indefinite life intangibles, net	11,686	6,379
Definite life intangibles, net	375	—
Contract land deposits	549,160	384,959
Deferred tax assets, net	97,511	73,191
Other assets	45,340	36,587
	2,056,681	1,622,968
Mortgage Banking:		
Cash and cash equivalents	7,436	4,907
Mortgage loans held for sale, net	193,932	138,595
Property and equipment, net	1,003	996
Reorganization value in excess of amounts allocable to identifiable assets, net	7,347	7,347
Other assets	3,189	3,154
	212,907	154,999
Total assets	$ 2,269,588	$ 1,777,967

(Continued)

See notes to consolidated financial statements.

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

	December 31, 2005	December 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	$ 262,086	$ 215,002
Accrued expenses and other liabilities	308,621	177,041
Liabilities related to assets not owned, consolidated per FIN 46R	215,284	63,568
Obligations under incentive plans	60,555	57,774
Customer deposits	256,837	203,835
Other term debt	3,325	4,077
Senior notes	200,000	200,000
Notes payable	103,000	—
	1,409,708	921,297
Mortgage Banking:		
Accounts payable and other liabilities	25,902	11,949
Notes payable	156,816	9,726
	182,718	21,675
Total liabilities	1,592,426	942,972
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.01 par value; 60,000,000 shares authorized; 20,592,640 and 20,597,709 shares issued for 2005 and 2004, respectively	206	206
Additional paid-in-capital	473,886	406,705
Deferred compensation trust- 547,697 and 549,029 shares of NVR, Inc. common stock for 2005 and 2004, respectively	(76,303)	(76,366)
Deferred compensation liability	76,303	76,366
Retained earnings	2,608,628	1,911,069
Less treasury stock at cost - 14,964,482 and 14,023,631 shares for 2005 and 2004, respectively	(2,405,558)	(1,482,985)
Total shareholders' equity	677,162	834,995
Total liabilities and shareholders' equity	$ 2,269,588	$ 1,777,967

See notes to consolidated financial statements.

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Homebuilding:			
Revenues	$ 5,177,743	$ 4,247,503	$ 3,600,917
Other income	6,301	2,655	3,385
Cost of sales	(3,738,030)	(3,156,286)	(2,711,861)
Selling, general and administrative	(345,525)	(260,795)	(231,966)
Operating income	1,100,489	833,077	660,475
Loss from extinguishment of 8% Senior Notes due 2005	—	—	(8,503)
Interest expense	(13,809)	(11,934)	(13,554)
Homebuilding income	1,086,680	821,143	638,418
Mortgage Banking:			
Mortgage banking fees	84,604	72,219	76,647
Interest income	5,014	4,249	5,198
Other income	1,435	1,075	1,025
General and administrative	(31,555)	(25,593)	(23,823)
Interest expense	(1,759)	(1,088)	(1,293)
Mortgage banking income	57,739	50,862	57,754
Income before taxes	1,144,419	872,005	696,172
Income tax expense	(446,860)	(348,801)	(276,381)
Net income	$ 697,559	$ 523,204	$ 419,791
Basic earnings per share	$ 110.36	$ 80.83	$ 59.28
Diluted earnings per share	$ 89.61	$ 66.42	$ 48.39
Basic average shares outstanding	6,321	6,473	7,082
Diluted average shares outstanding	7,784	7,877	8,674

See notes to consolidated financial statements.

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Deferred Compensation Trust	Deferred Compensation Liability	Total
Balance, December 31, 2002	$ 206	$ 262,867	$ 968,074	$ (827,902)	$ (35,647)	$ 35,647	$ 403,245
Net income	—	—	419,791	—	—	—	419,791
Deferred compensation activity	—	—	—	12,490	(29,078)	29,078	12,490
Purchase of common stock for treasury	—	—	—	(460,391)	—	—	(460,391)
Performance share activity	—	79	—	—	—	—	79
Tax benefit from stock options exercised and deferred compensation distributions	—	110,171	—	—	—	—	110,171
Stock option activity	—	9,483	—	—	—	—	9,483
Treasury stock issued upon option exercise	—	(47,254)	—	47,254	—	—	—
Balance, December 31, 2003	206	335,346	1,387,865	(1,228,549)	(64,725)	64,725	494,868
Net income	—	—	523,204	—	—	—	523,204
Deferred compensation activity	—	—	—	12,490	(11,641)	11,641	12,490
Purchase of common stock for treasury	—	—	—	(307,603)	—	—	(307,603)
Performance share activity	—	79	—	—	—	—	79
Tax benefit from stock options exercised and deferred compensation distributions	—	92,661	—	—	—	—	92,661
Stock option activity	—	19,296	—	—	—	—	19,296
Treasury stock issued upon option exercise	—	(40,677)	—	40,677	—	—	—
Balance, December 31, 2004	206	406,705	1,911,069	(1,482,985)	(76,366)	76,366	834,995
Net income	—	—	697,559	—	—	—	697,559
Deferred compensation activity	—	—	—	—	63	(63)	—
Purchase of common stock for treasury	—	—	—	(962,609)	—	—	(962,609)
Tax benefit from stock options exercised and deferred compensation distributions	—	94,460	—	—	—	—	94,460
Stock option activity	—	12,757	—	—	—	—	12,757
Treasury stock issued upon option exercise	—	(40,036)	—	40,036	—	—	—
Balance, December 31, 2005	$ 206	$ 473,886	$ 2,608,628	$ (2,405,558)	$ (76,303)	$ 76,303	$ 677,162

See notes to consolidated financial statements

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Cash flows from operating activities:			
Net income	$ 697,559	$ 523,204	$ 419,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,690	8,858	8,427
Loss from extinguishment of debt	—	—	8,503
Gain on sales of loans	(62,279)	(52,858)	(59,095)
Gain on sale of fixed assets	(595)	—	—
Deferred tax (benefit) expense	(24,374)	1,249	(3,429)
Mortgage loans closed	(2,186,723)	(1,961,867)	(1,982,900)
Proceeds from sales of mortgage loans	2,176,475	1,962,184	2,096,782
Principal payments on mortgage loans held for sale	17,089	12,534	8,333
Gain on sales of mortgage servicing rights	—	—	(14)
Net change in assets and liabilities:			
Increase in inventories	(201,622)	(64,767)	(87,099)
Increase in contract land deposits	(195,552)	(118,680)	(53,939)
Increase in receivables	(26,578)	(2,524)	(2,198)
Increase in accounts payable, accrued expenses and customer deposits	337,882	169,690	219,914
Increase in obligations under incentive plans	2,781	2,300	590
Other, net	(11,981)	(2,861)	(12,548)
Net cash provided by operating activities	532,772	476,462	561,118
Cash flows from investing activities:			
Purchase of property, plant and equipment	(18,670)	(9,761)	(9,456)
Proceeds from sales of mortgage servicing rights	—	25	11,850
Proceeds from the sale of property, plant and equipment	4,038	783	610
Acquisition, net of cash acquired	(7,465)	—	—
Net cash (used) provided by investing activities	(22,097)	(8,953)	3,004
Cash flows from financing activities:			
Extinguishment of 8% Senior Notes due 2005	—	—	(119,600)
Issuance of 5% Senior Notes due 2010	—	—	200,000
Purchase of treasury stock	(962,609)	(307,603)	(460,391)
Purchase of NVR common stock for deferred compensation plan	—	—	(17,939)
Net borrowings (repayments) under notes payable and credit lines	249,338	(44,056)	(86,301)
Exercise of stock options	12,757	19,296	9,483
Net cash used by financing activities	(700,514)	(332,363)	(474,748)
Net (decrease) increase in cash and cash equivalents	(189,839)	135,146	89,374
Cash and cash equivalents, beginning of year	367,365	232,219	142,845
Cash and cash equivalents, end of year	$ 177,526	$ 367,365	$ 232,219
Supplemental disclosures of cash flow information:			
Interest paid during the year	$ 13,634	$ 12,490	$ 13,715
Income taxes paid during the year, net of refunds	$ 294,325	$ 275,563	$ 162,848
Supplemental disclosures of non-cash activities:			
Net assets not owned, consolidated per FIN 46R	$ 33,666	$ 25,620	$ 736
Tax benefit from stock-based compensation activity	$ 94,460	$ 92,661	$ 110,171

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NVR, Inc. ("NVR" or the "Company"), its wholly owned subsidiaries, certain partially owned entities, and variable interest entities of which the Company has determined that it is the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. The homebuilding and mortgage banking segments had restricted cash of $5,135 and $1,738, respectively, at December 31, 2005, and $2,123 and $965, respectively, at December 31, 2004, which includes certain customer deposits, mortgagor tax escrows, insurance escrows, completion escrows and other amounts collected at closing which relate to mortgage loans held for sale and to home sales.

Homebuilding Inventory

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

Contract Land Deposits

NVR purchases finished lots under fixed price purchase agreements that require deposits that may be forfeited if NVR fails to perform under the contract. The deposits are in the form of cash or letters of credit in varying amounts and represent a percentage of the purchase price of the finished lots. NVR maintains an allowance for losses on contract land deposits that it believes is sufficient to provide for losses in the existing contract land deposit portfolio. The allowance reflects management's judgment of the present loss exposure at the end of the reporting period, considering market and economic conditions, sales absorption and profitability within specific communities and terms of the various contracts.

Property, Plant, and Equipment

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

Warranty/Product Liability Accruals

Warranty and product liability accruals are established to provide for estimated future expenses as a result of construction and product defects, product recalls and litigation incidental to NVR's business. Liability estimates are determined based on management 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.

Intangible Assets

Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, requires goodwill, indefinite life intangibles, and reorganization value in excess of amounts allocable to identifiable assets ("excess reorganization value"), which is no longer subject to amortization, to be tested for impairment on an annual basis. The Company completed the annual assessment of impairment and determined that there is no impairment of either goodwill, indefinite life intangibles, or excess reorganization value in the years ended December 31, 2005, 2004 and 2003.

Mortgage Loans Held for Sale, Derivatives and Hedging Activities

NVR originates several different loan products to its customers to finance the purchase of a home through its wholly-owned mortgage subsidiary. Those loan products include previously non-traditional loan products, such as interest-only loans, adjustable interest rate loans, negative amortization loans and loans with relatively high loan-to-value ("LTV") ratios, with up to a one hundred percent LTV. NVR sells all of the loans it originates into the secondary market typically within 30 days from origination. All of the loans that the Company originates, including non-traditional loan products, are underwritten to the standards and specifications of the ultimate investor. In addition, a substantial number of these nontraditional loans are underwritten and funded at closing directly by the ultimate investor. Insofar as the Company underwrites its originated loans to those standards, the Company bears no increased concentration of credit risk from the issuance of these non-traditional products. The Company employs a quality control department to ensure that its underwriting controls are effectively operating, and further assesses the underwriting function as part of its assessment of internal controls over financial reporting.

Mortgage loans held for sale are closed at fair value, and thereafter are carried at the lower of cost or market.

In the normal course of business, NVR's mortgage banking segment enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVR.

(dollars in thousands, except per share data)

All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date of the loan to a broker/dealer. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company enters into optional or mandatory delivery forward sale contracts to sell whole loans and mortgage-backed securities to broker/dealers. The forward sale contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments classified as derivatives. Both the rate lock commitments to borrowers and the forward sale contracts to broker/dealers are undesignated derivatives and, accordingly, are marked to market through earnings. NVR does not engage in speculative or trading derivative activities. At December 31, 2005, there were contractual commitments to extend credit to borrowers aggregating approximately $140,000, and open forward delivery sale contracts aggregating approximately $322,000.

Earnings per Share

The following weighted average shares and share equivalents are used to calculate basic and diluted EPS for the years ended December 31, 2005, 2004 and 2003:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Weighted average number of shares outstanding used to calculate basic EPS	6,320,852	6,472,607	7,081,527
Dilutive securities:			
Stock options	1,463,530	1,404,262	1,592,836
Weighted average number of shares and share equivalents outstanding used to calculate diluted EPS	7,784,382	7,876,869	8,674,363

Options issued under equity benefit plans to purchase 4,250; 37,827; and 60,200 shares of common stock were outstanding during the years ended December 31, 2005, 2004 and 2003, respectively, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. In addition, the 386,975 options outstanding under the 2005 Stock Option Plan and 7,700 options outstanding under the 1998 Directors' Long-Term Stock Option Plan are considered performance-based compensation, and accordingly, have been excluded from the computation of diluted earnings per share because the EPS Target, as discussed in Note 9, has not been achieved as of December 31, 2005, pursuant to the requirements of SFAS 128, *Earnings Per Share*.

