S&P Global
Market Intelligence

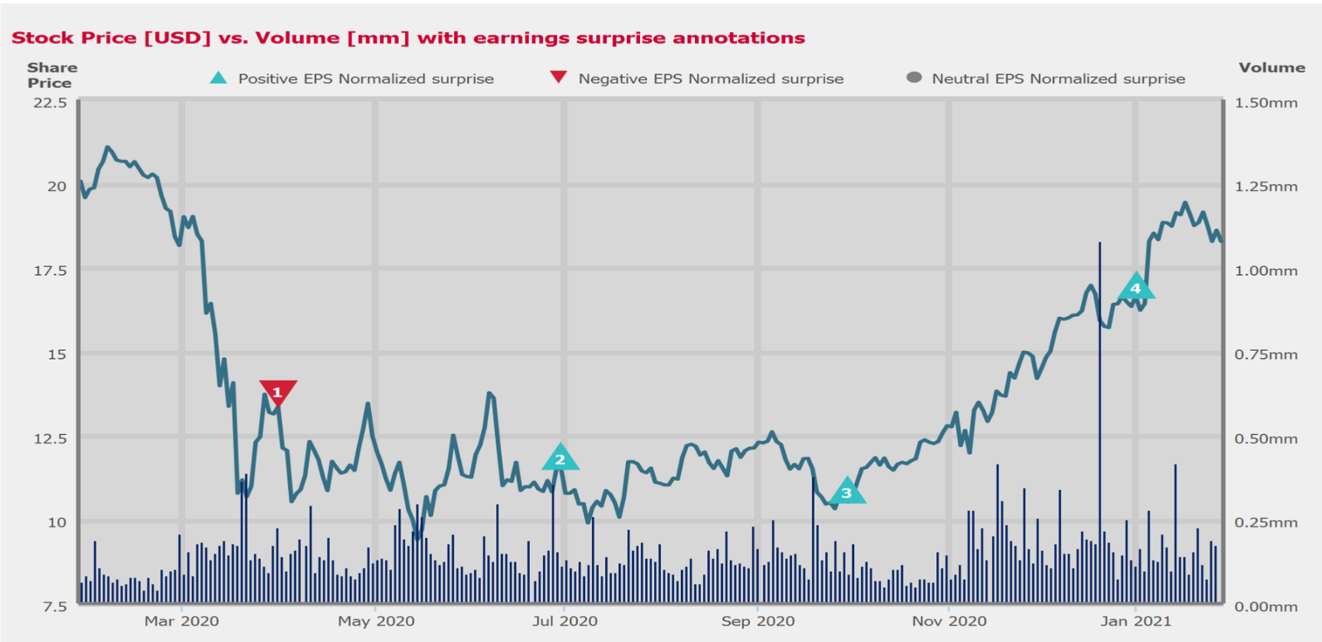
Flushing Financial Corporation NasdaqGS:FFIC FQ4 2020 Earnings Call Transcripts

Friday, January 29, 2021 2:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-			-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.42	0.58	38.10	0.42	1.52	1.70	11.84	1.91
Revenue (mm)	55.47	54.55	(1.66 %)	56.82	203.55	206.24	1.32	231.80

Currency: USD
Consensus as of Jan-29-2021 5:33 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2020	0.20	0.19	(5.00 %)
FQ2 2020	0.34	0.36	5.88 %
FQ3 2020	0.38	0.56	47.37 %
FQ4 2020	0.42	0.58	38.10 %

Table of Contents

Call Participants

EXECUTIVES

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

John LaViola
Piper Sandler & Co., Research Division

Steven Comery
G. Research, LLC

Presentation

Operator

Good morning, everyone, and welcome to the Flushing Financial Corporation's Fourth Quarter 2020 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; Susan Cullen, Senior Executive Vice President, Treasurer and Chief Financial Officer; and Frank Korzekwinski, Senior Executive Vice President and Chief of Real Estate Lending.

Today's conference call is being recorded. [Operator Instructions] A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com.

Before we begin, the company would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contained in such forward-looking statements. Such factors are included in the company's filings with the U.S. Securities and Exchange Commission. Flushing Financial Corporation does not undertake any obligation to update any forward-looking statements, except as required by under applicable law.

During this conference call, references will be made to non-GAAP financial measures as supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about these non-GAAP measures and for a reconciliation to GAAP, please refer to the earnings release and/or the presentation.

At this time, I'd like to introduce John Buran, President and Chief Executive Officer, who'll provide an overview of the strategy and results. Sir, please go ahead.

John R. Buran
President, CEO & Director

Thank you. Good morning, everyone, and thank you for joining us for our fourth quarter 2020 earnings call. I'd like to start off reflecting on 2020 and the impact it had on our employees, communities, customers and organization. Clearly, the pandemic had a significant impact on everyone. And I'm proud and thankful for how our employees worked to help customers and communities through this difficult time, where significant parts of our footprint were shut down, social distancing became the norm, and we all had to adjust to remote working.

While none of this was easy, our employees rose to the challenge and worked tirelessly, not only to serve customers and communities but to close and integrate the Empire Bancorp transaction remotely. 2020 was a significant year and we look forward to a better 2021 with the rollout of vaccines and a path to return to normal activities.