Revenues-Homebuilding Operations

NVR builds single-family detached homes, townhomes and condominium buildings, which generally are produced on a pre-sold basis for the ultimate customer. Revenues are recognized at the time units are completed and title and risk of loss passes to the customer.

Mortgage Banking Fees

Mortgage banking fees include income earned by NVR's mortgage banking subsidiaries for originating mortgage loans, servicing mortgage loans held on an interim basis, title fees, gains and losses on the sale of mortgage loans and mortgage servicing and other activities incidental to mortgage banking. Mortgage banking fees are generally recognized after the loan has been sold to an unaffiliated, third party investor.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Financial Instruments

Except as otherwise noted here, NVR believes that insignificant differences exist between the carrying value and the fair value of its financial instruments. The estimated fair value of NVR's 5% Senior Notes due 2010 as of December 31, 2005 and 2004 was $196,340 and $196,820, respectively. The estimated fair value is based on a quoted market price. The carrying value was $200,000 at December 31, 2005 and 2004.

Stock-Based Compensation

At December 31, 2005, the Company had eight active stock-based employee compensation plans. As permitted under SFAS 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*. See the *Recent Accounting Pronouncements* section below for a discussion of the Company's anticipated adoption as of January 1, 2006 of the provisions of SFAS 123R.

During 2005, the Company issued 387,875 non-qualified stock options ("Options") under the 2005 Stock Option Plan (the "2005 Plan") at an average exercise price of $743.39 per share. The 2005 Plan was approved by the Company's shareholders at the May 4, 2005 Annual Meeting and allows the Company to issue Options to employees, including executive officers, to purchase up to 500,000 shares of the Company's common stock. The exercise price of the Options granted was equal to the closing price of the Company's common stock on the day immediately preceding the date of grant. Each Option was granted for a term of ten years. No Option granted under the 2005 Plan will become exercisable (other than in the case of a change in control as defined within the 2005 Plan) unless a performance target based on growth in diluted earnings per share is met or exceeded (the "EPS Target"). The EPS Target has been set at a level that reflects a growth rate in diluted earnings per share of ten percent per year for four years, based on NVR's 2004 diluted earnings per share of $66.42. The aggregate EPS Target is $339.00 per share, the measurement of which is based on the sum of the actual diluted earnings per share results for the four annual periods ending December 31, 2005 through 2008. If the EPS Target is satisfied, Options granted under the 2005 Plan will become exercisable as to twenty-five percent of the underlying shares on each of December 31, 2010, 2011, 2012 and 2013, ("Vesting Tranches") respectively, or later, depending upon date of grant, based on continued employment. In addition, during the year ended December 31, 2005, the Company granted 7,700 non-qualified stock options ("Director Options") at an average exercise price of $907.75 per share to the Company's Directors under the

(dollars in thousands, except per share data)

1998 Directors' Long Term Stock Option Plan (the "1998 Directors' Plan"). The Director Options are subject to the aforementioned EPS Target.

Because the Options granted under the 2005 Plan and the 2005 Option grants under the 1998 Directors' Plan are subject to a performance measure (the EPS Target), in accordance with APB No. 25, these grants are considered variable awards. Compensation expense for these variable award grants is measured based on the number of Options issued, using the intrinsic value of the Options as of the end of the reporting period, and the cost is recognized ratably over each Vesting Tranche separately. Based on the $702.00 per share closing price of NVR common stock at December 31, 2005, there was no intrinsic value related to the options granted under the 2005 Plan or the 1998 Directors' Plan, and thus, no compensation expense was recognized.

In accordance with SFAS No. 148, the following table discloses the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

	Year Ended December 31,		
	2005	2004	2003
Net income, as reported	$697,559	$523,204	$419,791
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(31,893)	(23,411)	(20,976)
Pro forma net income	$665,666	$499,793	$398,815
Earnings per share:			
Basic—as reported	$ 110.36	$ 80.83	$ 59.28
Basic—pro forma	$ 105.31	$ 77.22	$ 56.32
Diluted—as reported	$ 89.61	$ 66.42	$ 48.39
Diluted—pro forma	$ 86.67	$ 64.44	$ 47.06

The weighted average per share fair values of grants made in 2005, 2004 and 2003 for employee stock-based incentive plans were $370.03, $289.81 and $245.54, respectively. The fair values of the options granted were estimated on the grant date using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	2005	2004	2003
Estimated option life	8.82 years	10 years	10 years
Risk free interest rate	3.84%	4.68%	4.61%
Expected volatility (a)	34.15%	39.06%	40.55%
Expected dividend yield	0.00%	0.00%	0.00%

(a) The 2005 volatility is based on implied volatility. The 2004 and 2003 volatility is based on historical volatility.

Comprehensive Income

For the years ended December 31, 2005, 2004 and 2003, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), *Share-Based Payment*, ("SFAS 123R"). SFAS 123R is a revision of SFAS 123 and supersedes APB No. 25. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes fair value as the measurement objective in accounting for share-based payment arrangements. In April 2005, the Securities and Exchange Commission amended the effective date for SFAS 123R. SFAS 123R is now effective as of the beginning of the first interim or annual reporting period of a registrant's first fiscal year beginning on or after June 15, 2005. SFAS 123R applies to all awards granted, modified, repurchased or cancelled after the effective date, and all outstanding portions of awards granted prior to the effective date which are unvested as of the effective date of the pronouncement.

Entities may adopt the provisions of SFAS 123R using either the modified prospective or modified retrospective methods. Under the modified prospective method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosure. For periods before the required effective date, the modified retrospective application may be applied to either (a) all prior years for which SFAS 123 was effective or (b) only to prior interim periods in the year of initial adoption, on a basis consistent with the pro forma disclosures required for those periods by SFAS 123. SFAS 123R becomes effective for NVR beginning in the first quarter of 2006. We plan to adopt SFAS 123R using the modified prospective method. We expect our full year after tax expense in 2006 to be approximately $36,000 related to the implementation of SFAS 123R, based on unvested stock options outstanding at December 31, 2005.

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

NVR operates in two business segments: homebuilding and mortgage banking. The homebuilding segment is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, MD metropolitan areas, where NVR derived approximately 52% of its 2005 homebuilding revenues. NVR's homebuilding segment primarily constructs and sells single-family detached homes, townhomes and condominium buildings under four tradenames: Ryan Homes, NVHomes, Fox Ridge Homes, and Rymarc Homes. The Ryan Homes, Fox Ridge Homes, and Rymarc Homes products are moderately priced and marketed primarily to first-time homeowners and first-time move-up buyers. The Ryan Homes product is sold in twenty-one metropolitan areas located in Maryland, Virginia, West Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware, Michigan and Kentucky. The Fox Ridge Homes product is sold solely in the Nashville, TN metropolitan area. The Rymarc Homes product is sold solely in the Columbia, SC metropolitan area. The NVHomes product is sold in the Washington, D.C., Baltimore, MD, Philadelphia, PA and Maryland Eastern Shore metropolitan areas, and is marketed primarily to move-up and up-scale buyers.

The mortgage banking segment is a regional mortgage banking operation. Substantially all of the mortgage banking segment's loan closing activity is for NVR's homebuilding customers. NVR's mortgage banking business generates revenues primarily from origination fees, gains on sales of loans, title fees, and sales of servicing rights. A substantial portion of the Company's mortgage operations is conducted in the Washington, D.C. and Baltimore, MD metropolitan areas.

(dollars in thousands, except per share data)

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

As of and For the Year Ended December 31, 2005

	Homebuilding	Mortgage Banking	Totals
Revenues	$ 5,177,743	$ 84,604	$ 5,262,347(a)
Interest income	2,471	5,014	7,485(a)
Interest expense	13,809	1,759	15,568(a)
Depreciation and amortization	10,137	553	10,690(a)
Segment profit	1,086,805	57,739	1,144,544(b)
Segment assets	1,727,734	205,560	1,933,294(b)
Expenditures for segment assets	18,222	448	18,670(a)

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

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

	Homebuilding	Mortgage Banking	Totals
Segment profit	$ 1,086,805	$ 57,739	$ 1,144,544
Less: Amortization of definite life intangibles	(125)	—	(125)
Consolidated income before taxes	$ 1,086,680	$ 57,739	$ 1,144,419
Segment assets	$ 1,727,734	$ 205,560	$ 1,933,294
Add: Excess reorganization value, goodwill and intangibles, net	53,641	7,347	60,988
Add: Assets not owned, consolidated per FIN 46R	275,306	—	275,306
Total consolidated assets	$ 2,056,681	$ 212,907	$ 2,269,588

As of and For the Year Ended December 31, 2004

	Homebuilding	Mortgage Banking	Totals
Revenues	$ 4,247,503	$ 72,219	$ 4,319,722(c)
Interest income	1,151	4,249	5,400(c)
Interest expense	11,934	1,088	13,022(c)
Depreciation and amortization	8,391	467	8,858(c)
Segment profit	821,143	50,862	872,005(c)
Segment assets	1,485,085	147,652	1,632,737(d)
Expenditures for segment assets	9,248	513	9,761(c)

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

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

(dollars in thousands, except per share data)

	Homebuilding	Mortgage Banking	Totals
Segment assets	$ 1,485,085	$ 147,652	$ 1,632,737
Add: Excess reorganization value and goodwill	47,959	7,347	55,306
Add: Assets not owned, consolidated per FIN 46R	89,924	—	89,924
Total consolidated assets	$ 1,622,968	$ 154,999	$ 1,777,967

As of and For the Year Ended December 31, 2003

	Homebuilding	Mortgage Banking	Totals
Revenues	$ 3,600,917	$ 76,647	$ 3,677,564(e)
Interest income	746	5,198	5,944(e)
Interest expense	13,554	1,293	14,847(e)
Depreciation and amortization	7,940	487	8,427(e)
Segment profit	646,921	57,754	704,675(f)
Segment assets	1,188,450	106,542	1,294,992(f)
Expenditures for segment assets	9,130	326	9,456(e)

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

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

	Homebuilding	Mortgage Banking	Totals
Segment profit	$ 646,921	$ 57,754	$ 704,675
Less: Loss from extinguishment of 8% Senior Notes due 2005	(8,503)	—	(8,503)
Consolidated income before income taxes	$ 638,418	$ 57,754	$ 696,172
Segment assets	$ 1,188,450	$ 106,542	$ 1,294,992
Add: Excess reorganization value and goodwill	47,959	7,347	55,306
Add: Assets not owned, consolidated per FIN 46R	12,807	—	12,807
Total consolidated assets	$ 1,249,216	$ 113,889	$ 1,363,105

3. Consolidation of Variable Interest Entities

In December 2003, FASB issued Revised Interpretation No. 46 (“FIN 46R”), *Consolidation of Variable Interest Entities*, which was effective for NVR as of March 31, 2004. FIN 46R requires the primary beneficiary of a variable interest entity to consolidate that entity on its financial statements. 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. Expected losses are the expected negative variability in the fair value of an entity’s net assets, exclusive of its variable interests, and expected residual returns are the expected positive variability in the fair value of an entity’s net assets, exclusive of its variable interests. As discussed below, NVR evaluates the provisions of FIN 46R as it relates to NVR’s finished lot acquisition strategy.

NVR does not engage in the land development business. Instead, the Company typically acquires finished building lots at market prices from various development entities under fixed price purchase agreements.

The purchase agreements 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 typically range up to 10% of the aggregate purchase price of the finished lots. As of December 31, 2005, the Company controlled approximately 105,000 lots with deposits in cash and letters of credit totaling approximately $600,000 and $17,000, respectively. As of December 31, 2004, the Company controlled approximately 83,500 lots with deposits in cash and letters of credit totaling approximately $404,000 and $13,000, respectively.

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 provisions contained within the purchase agreements. In other words, if NVR does not perform under a purchase agreement, NVR loses its deposit. NVR does not have any financial or specific performance guarantees, or completion obligations, under these purchase agreements, with the exception of three specific performance contracts pursuant to which the company is committed to purchasing approximately 80 finished lots at an aggregate purchase price of approximately $7,100. None of the creditors of any of the development entities with which NVR enters fixed price purchase agreements have recourse to the general credit of NVR. Except as described below, NVR also does not share in an allocation of either the profit earned or loss incurred by any of these entities with which NVR enters fixed price purchase agreements.

On a very limited basis, NVR also obtains finished lots using joint venture limited liability corporations ("LLC's"). All LLC's are structured such that NVR is a non-controlling member and is at risk only for the amount invested. NVR is not a borrower, guarantor or obligor on any of the LLC's debt. NVR enters into a standard fixed price purchase agreement to purchase lots from these LLC's.

At December 31, 2005, NVR had an aggregate investment in thirteen separate LLC's totaling approximately $15,000, which controlled approximately 1,000 lots. At December 31, 2004, NVR had an aggregate investment in eleven separate LLC's totaling approximately $12,800, which controlled approximately 950 lots. NVR recognizes its share of the earnings of the LLC's as a reduction of the cost basis of the lots at the time that the lot and related home is settled with an external customer. During the years ended December 31, 2005, 2004 and 2003, NVR reduced cost of sales by approximately $287, $369 and $389, respectively, which represented NVR's share of the earnings of the LLC's.

Forward contracts, such as the fixed price purchase agreements utilized by NVR to acquire finished lot inventory, are deemed to be "variable interests" under FIN 46R. Therefore, the development entities with which NVR enters fixed price purchase agreements, including the LLC's, are examined under FIN 46R for possible consolidation by NVR. NVR has developed a methodology to determine whether it, or conversely, the owner(s) of the applicable development entity is the primary beneficiary of a development entity. The methodology used to evaluate NVR's primary beneficiary status requires substantial management judgment and estimation. These judgments and estimates involve assigning probabilities to various estimated cash flow possibilities relative to the development entity's expected profits and losses and the cash flows associated with changes in the fair value of finished lots under contract. Although management believes that its accounting policy is designed to properly assess NVR's primary beneficiary status relative to its involvement with the development entities from which NVR acquires finished lots, changes to the probabilities and the cash flow possibilities used in NVR's evaluation could produce widely different conclusions regarding whether NVR is or is not a development entity's primary beneficiary.

The Company has evaluated all of its fixed price purchase agreements and LLC arrangements and has determined that it is the primary beneficiary of thirty-five of those development entities with which the agreements and arrangements are held. As a result, at December 31, 2005, NVR has consolidated such development entities in the accompanying consolidated balance sheet. Where NVR deemed itself to be the primary beneficiary of a development entity created after December 31, 2003 and the development entity refused to provide financial statements, NVR utilized estimation techniques to perform the consolidation. The effect of the consolidation under FIN 46R at December 31, 2005 was the inclusion on the balance sheet of $275,306 as *Assets not owned, consolidated per FIN 46R* with a corresponding inclusion of $215,284 as *Liabilities related to assets not owned, consolidated per FIN 46R*, after elimination of intercompany items. Inclusive in these totals were assets of approximately $39,000 and liabilities of approximately $34,000 estimated for ten development entities created after December 31, 2003 that did not provide financial statements.

At December 31, 2004, under FIN 46R, the Company evaluated all of its fixed price purchase agreements and LLC arrangements and determined that it was the primary beneficiary of nineteen of those development entities with which the agreements and arrangements were held. As a result, at December 31, 2004, NVR had consolidated such development entities in the accompanying consolidated balance sheet. Of the nineteen development entities, three entities refused to provide financial statements, and NVR utilized estimation techniques to perform the consolidation. The effect of the consolidation under FIN 46R at December 31, 2004 was the inclusion on the balance sheet of $89,924 as *Assets not owned, consolidated per FIN 46R* with a corresponding inclusion of $63,568 as *Liabilities related to assets not owned, consolidated per FIN 46R*, after elimination of intercompany items. Inclusive in these totals were assets of approximately $16,000 and liabilities of approximately $12,500 for three development entities created after December 31, 2003 that did not provide financial statements.

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

Following is the consolidating schedule at December 31, 2005:

	NVR, Inc. and Subsidiaries	FIN 46R Entities	Eliminations	Consolidated Total
ASSETS				
Homebuilding:				
Cash and cash equivalents	$ 170,090	$ —	$ —	$ 170,090
Receivables	40,562	—	—	40,562
Homebuilding inventory	793,975	—	—	793,975
Property, plant and equipment, net	31,096	—	—	31,096
Reorganization value in excess of amount allocable to identifiable assets, net	41,580	—	—	41,580
Goodwill and intangibles, net	12,061	—	—	12,061
Contract land deposits	599,530	—	(50,370)	549,160
Other assets	152,503	—	(9,652)	142,851
	1,841,397	—	(60,022)	1,781,375
Mortgage banking assets:	212,907	—	—	212,907
FIN 46R Entities:				
Land under development	—	260,676	—	260,676
Other assets	—	14,630	—	14,630
	—	275,306	—	275,306
Total assets	$ 2,054,304	$ 275,306	$ (60,022)	$ 2,269,588
LIABILITIES AND SHAREHOLDERS' EQUITY				
Homebuilding:				
Accounts payable, accrued expenses and other liabilities	$ 631,262	$ —	$ —	$ 631,262
Customer deposits	256,837	—	—	256,837
Other term debt	3,325	—	—	3,325
Senior notes	200,000	—	—	200,000
Notes Payable	103,000	—	—	103,000
	1,194,424	—	—	1,194,424
Mortgage banking liabilities:	182,718	—	—	182,718
FIN 46R Entities:				
Accounts payable, accrued expenses and other liabilities	—	7,880	(53)	7,827
Debt	—	153,337	—	153,337
Contract land deposits	—	50,370	(50,370)	—
Advances from NVR, Inc.	—	8,891	(8,891)	—
Minority interest	—	—	54,120	54,120
	—	220,478	(5,194)	215,284
Equity	677,162	54,828	(54,828)	677,162
Total liabilities and shareholders' equity	$ 2,054,304	$ 275,306	$ (60,022)	$ 2,269,588

(dollars in thousands, except per share data)

Following is the consolidating schedule at December 31, 2004:

	NVR, Inc. and Subsidiaries	FIN 46R Entities	Eliminations	Consolidated Total
ASSETS				
Homebuilding:				
Cash and cash equivalents	$ 362,458	$ —	$ —	$ 362,458
Receivables	14,020	—	—	14,020
Homebuilding inventory	588,540	—	—	588,540
Property, plant and equipment, net	25,330	—	—	25,330
Reorganization value in excess of amount allocable to identifiable assets, net	41,580	—	—	41,580
Goodwill, net	6,379	—	—	6,379
Contract land deposits	403,848	—	(18,889)	384,959
Other assets	117,245	—	(7,467)	109,778
	1,559,400	—	(26,356)	1,533,044
Mortgage banking assets:	154,999	—	—	154,999
FIN 46R Entities:				
Land under development	—	85,380	—	85,380
Other assets	—	4,544	—	4,544
	—	89,924	—	89,924
Total assets	$ 1,714,399	$ 89,924	$ (26,356)	$ 1,777,967
LIABILITIES AND SHAREHOLDERS' EQUITY				
Homebuilding:				
Accounts payable, accrued expenses and other liabilities	$ 449,817	$ —	$ —	$ 449,817
Customer deposits	203,835	—	—	203,835
Other term debt	4,077	—	—	4,077
Senior notes	200,000	—	—	200,000
	857,729	—	—	857,729
Mortgage banking liabilities:	21,675	—	—	21,675
FIN 46R Entities:				
Accounts payable, accrued expenses and other liabilities	—	1,960	(131)	1,829
Debt	—	45,022	—	45,022
Contract land deposits	—	18,889	(18,889)	—
Advances from NVR, Inc.	—	6,795	(6,795)	—
Minority interest	—	—	16,717	16,717
	—	72,666	(9,098)	63,568
Equity	834,995	17,258	(17,258)	834,995
Total liabilities and shareholders' equity	$ 1,714,399	$ 89,924	$ (26,356)	$ 1,777,967

(dollars in thousands, except per share data)

Under FIN 46R, an enterprise with an interest in a variable interest entity or potential variable interest entity created before December 31, 2003, is not required to apply FIN 46R to that entity if the enterprise, after making an "exhaustive effort", is unable to obtain the information necessary to perform the accounting required to consolidate the variable interest entity for which it is determined to be the primary beneficiary. At December 31, 2005 NVR has been unable to obtain the information necessary to perform the accounting required to consolidate thirteen separate development entities created before December 31, 2003 for which NVR determined it was the primary beneficiary. NVR has made, or has committed to make, aggregate deposits, totaling $15,462 to these thirteen separate development entities, with a total aggregate purchase price for the finished lots of approximately $121,000. The aggregate deposit made or committed to being made is NVR's maximum exposure to loss. As noted above, because NVR does not have any contractual or ownership interests in the development entities with which it contracts to buy finished lots (other than the limited use of the LLC's as discussed above), NVR does not have the ability to compel these development entities to provide financial or other data. Because NVR has no ownership rights in any of these thirteen development entities, the consolidation of such entities has no impact on NVR's net income or earnings per share for the years ended December 31, 2005, 2004 and 2003. Aggregate activity with respect to the thirteen development entities is included in the following table:

	December 31,		
	2005	**2004**	**2003**
Finished lots purchased — dollars	$25,727	$18,014	$7,225
Finished lots purchased — units	299	224	107

4. Related Party Transactions

During 2005, 2004, and 2003, NVR purchased, at market prices, developed lots from Elm Street Development, a company that is controlled by a member of the NVR Board of Directors (the "Board"). These transactions were approved by a majority of the independent members of the Board. Purchases from Elm Street Development totaled approximately $29,000, $8,200 and $15,000 during 2005, 2004 and 2003, respectively. NVR expects to purchase the majority of the remaining lots under contract at December 31, 2005 over the next 36 months for an aggregate purchase price of approximately $104,000.

During 2005, NVR entered into various marketing and promotional arrangements with certain entities controlled by or affiliated with the Washington Redskins National Football League franchise (the "Redskins"). NVR's Chairman is a minority owner of the Redskins. These arrangements were approved by a majority of the independent members of the Board. In total, NVR incurred or committed to incur $960 under these marketing and promotional arrangements.

In 2003, NVR entered into a forward lot purchase agreement with Comstock Blooms Mill II, LLC, an entity controlled 100% by an entity in which the Company's Chairman's son-in-law was a principal at the time of the transaction. This purchase agreement was approved by a majority of the independent members of the Board. Under this agreement, NVR purchased, at market prices, finished lots with an aggregate purchase price of approximately $4,000 and $2,000 during 2004 and 2003, respectively. No additional lots remain to be purchased under this agreement.

NVR periodically leases, at market rates, an airplane owned by the Company's Chairman for Company travel when the use of the airplane lends itself to business travel efficiencies. NVR's independent members of the Board annually review these expenditures. During 2005, NVR paid approximately $323 for use of the airplane.

(dollars in thousands, except per share data)

5. Property, Plant and Equipment, net

	December 31, 2005	December 31, 2004
Homebuilding:		
Office facilities and other	11,416	$ 7,719
Model home furniture and fixtures	23,385	17,150
Manufacturing facilities	21,944	18,628
Property under capital leases	4,005	7,631
	60,750	51,128
Less: accumulated depreciation	(29,654)	(25,798)
	$ 31,096	$ 25,330
Mortgage Banking:		
Office facilities and other	$ 3,382	$ 3,126
Less: accumulated depreciation	(2,379)	(2,130)
	$ 1,003	$ 996

Certain property, plant and equipment listed above is collateral for certain debt of NVR as more fully described in Note 6.

6. Debt

	December 31, 2005	December 31, 2004
Homebuilding:		
Working capital revolving credit (a)	$ 103,000	$ —
Other term debt:		
Capital lease obligations due in monthly installments through 2016 (b)	$ 3,325	$ 4,077
Senior notes (c)	$ 200,000	$ 200,000
Mortgage Banking:		
Mortgage warehouse revolving credit (d)	$ 156,816	$ 9,726
Mortgage repurchase facility (e)	—	—
	$ 156,816	$ 9,726

(a) The Company, as borrower, has available an unsecured working capital revolving credit facility (the "Facility"). During 2005, the Company increased the available borrowings under the Facility to $400,000 from $150,000 by refinancing the Company's previous working capital agreement. The current Facility now provides for borrowings of up to $400,000 subject to certain borrowing base limitations. The Facility is generally available to fund working capital needs of NVR's homebuilding segment. Up to $150,000 of the Facility is currently available for issuance in the form of letters of credit, of which $26,412 and $21,794 were outstanding at December 31, 2005 and 2004, respectively. The Facility expires in December 2010 and outstanding amounts bear interest at either (i) the prime rate plus an Applicable Margin (as defined within the Facility) based on NVR's credit rating and/or debt to capital ratio or (ii) the London Interbank Offering Rate ("LIBOR") plus applicable margin as defined above. The weighted-average interest rate for the amounts outstanding under the Facility was 5.9% during 2005. The weighted-average interest rate for amounts outstanding under the previous working capital agreement was 4% during 2004. At December 31, 2005, there were no borrowing base limitations reducing the amount available to the Company for borrowings.

(dollars in thousands, except per share data)

The Facility contains various affirmative and negative covenants. The negative covenants include among others, certain limitations on transactions involving the creation of guarantees, sale of assets, acquisitions, mergers, investments and land purchases. Additional covenants include (i) a minimum adjusted consolidated tangible net worth requirement, (ii) a maximum leverage ratio requirement, and (iii) an interest coverage ratio requirement. These covenants restrict the amount in which the Company would be able to pay in dividends each year. The Company is also subject to borrowing base restrictions if the Company's senior debt rating falls below investment grade. At December 31, 2005 NVR was in compliance with all covenants under the Facility.

(b) The capital lease obligations have fixed interest rates ranging from 5.1% to 13.0% and are collateralized by land, buildings and equipment with a net book value of approximately $1,655 and $4,322 at December 31, 2005 and 2004, respectively.

The following schedule provides future minimum lease payments under all capital leases together with the present value as of December 31, 2005:

Years ending December 31,	
2006	$ 586
2007	614
2008	614
2009	637
2010	644
Thereafter	2,658
	5,753
Amount representing interest	(2,428)
	$ 3,325

(c) On January 20, 1998, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to $400,000 of the Company's debt securities (the "1998 Shelf Registration"). The 1998 Shelf Registration statement was declared effective on February 27, 1998 and provides that securities may be offered from time to time in one or more series, and in the form of senior or subordinated debt. As of December 31, 2005, NVR had $55,000 available for issuance under the 1998 Shelf Registration.

On June 17, 2003, NVR completed an offering, at par, for $200,000 of 5% Senior Notes due 2010 (the "Notes") under the 1998 Shelf Registration. The offering of the Notes resulted in aggregate net proceeds of approximately $199,400, 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 NVR's existing credit facility. The Notes are senior in right of payment to any future subordinated indebtedness that NVR may incur. The Company may redeem the Notes, in whole or in part, at any time upon not less than 30 nor more than 60 days notice at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed, or (b) the discounted present value of the remaining scheduled payments of the Notes to be redeemed, plus, in each case, accrued and unpaid interest.

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 charge to pre-tax homebuilding income of $8,503.

(dollars in thousands, except per share data)

The indenture governing the Notes has, among other items, limitations on the incurrence of secured debt, restrictions on sale and leaseback transactions, and conditions related to mergers and/or the sale of assets.

On May 27, 2004, NVR filed a shelf registration statement with the SEC to register up to $1,000,000 for future offer and sale of debt securities, common shares, preferred shares, depositary shares representing preferred shares and warrants (the "2004 Shelf Registration"). The SEC declared the 2004 Shelf Registration effective on June 15, 2004. NVR expects to use the proceeds received from future offerings issued under the 2004 Shelf Registration for general corporate purposes. As of December 31, 2005, no amounts have been issued under the 2004 Shelf Registration. This discussion of the 2004 Shelf Registration does not constitute an offer of any securities for sale.

(d) The mortgage warehouse facility ("Mortgage Warehouse Revolving Credit") of NVR Mortgage Finance, Inc. ("NVRM") currently has a borrowing limit of $225,000 at December 31, 2005. This limit was temporarily increased from $175,000 on December 15, 2005 to accommodate heavy year-end closing volume. The borrowing limit reverted back to $175,000 on January 15, 2006. The Revolving Credit Agreement is used to fund its mortgage origination activities. The interest rate under the Mortgage Warehouse Revolving Credit agreement is either: (i) LIBOR plus 1.125%, or (ii) 1.125% to the extent that NVRM provides compensating balances. The weighted-average interest rates for amounts outstanding under the Mortgage Warehouse Revolving Credit facility were 4.4% and 1.9% during 2005 and 2004, respectively. The average interest rate for amounts outstanding at December 31, 2005 was 5.5%. Mortgage loans and gestation mortgage-backed securities collateralize the Mortgage Warehouse Revolving Credit borrowings. The Mortgage Warehouse Revolving Credit facility is annually renewable and currently expires in August 2006.

The Mortgage Warehouse Revolving Credit agreement includes, among other items, covenants restricting NVRM from incurring additional borrowings and making intercompany dividends and tax payments. In addition, NVRM is required to maintain a minimum net worth of $14,000. As of December 31, 2005, borrowing base limitations reduced the amount available to NVRM for borrowings to approximately $184,500. The Company was in compliance with all covenants under the Mortgage Warehouse Revolving Credit agreement at December 31, 2005.

(e) NVRM currently has available an aggregate of $50,000 of borrowing capacity in an uncommitted gestation and repurchase agreement. Amounts outstanding thereunder accrue interest at various rates tied to the LIBOR rate and are collateralized by gestation mortgage-backed securities and whole loans. The uncommitted facility generally requires NVRM to, among other items, maintain a minimum net worth and limit its level of liabilities in relation to its net worth. There were no borrowings under the uncommitted facility during 2005 and 2004.

* * * * *

Maturities with respect to all notes payable, revolving and repurchase credit facilities, other term debt, and the Notes as of December 31, 2005 are as follows:

Years ending December 31,	
2006	$ 259,977
2007	214
2008	245
2009	302
2010	200,353
Thereafter	2,050
Total	$ 463,141

(dollars in thousands, except per share data)

The $259,977 maturing in 2006 includes $156,816 of borrowings under the Mortgage Warehouse Revolving Credit facility and $103,000 of the borrowings under the working capital credit facility. The $200,353 maturing during 2010 includes $200,000 of Senior Notes maturing in June 2010.

7. Common Stock

There were 5,628,158; 6,574,078 and 6,727,341 common shares outstanding at December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005, NVR had reacquired a total of approximately 19,490,000 shares of NVR common stock at an aggregate cost of approximately $2,625,300 since December 31, 1993. The Company repurchased 1,269,050; 674,694 and 1,103,968 shares at an aggregate purchase price of approximately $962,609, $307,600 and $460,400 during 2005, 2004 and 2003, respectively.

There have been approximately 4,515,000 common shares reissued from the treasury in satisfaction of employee benefit obligations and stock option exercises. Beginning in 1999, the Company issues shares from the treasury for all stock option exercises. The Company issued 318,199; 464,520 and 757,221 such shares during 2005, 2004 and 2003, respectively.

8. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Current:			
Federal	$ 386,712	$ 288,069	$ 230,477
State	81,288	61,503	49,333
Deferred:			
Federal	(17,669)	(632)	(2,849)
State	(3,471)	(139)	(580)
	$ 446,860	$ 348,801	$ 276,381

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Income tax benefits arising from compensation expense for tax purposes in excess of amounts recognized for financial statement purposes	$ 94,460	$ 92,661	$ 110,171

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

	December 31, 2005	December 31, 2004
Deferred tax assets:		
Other accrued expenses	$ 52,384	$ 36,369
Deferred compensation	30,916	30,973
Uniform capitalization	12,377	6,896
Other	5,665	3,069
Total deferred tax assets	101,342	77,307
Less: deferred tax liabilities	3,322	3,661
Net deferred tax position	$ 98,020	$ 73,646

(dollars in thousands, except per share data)

Deferred tax assets arise principally as a result of various accruals required for financial reporting purposes and deferred compensation, which are not currently deductible for tax return purposes.

Management believes that the Company will have sufficient available carry-backs and future taxable income to make it more likely than not that the net deferred tax assets will be realized. Federal taxable income was approximately $877,753 and $605,987 for the years ended December 31, 2005 and 2004.

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Income taxes computed at the Federal statutory rate	$ 400,547	$ 305,202	$ 243,661
State income taxes, net of Federal income tax benefit	53,501	42,521	31,690
Other, net	(7,188)	1,078	1,030
	$ 446,860	$ 348,801	$ 276,381

The Company’s effective tax rate in 2005, 2004 and 2003 was 39.0%, 40.0% and 39.7%, respectively. The lower effective tax rate in 2005 is primarily due to the favorable tax impact of the new Internal Revenue Code Section 199 domestic manufacturing deduction established by the American Jobs Creation Act of 2004.

9. Profit Sharing and Incentive Plans

Profit Sharing Plans—NVR has a trustee-administered, profit sharing retirement plan (the “Profit Sharing Plan”) and an Employee Stock Ownership Plan (“ESOP”) covering substantially all employees. The Profit Sharing Plan and the ESOP provide for annual discretionary contributions in amounts as determined by the NVR Board of Directors (the “Board”). The combined plan contribution for the years ended December 31, 2005, 2004 and 2003 was $15,370, $12,488 and $10,787, respectively. The ESOP purchased approximately 18,000 and 26,000 shares of NVR common stock in the open market for the 2005 and 2004 plan year contributions, respectively, using cash contributions provided by the Company. As of December 31, 2005, all shares held by the ESOP have been allocated to participants’ accounts other than the 2005 plan year contribution, which had been committed to be released to participants’ accounts, and was fully allocated to participants in February 2006.

High Performance Compensation Plans—During 2004 and 2003, NVR recognized $4,227 and $8,948, respectively, of compensation costs related to the High Performance Plan (the “HP Plan”), a long-term cash compensation program for executive officers and other key personnel. The High Performance Plan was fully vested in 2004 and therefore, NVR did not recognize compensation costs related to the High Performance Plan during 2005.

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

Under the Management Incentive Plan approved by the shareholders in 1994, participants received options to purchase a total of 1,117,949 NVR shares (the “1993 NVR Share Options”).

The 1993 NVR Share Options issued under the Management Incentive Plan were fully vested as of December 31, 1996, and expire 10 years after the dates upon which they were granted.

Under the 1994 Management Incentive Plan (the “1994 Incentive Plan”), executive officers and other employees of the Company were eligible to receive stock options (the “1994 NVR Share Options”) and performance shares (the “1994 Performance Shares”). There were 48,195 1994 NVR Share Options and 1,124,929 1994 Performance Shares authorized for grant under the 1994 Incentive Plan. The 1994 NVR Share Options expire 10 years after the dates upon which they were granted, and were fully vested as of December 31, 1999. All 1,124,929 1994 Performance Shares had been granted to employees and were vested as of December 31, 1999.

During 1996, the Company’s shareholders approved the Board of Directors’ adoption of the Management Long-Term Stock Option Plan (the “1996 Option Plan”). There are 2,000,000 non-qualified stock options (“Options”) authorized under the Management Long Term Stock Option Plan. The Options expire 10 years after the dates upon which they were granted, and vest annually in one-third increments beginning on December 31, 2000, or later depending on the date of grant, with vesting contingent upon continued employment.

During 1999, the Company’s shareholders approved the Board of Directors’ adoption of the 1998 Management Long-Term Stock Option Plan (the “1998 Option Plan”). There are 1,000,000 non-qualified stock options (“Options”) authorized under the 1998 Option Plan. The Options expire 10 years after the dates upon which they were granted, and vest annually in one-third increments beginning on December 31, 2003, or later depending on the date of grant, with vesting contingent upon continued employment.

During 2000, the Board approved the 2000 Broadly-Based Stock Option Plan (The “2000 Plan”). The 2000 Plan was not approved by the Company’s shareholders. There are 2,000,000 non-qualified stock options (“Options”) authorized under the 2000 Plan. Grants under the 2000 Plan are available to both employees and members of the Board. The distribution of Options to key employees and members of the board, in aggregate, are limited to 50% or less of the total options authorized under the 2000 Plan. Options granted under the 2000 Plan will expire 10 years from the date of grant, and generally vest annually in 25% increments beginning on December 31, 2006, or later depending on the date of grant, with vesting contingent upon continued employment.

During 2005, the Company’s shareholders approved the Board of Directors’ adoption of the 2005 Stock Option Plan (The “2005 Plan”). There are 500,000 non-qualified stock options (“Options”) authorized under the 2005 Plan. All Options under the Plan will be granted at the fair market value underlying the Shares at the date of grant and are subject to two vesting conditions. The first vesting condition requires that the Company satisfy a performance target based on growth in earnings per share (“EPS Target”) as of December 31, 2008. The EPS Target has been set at a level that reflects a growth rate in diluted earnings per share of ten percent per year for four years, based on NVR’s 2004 diluted earnings per share of $66.42. The aggregate EPS Target is $339.00 per share, the measurement of which is based on the sum of the actual diluted earnings per share results for the four annual periods ending December 31, 2005 through 2008. All Options granted will be cancelled if the EPS Target is not met. Secondly, Options will vest in 25% annual increments beginning December 31, 2010, or later, depending on the date of grant and based on continued employment.

(dollars in thousands, except per share data)

Stock option activity for the management option plans for the years presented is as follows:

	2005		2004		2003	
	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices
1993 NVR Share Options						
Options outstanding at the beginning of the year	7,003	$ 8.00	7,903	$ 7.69	21,153	$ 7.60
Granted	—	$ —	—	$ —	—	$ —
Canceled	—	$ —	—	$ —	—	$ —
Exercised	(500)	$ 5.29	(900)	$ 5.29	(13,250)	$ 7.55
Outstanding at end of year	6,503	$ 8.21	7,003	$ 8.00	7,903	$ 7.69
Exercisable at end of year	6,503	$ 8.21	7,003	$ 8.00	7,903	$ 7.69
1994 NVR Share Options						
Options outstanding at the beginning of the year	3,695	$ 16.07	5,695	$ 15.34	7,362	$ 15.04
Granted	—	$ —	—	$ —	—	$ —
Canceled	—	$ —	—	$ —	—	$ —
Exercised	—	$ —	(2,000)	$ 14.00	(1,667)	$ 14.00
Outstanding at end of year	3,695	$ 16.07	3,695	$ 16.07	5,695	$ 15.34
Exercisable at end of year	3,695	$ 16.07	3,695	$ 16.07	5,695	$ 15.34
1996 Option Plan						
Options outstanding at the beginning of the year	196,020	$161.52	401,420	$ 93.83	1,074,076	$ 27.24
Granted	1,375	$784.16	1,625	$698.46	37,644	$500.00
Canceled	—	$ —	(3,017)	$119.56	—	$ —
Exercised	(70,952)	$ 65.09	(204,008)	$ 33.23	(710,300)	$ 14.66
Outstanding at end of year	126,443	$222.40	196,020	$161.52	401,420	$ 93.83
Exercisable at end of year	85,132	$ 82.09	122,435	$ 56.20	294,111	$ 30.85
1998 Option Plan						
Options outstanding at the beginning of the year	755,332	$ 77.44	981,024	$ 55.31	994,000	$ 49.62
Granted	2,500	$720.06	28,002	$607.25	13,856	$451.03
Canceled	(12,801)	$ 60.90	(14,332)	$ 49.60	(26,203)	$ 49.27
Exercised	(226,622)	$ 49.83	(239,362)	$ 50.36	(629)	$ 44.91
Outstanding at end of year	518,409	$ 93.02	755,332	$ 77.44	981,024	$ 55.31
Exercisable at end of year	475,551	$ 48.87	401,154	$ 49.21	326,668	$ 49.65
2000 Option Plan						
Options outstanding at the beginning of the year	1,989,269	$219.11	1,921,475	$200.90	1,891,100	$194.01
Granted	15,475	$766.12	139,219	$469.61	79,700	$356.41
Canceled	(41,700)	$232.98	(71,425)	$217.59	(49,325)	$187.84
Exercised	—	$ —	—	$ —	—	$ —
Outstanding at end of year	1,963,044	$223.13	1,989,269	$219.11	1,921,475	$200.90
Exercisable at end of year	—	$ —	—	$ —	—	$ —
2005 Option Plan						
Options outstanding at the beginning of the year	—	$ —	—	—	—	—
Granted	387,875	$743.38	—	—	—	—
Canceled	(900)	$737.00	—	—	—	—
Exercised	—	$ —	—	—	—	—
Outstanding at end of year	386,975	$743.39	—	—	—	—
Exercisable at end of year	—	$ —	—	—	—	—

Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
1993 NVR Share Options			
Outstanding and exercisable at December 31, 2005:			
$8.21	6,503	$ 8.21	0.9
1994 NVR Share Options			
Outstanding and exercisable at December 31, 2005:			
$14.00 - $25.00	3,695	$ 16.07	1.5
1996 Option Plan			
Outstanding at December 31, 2005:			
$10.63	8,200	$ 10.63	0.4
$21.00 - $25.00	21,305	$ 21.25	1.9
$38.00 - $44.38	5,675	$ 39.55	3.7
$72.00	10,668	$ 72.00	4.7
$92.15 - $114.25	20,184	$105.26	5.0
$146.00 - $180.00	17,100	$155.71	5.4
$278.00 - $315.50	2,667	$287.38	6.5
$500.00	37,644	$500.00	7.8
$671.00 - $760.25	1,625	$698.46	8.9
$769.40 - $810.00	1,375	$784.16	9.2
Exercisable at December 31, 2005:			
$10.63	8,200	$ 10.63	0.4
$21.00 - $25.00	21,305	$ 21.25	1.9
$38.00 - $44.38	5,675	$ 39.55	3.7
$72.00	10,668	$ 72.00	4.7
$92.15 - $114.25	20,184	$105.26	5.0
$146.00 - $180.00	16,433	$156.11	5.4
$278.00 - $315.50	2,667	$287.38	6.5
1998 Option Plan			
Outstanding at December 31, 2005:			
$44.38 - $62.13	459,485	$ 47.86	3.4
$72.00 - $91.25	16,066	$ 77.93	4.8
$500.00 - $551.00	26,357	$527.09	8.3
$663.50 - $720.06	16,501	$672.07	8.9
Exercisable at December 31, 2005:			
$44.38 - $62.13	459,485	$ 47.86	3.4
$72.00 - $91.25	16,066	$ 77.93	4.8
2000 Option Plan *			
Outstanding at December 31, 2005:			
$158.30 - $202.05	1,669,150	$188.81	5.3
$269.35 - $296.50	23,000	$281.90	6.6
$313.12 - $369.75	115,000	$338.28	7.0
$409.00 - $449.90	22,200	$433.47	8.0
$451.00 - $484.20	107,769	$460.97	8.3
$504.00 - $550.00	4,750	$526.86	8.7
$625.00 - $748.50	8,500	$690.44	9.0
$759.00 - $810.00	12,675	$772.75	9.2
2005 Option Plan *			
Outstanding at December 31, 2005:			
$680.25 - $737.00	361,205	$736.19	9.4
$773.00 - $938.00	25,770	$844.38	9.6

*None of the options outstanding under the 2000 and 2005 Option Plans are exercisable at December 31, 2005.

(dollars in thousands, except per share data)

Director Incentive Plans

During 1996, the Company's shareholders approved the Board of Directors' adoption of the Directors' Long Term Stock Option Plan (the "1996 Directors' Plan"). Under this plan, there were 192,000 options to purchase shares of common stock authorized and granted to the Company's outside directors. There are no additional options available for grant under this plan. The option exercise price for the options granted was $10.25 per share, which was equal to the fair market value of the Company's Shares on the date of grant. The Options were granted for a 10-year period and were fully vested as of December 31, 2001. The weighted average remaining contractual life is 0.4 years.

During 1999, the Company's shareholders approved the Board of Directors' adoption of the 1998 Directors' Long Term Stock Option Plan (the "1998 Directors' Plan"). There were 150,000 options to purchase shares of common stock authorized for grant to the Company's outside directors under the 1998 Directors' Plan. A total of 87,500 options were granted at an exercise price of $49.06, and 34,000 options were granted at $369.75. All options were granted at an exercise price equal to the fair market value of the Company's Shares on the date of grant. The Options were granted for a 10-year period and vest annually in twenty-five percent (25%) increments beginning on either December 31, 2002 or December 31, 2006, as determined by the date of grant. The weighted average remaining contractual life in years for the options granted at $49.06 and $369.75 is 3.4 and 6.3, respectively. In addition, during the third quarter of 2005, the Company granted 7,700 non-qualified stock options ("Director Options") at an average exercise price of $907.75 per share to the Company's Directors under the 1998 Directors' Plan. The weighted average remaining contractual life in years for these options is 9.6 years. These Options are subject to the aforementioned EPS Target. If the EPS Target is satisfied, the 7,700 Options granted under the 1998 Directors' Plan will become exercisable as to twenty-five percent of the underlying shares on each of December 31, 2010, 2011, 2012 and 2013, respectively, based on continued service by the director.

The members of Board of Directors also participate in the 2000 Broadly-Based Stock Option Plan, as described previously herein.

Stock option activity for the director option plans for the years presented is as follows:

	2005		2004		2003	
	Options	**Weighted Average Exercise Prices**	**Options**	**Weighted Average Exercise Prices**	**Options**	**Weighted Average Exercise Prices**
1996 Directors' Plan						
Options outstanding at the beginning of the year	16,000	$ 10.25	28,000	$ 10.25	50,000	$ 10.25
Granted	—	$ —	—	$ —	—	$ —
Canceled	—	$ —	—	$ —	—	$ —
Exercised	(4,500)	$ 10.25	(12,000)	$ 10.25	(22,000)	$ 10.25
Outstanding at end of year	11,500	$ 10.25	16,000	$ 10.25	28,000	$ 10.25
Exercisable at end of year	11,500	$ 10.25	16,000	$ 10.25	28,000	$ 10.25
1998 Directors' Plan						
Options outstanding at the beginning of the year	93,375	$165.83	99,625	$158.51	109,000	$149.09
Granted	7,700	$907.75	—	$ —	—	$ —
Canceled	(17,000)	$369.75	—	$ —	—	$ —
Exercised	(15,625)	$ 49.06	(6,250)	$ 49.06	(9,375)	$ 49.06
Outstanding at end of year	68,450	$225.30	93,375	$165.83	99,625	$158.51
Exercisable at end of year	43,750	$ 49.06	40,625	$ 49.06	28,125	$ 49.06

(dollars in thousands, except per share data)

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

The rabbi trust account held 547,697 and 549,029 shares of NVR common stock as of December 31, 2005 and 2004, respectively. During 2005, 1,332 shares of NVR common stock were issued from the rabbi trust related to deferred compensation for which the deferral period ended. There were no shares of NVR common stock contributed to the rabbi trust in 2005. Shares held by the Deferred Comp Plan are treated as outstanding shares in the Company's earnings per share calculation for each of the years ended December 31, 2005, 2004 and 2003.

10. Commitments and Contingent Liabilities

NVR is committed under multiple non-cancelable operating leases involving office space, model homes, manufacturing facilities, automobiles and equipment. Future minimum lease payments under these operating leases as of December 31, 2005 are as follows:

Years ended December 31,	
2006	$ 27,589
2007	19,133
2008	15,795
2009	12,935
2010	8,802
Thereafter	35,976
	$ 120,230

Total rent expense incurred under operating leases was approximately $39,033, $30,223 and $25,790 for the years ended December 31, 2005, 2004 and 2003, respectively.

NVR is not in the land development business. The Company purchases finished lots under fixed price purchase agreements, which require deposits, which may be forfeited if the Company fails to perform under the contract. The deposits are in the form of cash or letters of credit in varying amounts and represent a percentage, typically ranging up 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. The Company generally seeks to maintain control over a supply of lots believed to be suitable to meet its sales objectives for the next 24 to 36 months. At December 31, 2005, assuming that contractual development milestones are met, NVR is committed to placing additional forfeitable deposits with land developers under existing lot option contracts of approximately $214,000. In addition, at December 31, 2005, the Company was committed to purchasing approximately 80 finished lots at an aggregate purchase price of $7,100 under three specific performance contracts.

During the ordinary course of operating the mortgage banking and homebuilding businesses, NVR is required to enter into bond or letter of credit arrangements with local municipalities, government agencies, or land developers to collateralize its obligations under various contracts.

(dollars in thousands, except per share data)

NVR had approximately $33,325 (including $26,412 for letters of credit as described in Note 6(a) herein) of contingent obligations under such agreements as of December 31, 2005. NVR believes it will fulfill its obligations under the related contracts and does not anticipate any losses under these bonds or letters of credit.

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 for the years ended December 31, 2005 and 2004:

	2005	2004
Warranty reserve, beginning of year	$ 42,319	$ 35,324
Provision	62,598	38,178
Payments	(44,805)	(31,183)
Warranty reserve, end of year	$ 60,112	$ 42,319

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

In April 2005, the United States Environmental Protection Agency (the "EPA") notified NVR that the Company was allegedly in violation of Section 308(a) of the Clean Water Act (the "Act") at a construction site in Pennsylvania relative to storm water management during the homebuilding construction process. The notice informed NVR that the Company might be subject to administrative fines of up to $157 for the alleged violations. Subsequently, in September 2005, NVR received a request from the EPA pursuant to the Act for information about storm water discharge practices utilized in connection with other recent homebuilding projects undertaken by the Company. NVR is working with the EPA to provide the requested information and to review NVR's compliance with the Act. It is not known at this time whether the EPA will seek to take legal action or impose penalties in connection with the alleged violation at the construction site in Pennsylvania.

11. Acquisition

During January 2005, NVR acquired substantially all of the assets of Marc Homebuilders, Inc. ("Marc"), a homebuilder in Columbia, South Carolina for $7,600 in cash. Marc settled approximately 230 homes during 2004 under the Rymarc trade name, generating approximately $27,000 in revenue. The Company has recorded in the consolidated balance sheet certain indefinite and definite life intangible assets in an amount equal to the excess of the purchase price over the fair value of the net assets acquired. As of December 31, 2005, certain post-closing performance benchmarks were met and an additional payment of $1,500 is due to Marc and was recorded as an increase to goodwill at December 31, 2005.

12. Quarterly Results (unaudited)

The following table sets forth unaudited selected financial data and operating information on a quarterly basis for the years ended December 31, 2005 and 2004.

(dollars in thousands, except per share data)

	Year Ended December 31, 2005			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues-homebuilding operations	$939,252	$1,257,248	$1,350,465	$1,630,778
Gross profit — homebuilding operations	$259,705	$ 349,964	$ 380,028	$ 450,016
Mortgage banking fees	$ 14,180	$ 20,441	$ 22,557	$ 27,426
Net income	$117,930	$ 167,649	$ 189,443	$ 222,537
Diluted earnings per share	$ 14.38	$ 21.42	$ 24.33	$ 30.29
Contracts for sale, net of cancellations (units)	3,312	4,829	2,897	3,615
Settlements (units)	2,615	3,416	3,576	4,180
Backlog, end of period (units)	8,141	9,554	8,875	8,310
Loans closed	$614,492	$ 857,821	$ 867,864	$1,047,941

	Year Ended December 31, 2004			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues-homebuilding operations	$860,685	$984,833	$1,146,271	$1,255,714
Gross profit — homebuilding operations	$217,674	$248,855	$ 298,076	$ 326,612
Mortgage banking fees	$ 16,108	$ 16,543	$ 20,248	$ 19,320
Net income	$100,617	$115,970	$ 147,679	$ 158,938
Diluted earnings per share	$ 12.58	$ 14.82	$ 19.04	$ 20.13
Contracts for sale, net of cancellations (units)	3,318	4,001	2,718	3,194
Settlements (units)	2,709	3,010	3,433	3,597
Backlog, end of period (units)	7,499	8,490	7,775	7,372
Loans closed	$523,339	$628,598	$ 739,834	$ 824,859

EXHIBIT 10.18

NVR, INC.

2005 STOCK OPTION PLAN

1. Purpose.

This 2005 Stock Option Plan (the “Plan”) is intended and is being adopted to provide an incentive to certain employees of NVR, Inc. (the “Corporation”) and any corporation controlling, controlled by or under common control with the Corporation (the “Affiliates”) (a) to encourage them to remain in the employ or service of the Corporation and its Affiliates, (b) to promote the continued profitability and growth of the Corporation and (c) to enable and assist managers to acquire and hold shares of voting common stock of the Corporation (“Shares”) in accordance with Corporation guidelines for ownership of Shares by managers. Options granted under the Plan are not intended to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended (the “Code”).

2. Shares Subject to the Plan.

The aggregate number of Shares which may be covered by stock options (“Options”) granted pursuant to the Plan is 500,000 Shares, subject to adjustment under Section 12. Shares covered by Options that expire unexercised shall again be available for grant under the Plan.

3. Eligibility.

Options may be granted under the Plan to such employees of the Corporation or any Affiliate as the Corporation’s Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) shall determine and designate from time to time prior to expiration or termination of the Plan; provided, that: (i) no individual may receive an Option for greater than 50,000 Shares under the Plan and (ii) no more than 125,000 Shares may be covered by Options granted under the Plan to Senior Management. “Senior Management” are the specific individuals who currently hold the title of the Corporation’s Chairman of the Board, Chief Executive Officer and President; Executive Vice President, Treasurer and Chief Financial Officer; Senior Vice President and Controller; or President of NVR Mortgage Finance, Inc. Employees who receive Option grants under the Plan are referred to as “Participants.” An individual may hold more than one Option, subject to such restrictions as are provided herein. Both the individual limit on Options granted under the Plan and the limit on the total number of Options granted to Senior Management are subject to adjustment under Section 12.

4. Administration.

This Plan will be administered by the Committee in accordance with the following provisions:

(a) Except as may be otherwise determined by the Committee, the following procedures will be followed with respect to the granting of all Options under this Plan:

(i) All Options will be granted in writing and on a form of "Grant" approved for that purpose by the Committee. The date on which the Committee approves the grant of an Option shall be considered the date on which such Option is granted. The Committee may delegate, from time to time, authority to the Chief Executive Officer and the Senior Vice President of Human Resources, jointly, to approve option grants to Participants other than Senior Management.

(ii) The Corporation and the optionee will enter into an Option Agreement which will incorporate the terms of the Grant and such other provisions as may be included pursuant to Section 15 of this Plan.

(b) The interpretation and construction by the Committee of any of the provisions of this Plan or of any Option granted under this Plan, together with the actions of the Committee in the granting of Options as provided in this Plan, will be final and conclusive unless otherwise specifically provided in writing by the Board.

5. Effective Date and Term of the Plan.

(a) The Plan shall become effective as of the date of the Plan's approval by the Corporation's stockholders (the "Effective Date"), which is evidenced by a majority of the votes cast in favor of adopting the Plan at a duly held meeting of the stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the matter, or by written consent in accordance with applicable state law and the Certificate of Incorporation and Bylaws of the Corporation.

(b) The Plan shall terminate on the date ten years after the Effective Date, unless earlier terminated by the Board. In addition, the Plan shall terminate as of December 31, 2008 if the Corporation does not meet the EPS Target (as defined in Section 8(f)). A termination of the Plan by the Board shall not impair any rights or obligations under any Option theretofore granted to a Participant under this Plan.

6. Option Prices.

The purchase price for Shares covered by each Option under the Plan (the "Option Price") shall be equal to the Fair Market Value of such Shares on the date of grant. For purposes of this section, "Fair Market Value" means the value of each Share subject to the Plan determined as follows: If on the date of grant of the Option or other determination date the Shares are listed on an established national or regional stock exchange, are admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or otherwise are publicly traded on an established securities market, the Fair Market Value of the Shares shall be the closing price of the Shares on such exchange or in such market (the New York Stock Exchange if there is more than one such exchange or market) on the trading day immediately preceding the date of grant or other determination date (or, if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day), or, if no sale of the Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be determined by the Committee in good faith.

7. Option Period.

Each Option shall be granted for a period of ten (10) years, or such lesser period as the Committee determines at the time of grant, from the date of grant.

8. Exercise of the Options.

(a) Subject to Section 13 below, Options granted under the Plan shall become exercisable according to the following schedule:

1. No Option shall become exercisable unless the Corporation meets the EPS Target (as defined in Section 8(f) below). If the EPS Target has not been met as of December 31, 2008, all Options granted under the Plan shall immediately terminate.

2. If the EPS Target is met, Options shall become exercisable at a rate of 25% per year on December 31 of each year, commencing in the fifth year after the date of grant. For the avoidance of doubt and by way of example, this means that an Option granted on July 1, 2005 would become exercisable with regard to 25% of the shares on each of December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, assuming the EPS Target is satisfied as of December 31, 2008 and that the Option otherwise remains outstanding. A Participant must be an employee of the Corporation or an Affiliate as of the end of the business day on a December 31st vesting date in order to be entitled to additional vesting. For the avoidance of doubt and by way of example, if additional vesting occurs on December 31, 2010, the Options additionally vested on that date could not be exercised until the first business day of 2011, at which time the Participant would not necessarily have to be an employee of the Corporation or Affiliate, subject to paragraphs (b) through (e) below.

(b) An Option shall terminate immediately and may no longer be exercised if the optionee ceases to be an employee of the Corporation or any of its Affiliates as a result of a termination for "Cause." A termination shall be for "Cause" in the event the Participant ceases to be an employee of the Corporation, or any of its Affiliates, if the termination is a result of (i) conviction of a felony or other crime involving moral turpitude; (ii) gross misconduct in connection with the performance of such Participant's duties including a breach of such Participant's fiduciary duty of loyalty; (iii) a willful violation of any criminal law involving a felony, including federal or state securities laws; or (iv) a material breach (following notice and an opportunity to cure) of any covenant by the Participant contained in any agreement between the Participant and the Corporation or any of its Affiliates.

(c) In the event of a termination of employment resulting from the optionee's involuntary termination without "Cause," death, disability or retirement at normal retirement age (age 65) that occurs after the EPS Target has been met, the Option shall become exercisable at the date of termination for an additional pro rata portion (based on the number of full months of the current year that have elapsed prior to the termination, but no more than three months in the case of an involuntary termination without "Cause" or retirement at normal retirement age) of the previously nonexercisable portion of the Option which would have been eligible to be exercised at the end of the year in which such termination occurs and the optionee (or his personal representative) may at any time within a period of three months (one year in the case of termination due to death or disability) after such termination exercise such Option, but only to the extent that the Option was exercisable on the date of employment termination (including any pro rata increase in exercisability for the year of termination). Such Option will terminate at the end of such three-month (one year in the case of termination due to death or disability) period. Notwithstanding the foregoing, an Option may not be exercised after the expiration date of the Option.

(d) In the event of a voluntary termination of employment, an optionee may at any time within a period of three months after such termination exercise any outstanding Option, but only to the extent that the Option was exercisable on the date of employment termination. Such Option will terminate at the end of such three-month period. Notwithstanding the foregoing, an Option may not be exercised after the expiration date of the Option.

(e) An Option may be exercised to the extent that Shares have become exercisable and vested under the Option, in whole or in part, from time to time, and at any time prior to expiration or termination of the Option, by making full payment of the Option Price to the Corporation in any one or more of the following ways:

(i) in immediately available funds acceptable to the Committee;

(ii) by the assignment and delivery to the Corporation or the Affiliate which employs the optionee (or any other Affiliate designated by the Corporation) of Shares which are not subject to restriction, are owned by the optionee free and clear of all liens and encumbrances and have a fair market value (as determined by the closing price on the national securities exchange on which the Shares are listed on the day preceding the day of exercise or by any other method acceptable to the Committee in its absolute discretion) equal to the applicable Option Price less any portion thereof paid in immediately available funds provided, however, that the Shares surrendered in payment must have been held by the optionee for more than six months at the time of surrender;

(iii) if so authorized in the Option agreement, a Corporation-sponsored broker-assisted cashless exercise (but only if the Participant is not a member of Senior Management); and/or

(iv) any other legal method of payment acceptable to the Compensation Committee.

(v) Tax withholding must be paid in immediately available funds to the Corporation at the time of exercise. Shares are not accepted for payment for tax withholding.

(f) "EPS Target" means $339.00. The Corporation will be deemed to have met the EPS Target if the Corporation's cumulative earnings per share is at least $339.00 per share (as adjusted by the Board in its reasonable discretion for reorganizations, recapitalizations, splits, reverse splits, combinations of Shares, mergers, consolidations, sales of assets or other similar events occurring after the Effective Date) for the years 2005, 2006, 2007 and 2008. For the avoidance of doubt, cumulative earnings per share means the sum of the earnings per share for each year (determined in accordance with the generally accepted accounting principles for U.S. companies as then in effect for each such year, with no retroactive adjustments for rules becoming effective in future years), and shall be determined as of December 31, 2008.

9. Nontransferability of Options.

An Option granted under this Plan may not be transferred except by will or the laws of descent and distribution and may be exercised during the optionee's lifetime only by the optionee (or in the case of disability, his personal representative), and shall not be pledged or hypothecated (by operation of law or otherwise) or subject to execution, attachment or similar processes.

10. Rights as a Holder of Shares.

An optionee or a transferee of an Option shall have no rights as a stockholder with respect to any Shares covered by his Option until the date on which payment is made by him, and accepted by the Corporation, for such Shares. No adjustment shall be made for distributions for which the record date is prior to the date such payment is made and accepted.

11. Requirements of Law.

(a) The Corporation shall not be required to sell or issue any Shares under any Option if the sale or issuance of such shares would constitute a violation by the optionee, any other individual exercising an Option, or the Corporation of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Corporation shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Option upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no Shares may be issued or sold to the optionee or any other individual exercising an Option pursuant to such Option unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation, and any delay caused thereby shall in no way affect the date of termination of the Option. Specifically, in connection with the Securities Act, upon the exercise of any Option, unless a registration statement under such Act is in effect with respect to the Shares covered by such Option, the Corporation shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the optionee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Corporation may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Corporation shall not be obligated to take any affirmative action in order to cause the exercise of an Option to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the Shares covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

(b) During any time when the Corporation has a class of equity security registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), it is the intent of the Corporation that the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

12. Adjustments upon Changes in Shares.

(a) In the event that a distribution shall be declared upon the Shares payable in Shares, the number of Shares then subject to any Option and the number of Shares available for issuance pursuant to this Plan but not yet covered by an Option shall be adjusted by adding to each such number the number of Shares which would have been distributable thereon if such number of Shares had been outstanding on the date fixed for determining the shareholders entitled to receive such distribution.

(b) In the event that the outstanding Shares shall be changed into or exchanged for a different number or kind of Shares or shares of stock or other securities of the Corporation or of another entity, whether through reorganization, recapitalization, split, reverse split, combination of Shares, merger, consolidation, sale of assets or otherwise, then there shall be substituted for each Share subject to any Option and for each Share available for issuance pursuant to the Plan but not yet covered by an Option the number and kind of Shares or shares of stock or other securities into which each outstanding Share shall be so changed or for which each such Share shall be exchanged. The individual limit on Option grants and the limit on the total number of Option grants to Senior Management in Section 3 shall also be adjusted to reflect such change in Shares.

(c) In the case of any such substitution or adjustment as provided for in this Section 12, the Option Price in each Option Agreement for each Share covered thereby prior to such substitution or adjustment will be the Option Price for all Shares, shares of stock or other securities which shall have been substituted for such Share or to which such Share shall have been adjusted pursuant to this Paragraph.

(d) The Board may also make adjustments to outstanding Options in the event of any payment of a dividend to stockholders other than a normal cash dividend. In determining adjustments to be made under this Section 12, the Board may take into account such factors as it deems appropriate, including (i) the restrictions of applicable law, (ii) the potential tax consequences of an adjustment and (iii) the possibility that some Participants might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Options or make other equitable adjustments. Any such adjustments to outstanding Options will be effected in a manner that precludes the enlargement of rights and benefits under such Options.

(e) Adjustments pursuant to this Section 12, if any, and any determinations or interpretations, including any determination of whether a dividend is other than a normal cash dividend, made by the Board shall be final, binding and conclusive. No adjustment or substitution provided for in this Section 12 shall require the Corporation in any Option Agreement to sell a fractional Share, and the total substitution or adjustment with respect to each Option Agreement shall be limited to whole Shares (rounding to the nearest whole number).

13. Change of Control; Sale of Assets/Stock.

Upon the dissolution or liquidation of the Corporation or upon a Change of Control, all Options shall fully vest and be exercisable without regard to whether or not the EPS Target has been met. In the event of any such Change of Control or dissolution or liquidation (a “Transaction”), each individual holding an Option shall have the right, immediately prior to the occurrence of such Transaction, to exercise such Option in whole or in part, whether or not such Option was otherwise exercisable at the time such Transaction occurs and without regard to any installment limitation on exercise imposed pursuant to Section 8 above but subject to Section 15 below. The Committee shall send written notice of an event that will result in such an exercise period to all individuals who hold Options not later than the time at which the Corporation gives notice thereof to its stockholders.

For purposes of the Plan, “Change of Control” means:

(i) a merger, consolidation, reorganization or other business combination of the Corporation with one or more other entities in which the Corporation is not the surviving entity;

(ii) a sale of substantially all of the assets of the Corporation to another entity; or

(iii) any transaction (including, without limitation, a merger or reorganization in which the Corporation is the surviving entity) which results in any person or entity (or persons or entities acting as a group or otherwise in concert) owning 20 percent or more of the common stock of the Corporation.

Notwithstanding (iii) above, a Change of Control shall not occur if any director, officer or employee owns 20 percent or more of the Shares, or acquires the right to purchase Shares which if such right were exercised would result in the ownership of 20 percent or more of the Shares, as a result of:

(a) the exercise of options or the grant or vesting of equity-based awards under any incentive plan of the Corporation;

(b) the purchase of Shares directly by the director, officer or employee of the Corporation; or

(c) the implementation of a Share repurchase program by the Corporation.

14. Use of Proceeds.

Proceeds from the sale of Shares pursuant to Options granted under this Plan shall constitute general funds of the Corporation or Affiliate, as the case may be.

15. Other Provisions.

The Grants to be issued under this Plan will incorporate the provisions of this Plan by reference. The Options granted under this Plan may be subjected to or include additional restrictions upon the exercise thereof and/or such other provisions, if any, as the Committee and/or the Board may deem advisable and cause to be specified in the Grant, or the Option Agreement entered into pursuant thereto.

16. Tax Withholding.

The Participant also shall provide immediately available funds to the Corporation or Affiliate in an amount sufficient to pay the amount of any withholding taxes required with respect to the exercise of the Option at the time such withholding is required. Shares are not accepted for payment of Participant tax withholding. The Corporation or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Participant any minimum required Federal, state, or local taxes of any kind required by law to be withheld upon the issuance of any Shares upon the exercise of an Option.

17. Amendment.

(a) The Corporation may from time to time amend this Plan, except that, without shareholder approval, no amendment shall change the aggregate number of Shares subject to this Plan, extend the term of this Plan, or change the EPS Target other than as provided in Section 8(f). In addition, any such amendment shall be submitted for shareholder approval to the extent required by applicable law, rules or regulations. An amendment to this Plan or to any outstanding Option shall not, without the consent of a Participant, reduce or impair any rights or obligations under any Option theretofore granted to such Participant under this Plan.

(b) The Option Price of any existing Option may not be decreased, except in accordance with Section 12, without Shareholder approval.

(c) The exercisability of any existing Option may not be accelerated, other than by reason of Section 8(c) or Section 13, without Shareholder approval.

18. Suspension or Termination of Plan.

The Board may from time to time suspend or at any time terminate this Plan. This Plan shall terminate on the tenth anniversary of the Effective Date, unless earlier terminated by the Board. No Option may be granted during any such suspension or after termination. The termination of this Plan shall not, without the consent of the Participant, reduce or impair any rights or obligations under any Option theretofore granted to such Participant under this Plan.

19. Indemnification.

The members of the Committee shall be indemnified by the Corporation to the maximum extent permitted by applicable state law and the Corporation's articles of incorporation or bylaws.

20. Disclaimer of Employment Rights.

Neither this Plan nor any Option granted hereunder will create any employment right in any person.

21. Governing Law.

The validity, interpretation and effect of the Plan, and the rights of all persons hereunder, shall be governed by and determined in accordance with the laws of Virginia, other than the choice of law rules thereof.

NVR, INC.

By: /s/ James M. Sack

Its: Vice President, Secretary and General Counsel

EXHIBIT 10.19

NVR, INC.
2005 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is entered into as of **___**, between NVR, INC., a Virginia corporation (hereinafter "NVR"), and **___**an employee of NVR and/or of an NVR subsidiary (the "Optionee").

Recitals:

WHEREAS, NVR has adopted the NVR, INC. 2005 Stock Option Plan (the "Plan") providing for the grant under certain circumstances of options (the "Options") exercisable for the purchase of shares of NVR Common Stock (the "Shares");

WHEREAS, NVR, under the terms and conditions set forth below, has offered and committed to grant an Option under the Plan to the Optionee in connection with the employment of the Optionee in the capacity set forth below; and

WHEREAS, in consideration of the grant of the Option and other benefits, the Optionee is willing to accept the Option provided for in this Agreement and is willing to abide by the obligations imposed on him or her under this Agreement and the other responsibilities of his or her position

Provisions:

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, NVR and the Optionee hereby agree as follows:

1. Acknowledgments of Optionee. The Option granted under this Agreement is intended to provide to the Optionee an opportunity to purchase Shares. The Optionee is employed by **NVR** in the position of **___**. The Optionee acknowledges that such position, the Option granted under this Agreement and the other benefits of his or her employment in that capacity are being conferred upon the Optionee only because of and on the condition of the willingness of the Optionee to commit his or her best efforts and loyalty to NVR in the performance of the duties of that position.

2. Effect of the Plan. The Option to be granted under this Agreement will be subject to all of the terms and conditions of the Plan, which are incorporated by reference and made part of this Agreement. The Optionee will abide by, and the Option granted to the Optionee will be subject to, all of the provisions of the Plan and of this Agreement, together with all rules and determinations from time to time issued by the Committee established to administer the Plan and by the Board of Directors of NVR (hereinafter "Board") pursuant to the Plan.

3. Grants. The Optionee is hereby granted an option to purchase **___**Shares, with an Option Price of **$___**per Share.

4. Exercise; Conditions to Exercise.

(a) **Period of Exercise**. Subject to Section 4(f) below, the Option may be exercised in whole or in part with respect to vested grants at any time after vesting. No Option may be exercised after ten years from the date of grant. The Option may be exercised only with respect to whole Shares.

(b) **Vesting of Option**. If the EPS Target is met in accordance with Section 4(f)(i) below, then on each of December 31, 2011, December 31, 2012, December 31, 2013 and December 31, 2014, twenty-five percent (25%) of the Options shall be exercisable in respect of the number of Shares initially subject to the Option. Subject to Section 4(f), the foregoing installments, to the extent not exercised, shall accumulate and be exercisable, in whole or in part, at any time and from time to time, after becoming exercisable and prior to the termination of the Option. For the avoidance of doubt and by way of example, if additional vesting occurs on December 31, 2010, the Options additionally vested on that date could not be exercised until the first business day of 2011, at which time the Optionee would not necessarily have to be an employee of NVR or an NVR subsidiary to exercise the Options, subject to the earlier termination of the Option pursuant to Paragraphs 4(a) and 5 of this Agreement. In the event of a termination of the Optionee's employment resulting from the Optionee's involuntary termination without "Cause" (as defined in Section 5), death, disability or retirement at normal retirement age (age 65) after the EPS Target is met, the Option shall become exercisable at the date of termination for a pro rata portion (based on the number of full months of the current year that has expired prior to the termination, but no more than three months in the case of an involuntary termination without "Cause" or retirement at normal retirement age) of the previously nonexercisable portion of the Option which would have been eligible to be exercised at the end of the year in which such termination occurs.

(c) **Who May Exercise**. During the Optionee's lifetime, the Option rights may be exercised only by him or her.

(d) **Manner of Exercise**. Option rights may be exercised by the delivery of written notice from the Optionee to the Committee or the Committee's designee specifying the number of Shares then being exercised.

(e) **Payment of Exercise Price**. To exercise the Option, the Optionee must make full payment of the Option Price to NVR in any one or more of the following ways:

(i) in immediately available funds;

(ii) by the assignment and delivery to NVR of Shares owned by the Optionee (or his estate) provided however, that such Shares have not been acquired pursuant to the exercise of an option within the last six months (unless the options were exercised following the death of the Optionee), are free and clear of all liens and encumbrances and have a fair market value (as determined by the closing price on the national securities exchange on which the Shares are listed on the day preceding the day of exercise or by any other method acceptable to the Committee in its absolute discretion) equal to the applicable Option Price less than any portion thereof paid in cash; or

(iii) by delivery (on a form prescribed by NVR) of an irrevocable direction to a licensed securities broker acceptable to NVR to sell Shares and to deliver all or part of the sale proceeds to NVR in payment of the aggregate Option Price (but only if the Optionee is not a member of Senior Management).

The Optionee also must reimburse NVR for the amount of all applicable withholding taxes at the rate required to be paid by NVR in immediately available funds at the time of exercise.

(f) **Restrictions on Exercise**.

(i) *Performance Goal.* Except as provided in Section 7 below, the Option shall not become exercisable unless NVR meets the EPS Target. NVR will be deemed to have met the EPS Target if NVR's cumulative earnings per share is at least $339.00 per share (as adjusted by the Board in its reasonable discretion for reorganizations, recapitalizations, splits, reverse splits, combinations of shares, mergers, consolidations, sales of assets or other similar events occurring after May 4, 2005) for the years 2005, 2006, 2007 and 2008. For the avoidance of doubt, cumulative earnings per share means the sum of the earnings per share for each year (determined in accordance with the generally accepted accounting principles for U.S. companies as then in effect for each such year, with no retroactive adjustments for rules becoming effective in future years), and shall be determined as of December 31, 2008.

(ii) *Regulatory Matters.* The Option may not be exercised if such exercise would constitute a violation of any applicable Federal or state statute or regulation or if any required approval of a governmental authority having jurisdiction shall not have been secured. NVR agrees to use reasonable diligence to obtain all such requisite approvals or consents.

5. Termination of Option.

(a) If the EPS Target has not been met as of December 31, 2008, the Option shall immediately terminate.

(b) If the Optionee ceases to be an employee of NVR and its affiliates, other than as a result of a termination for "Cause" (as defined in the following paragraph), the unexercised Option shall terminate, except that within three (3) months after termination of employment (one year in the case of termination due to death or disability) the Optionee or his personal representative and/or the person or persons to whom the Optionee's Option rights may pass by will or by the applicable laws of descent and distribution, as the case may be, may exercise the Option to the extent to which he or she was entitled to exercise the Option on the date of termination of employment.

(c) A termination shall be for "Cause" in the event the Optionee ceases to be an employee of NVR and its affiliates attributable to a termination of employment as a result of (i) conviction of a felony, or other crime involving moral turpitude; (ii) gross misconduct in connection with the performance of such Optionee's duties (which shall include a breach of such Optionee's fiduciary duty of loyalty); (iii) a willful violation of any criminal law involving a felony, including federal or state securities laws; or (iv) material breaches (following notice and an opportunity to cure) of any covenants by the Optionee contained in any agreement between Optionee and NVR or its affiliates. In the event of a for "Cause" termination of employment, the unexercised Option shall terminate immediately.

(d) In no event may the Option be exercised by the Optionee if he or she has violated any provision of this Agreement.

6. Adjustment Upon Changes in Shares. In the event of a change in NVR's capital structure, the adjustments provided for in Paragraph 12 of the Plan shall be made to the Option Price and the number of Shares subject to the Option hereunder.

7. Change of Control; Sale of Assets/Stock. Upon the dissolution or liquidation of NVR or upon a Change of Control, the Option shall be fully vested and be exercisable without regard to whether or not the EPS Target has been met. In the event of any such Change of Control or dissolution or liquidation (a "Transaction"), the Optionee shall have the right, (i) immediately prior to the occurrence of such Transaction and (ii) during such period occurring prior to such Transaction as the Committee in its sole discretion shall designate, to exercise the Option in whole or in part, whether or not such Option was otherwise exercisable at the time such Transaction occurs and without regard to any installment limitation on exercise imposed pursuant to Section 4 above, but subject to Section 4(f)(ii).

For purposes of the Plan, "Change of Control" means:

(i) a merger, consolidation, reorganization or other business combination of NVR with one or more other entities in which NVR is not the surviving entity;

(ii) a sale of substantially all of the assets of NVR to another entity; or

(iii) any transaction (including, without limitation, a merger or reorganization in which NVR is the surviving entity) which results in any person or entity (or persons or entities acting as a group or otherwise in concert) owning twenty percent or more of the common stock of NVR.

Notwithstanding (iii) above, a Change of Control shall not occur if any director, officer or employee owns 20 percent or more of the Shares, or acquires the right to purchase Shares which if such right were exercised would result in the ownership of 20 percent or more of the Shares, as a result of:

(a) the exercise of options or the grant or vesting of equity-based awards under any incentive plan of NVR;

(b) the purchase of Shares directly by the director, officer or employee of NVR; or

(c) the implementation of a Share repurchase program by NVR.

8. Noncompetition, Non-Solicitation and Confidentiality.

(a) In consideration of the promises set forth in this Agreement, the Optionee agrees:

(i) to maintain the confidentiality of any and all information concerning NVR and its affiliates, whether with respect to its business, operations, finances, employees or otherwise during the period of his or her employment and for three (3) years after the termination of such employment;

(ii) that, during employment, he or she will not compete with NVR or with any of its affiliates, directly or indirectly in any phase of the residential homebuilding business or mortgage financing business or settlement services business at any location and during the twenty-four (24) month period following termination, he or she will not compete with NVR or with any of its affiliates, directly or indirectly in any phase of the residential homebuilding business or mortgage financing business or settlement services business at any location within any Standard Metropolitan Statistical Area (as determined by the Census Bureau, Department of Commerce, United States Government) in which Optionee has had managerial responsibility for any office or affiliate of NVR at any time within the two-year period prior to the Optionee's termination of employment;

(iii) that he or she will not hire or solicit for hiring, directly or indirectly, any person now or hereafter employed by, or providing services as a subcontractor to, NVR or any affiliate of NVR for twenty-four (24) months after termination of the Optionee's employment;

(iv) that he or she will not utilize the services of or attempt to acquire real property, goods or services from any developer or subcontractor now or hereafter utilized by NVR or any affiliate of NVR for twenty-four (24) months after termination of employment; and

(v) not to make or retain copies of any documents, forms, blueprints, designs, policies, memoranda or other written information developed by NVR or any affiliate of NVR now or hereafter produced and/or circulated by NVR and further agrees not to copy, transfer or otherwise retain any electronic data (including information stored on a hard drive or disk), software (including proprietary software), computer data bases or other non-print information produced, designed, owned, copyrighted or utilized by NVR.

(b) The Optionee acknowledges that the restrictions set forth in this Section 8 and elsewhere in this Agreement are reasonable and necessary to protect the business and interests of NVR and its affiliates and that it would be impossible to measure in money the damages that could or would accrue to NVR and its affiliates in the event that the Optionee fails to honor his or her obligations under this Section 8. Therefore, in addition to any other remedies NVR or its affiliates may have, it shall have the right to have the Optionee's obligations hereunder specifically performed by order of any court having jurisdiction, without the necessity of proving actual damage.

(c) If the Optionee violates the restrictions set forth in this Section 8, the Optionee shall forfeit the Options granted pursuant to this Agreement, and shall also repay to NVR the gain (i.e., the difference at exercise between the aggregate fair market value of the purchased shares and the aggregate Option Price) recognized by the Optionee pursuant to the Options during the period beginning eighteen (18) months prior to the first violation by the Optionee of this Section 8 and ending on the date that the Company notifies the Optionee that the Optionee has forfeited the Options pursuant to this Section 8.

(d) In the event that there is a Change of Control, as defined in Section 7 of the Agreement, and the Participant is terminated without Cause, or the Participant voluntarily terminates with Good Reason, with Good Reason defined as (i) the Participant's management responsibilities are diminished, or (ii) the Participant was an Executive Officer of NVR as defined by the Securities Exchange Act of 1933 and is not an Executive Officer of the surviving corporation or (iii) the Participant suffers any reduction of base compensation or any reduction in incentive opportunities, the non-competition provisions of Paragraph 8 become void. The confidentiality provisions remain in full force and effect.

9. Nonassignability. The options may not be transferred in any manner otherwise than by will or the laws of descent and distribution.

10. Rights as a Holder of Shares. An Optionee or a transferee of an Option shall have no rights as a Shareholder with respect to any Shares covered by his or her Option until the date on which payment is made by him or her, and accepted by the Company, for such Shares. No adjustment shall be made for distributions for which the record date is prior to the date such payment is made and accepted.

11. Employment. Nothing herein contained shall be construed to entitle the Optionee to continued employment with NVR and its affiliates.

1**2. Notices.** All notices to NVR must be in writing, addressed and delivered or mailed to: NVR, Inc., Plaza America Tower I, 11700 Plaza America Drive, Suite 500, Reston, VA 20190, Attn: Assistant Treasurer and all notices to the Optionee must be in writing addressed and delivered or mailed to him or her at the address shown on the records of NVR.

13. Governing Law. This Agreement and all determinations made and actions taken pursuant thereto, shall be governed under the laws of the Commonwealth of Virginia, other than with regard to the choice of law provisions thereof.

14. Severability. If any part of this Agreement shall be determined to be invalid or unenforceable, such part shall be ineffective only to the extent of such invalidity or unenforceability, without affecting the remaining portions hereof.

15. Amendment, Suspension or Termination of Plan. The Company may from time to time amend, suspend or, at any time, terminate the Plan or modify this option agreement. An amendment, suspension or termination of the Plan shall not without the consent of the Optionee, reduce or impair any rights or obligations under this Agreement.

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

NVR, INC.

By:______________________________

Dwight C. Schar

Its: Chairman

______________________________ ______________________________

WITNESS (as to Optionee) OPTIONEE

EXHIBIT 10.34

NVR, Inc.
Summary of the 2006 Annual Incentive Compensation Plan

The following is a description of NVR, Inc.'s ("NVR") 2006 annual incentive compensation plan (the "Bonus Plan"). The Bonus Plan is not set forth in a formal written document, and therefore NVR is providing this description of the plan pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Virtually all of NVR's management employees participate in the Bonus Plan, including all NVR's executive officers. Under the Bonus Plan, each executive officer has a maximum potential payout limited to 100% of his base salary. The annual incentive award is based on actual financial results compared to the business plan approved by NVR's Board of Directors. At the beginning of each year, financial targets that are tied to NVR's annual business plan are established by NVR's Compensation Committee. The financial target for corporate executives is based on NVR, Inc.'s consolidated pre-tax profit (before consolidated annual incentive and stock-based compensation expense but after all other charges). The financial targets used for the mortgage banking operation are pre-tax profit (before annual incentive expense and certain corporate cost allocations) and return on invested capital. The financial targets used for the homebuilding operation are profit before tax and annual incentive expense, but after a charge for the cost of capital, and return on assets.

An executive officer begins to earn the incentive award once the financial targets are at least 70% attained. The full amount of the incentive award is earned ratably from 70% up to 100% of the financial target attainment. The executive officers can earn no more than 100% of their base salary as an incentive award, which is earned once 100% of the financial targets are attained. Thus, attainment of greater than 100% of the financial target has no impact on the amount of the incentive award earned.

EXHIBIT 21

NVR, Inc. Subsidiaries

Name of Subsidiary	State of Incorporation or Organization
NVR Mortgage Finance, Inc.	Virginia
NVR Settlement Services, Inc.	Pennsylvania
RVN, Inc.	Delaware
NVR Services, Inc.	Delaware
NVR Funding II, Inc.	Delaware
NVR Funding III, Inc.	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
NVR, Inc.:

We consent to incorporation by reference in the registration statement (No. 33-69754) on Form S-8 (for the NVR, Inc. Directors' Long-Term Incentive Plan), the registration statement (No. 33-69756) on Form S-8 (for the NVR, Inc. Management Equity Incentive Plan), the registration statement (No. 33-69758) on Form S-8 (for the NVR, Inc. Equity Purchase Plan), the registration statement (No. 33-87478) on Form S-8 (for the NVR, Inc. 1994 Management Equity Incentive Plan), the registration statement (No. 333-04975) on Form S-8 (for the NVR, Inc. Management Long-Term Stock Option Plan), the registration statement (No. 333-29241) on Form S-8 (for the Profit Sharing Plan of NVR, Inc. and Affiliated Companies), the registration statement (No. 333-04989) on Form S-8 (for the NVR, Inc. Directors' Long-Term Stock Option Plan), the registration statement (No. 33-69436) on Form S-3, the registration statement (No. 333-44515) on Form S-3 (for a universal shelf registration for senior or subordinated debt in an amount up to $400 million), the amended registration statement (No. 333-44515) on Form S-3A (for a universal shelf registration for senior or subordinated debt in an amount up to $400 million), the registration statement (No. 333-79949) on Form S-8 (for the NVR, Inc. 1998 Directors' Long-Term Stock Option Plan), the registration statement (No. 333-79951) on Form S-8 (for the NVR, Inc. 1998 Management Stock Option Plan), the registration statement (No. 333-56732) on Form S-8 (for the NVR, Inc. 2000 Broadly-Based Stock Option Plan), the registration statement (No. 333-82756) on Form S-8 (for the Profit Sharing Plan of NVR, Inc. and Affiliated Companies), the registration statement (No. 333-115936) on Form S-3 (for a universal shelf registration for senior or subordinated debt, common shares, preferred shares, depositary shares representing preferred shares and warrants in an amount up to $1 billion), the registration statement (No. 333-125135) on Form S-8 (for the NVR, Inc. 2005 Stock Option Plan) of our reports dated February 23, 2006 with respect to the consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of NVR, Inc.

KPMG LLP

McLean, Virginia
February 23, 2006

EXHIBIT 31.1

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Paul C. Saville, certify that:

1. I have reviewed this report on Form 10-K of NVR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

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

EXHIBIT 31.2

SARBANES-OXLEY ACT SECTION 302 CERTIFICATIONS

I, Dennis M. Seremet, certify that:

1. I have reviewed this report on Form 10-K of NVR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

By: /s/ Dennis M. Seremet
Dennis M. Seremet
Vice President, Chief Financial Officer and Treasurer

EXHIBIT 32

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

In connection with the Annual Report on Form 10-K of NVR, Inc. for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of NVR, Inc., hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of NVR, Inc.

Date: February 23, 2006

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

By: /s/ Dennis M. Seremet
Dennis M. Seremet
Vice President, Chief Financial Officer and Treasurer