On today's call, I will discuss our fourth quarter highlights and our strategic objectives for 2021 before turning the call over to our CFO, Susan Cullen, who will provide greater detail on our financial performance.

Following our prepared remarks, we will address your questions along with our Chief Real Estate Lending Officer, Frank Korzekwinski. Beginning on Slide 3. Our core results this quarter were strong, with EPS of $0.58, up 42% from a year ago, and the core net interest margin increased 8 basis points. Our GAAP earnings were impacted by several items relating to the Empire merger and the actions we took to improve our funding profile. Our full year 2020 core EPS was $1.70, a 4% improvement over 2019. We delivered these results despite a very challenging operating environment, which included elevated provision for credit losses given the effects of the pandemic and a significant portion of our footprint being shut down.

Despite these challenges, we achieved record core net interest income for the third consecutive quarter as we benefited from the low interest rate environment. Our cost of interest-bearing liabilities declined 12 basis points to 86 basis points in the fourth quarter, while the yield on our interest-earning assets fell only 2 basis points to 3.82%. As a result, the core net interest margin expanded to 2.97% or 8 basis points from the previous quarter. We should have some pricing benefits on our funding costs with $342 million of CDs scheduled to mature in the first quarter at a weighted average rate of 1.23% compared to our standard 1-year rate of 64 basis points.

In December, we restructured our funding and securities portfolio by prepaying $290 million of higher cost borrowings and selling $90 million of lower-yielding securities. These transactions are expected to benefit the net interest margin by 7 basis points in 2021.

However, loan pricing has shifted lower, with new originations for the quarter, yielding 3.41% compared to our fourth quarter 2019 origination yield of 4.19%. The net interest margin will also be influenced by over $100 million of new PPP loans, which have yields below 3% and the shifting loan mix. Overall, we expect modest core net interest margin expansion going forward.

Another key driver of our net interest margin is how we're able to fund our loan growth. Loan growth rebounded in the fourth quarter after stalling early in the pandemic. On a period end basis and excluding Empire, net loans increased $71 million or 5% annualized from the third quarter. Average deposits also rose 4% year-over-year with Empire accounting for most of the growth. We are cautiously optimistic to the outlook for loan growth in 2021.

Strong credit quality is a hallmark of Flushing and is a point of differentiation among our peers. While there's an increase in credit metrics due to CECL and the closing of the Empire merger, we remain confident and comfortable with our underwriting and credit exposures. Net charge-offs were only $646,000 or 4 basis points of average loans. Our reserve coverage was 214% of nonperforming loans. We continue to aggressively monitor our exposures and work with customers during these times. Loans and forbearance declined 57% during the quarter and are now 5.4% of loans and only 3.2%, excluding loans paying interest only. Over 90% of forbearance loans are secured by mortgages, with a loan-to-value of approximately 45%. The majority of loans that exited forbearance this quarter resumed normal payments.

Helping our customers in this challenging environment is one of our top priorities. The provision for credit losses was $3.9 million and included a noncash nonrecurring charge of $1.8 million from the Empire transaction. Excluding this charge, the provision was 3.2x our current quarter net charge-offs. As a reminder, our maximum charge-offs were only 64 basis points in the midst of the Great recession. While the industry peak charge-offs were nearly 5x that experience, we remain comfortable with our credit risk profile. As mentioned previously, the Empire transaction closed on October 31, and the systems conversion occurred without a glitch in November. In fact, we retained over 99% of the accounts after the conversion.

As a reminder, Empire added about $982 million in assets, $685 million of loans and $854 million of deposits. So far, the merger is progressing in line with our expectations of 20% earnings accretion in 2021, and we're excited about enhancing the community bank in the legacy Empire markets. As you can see, there was a lot of activity during the quarter. So let me take a minute to walk you through some of the items so you can get a better understanding of our core trends.

On Slide 4, we outline the significant items which include merger-related charges of $7.2 million or $0.19 per share and balance sheet restructuring charges of $8.4 million or $0.22 a share. A full reconciliation of our GAAP to core EPS is provided on Slide 21 and in our press release.

Turning to Slide 5, we outline our strategic objectives for 2021, which include managing our cost of funds and continuing to improve the funding mix, resuming historical loan growth while achieving appropriate risk-adjusted returns, enhancing our core earnings power by improving scalability and efficiency, managing credit risk and remaining well capitalized.

I'll now ask Susan to walk through how we performed against our strategic objectives. Susan?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you, John. I'll begin on Slide 6. Our first strategic objective is managing our cost of funds and continuing to improve the funding mix. Average deposits rose 10% in the fourth quarter with Empire accounting for most of the growth. Our average noninterest-bearing deposits rose 68% from a year ago, and our core deposits comprised nearly 80% of average deposits, an improvement from the 70% in the fourth quarter of 2019. Our total cost of deposits declined 124 basis points over the past year to 47 basis points. The number of mobile banking customers and usage continues to grow as well. The number of active users rose 12%, [iris] processed increased 33% and dollars process expanded by 52% during the quarter. Online banking and active bill pay subscribers also grew 14% and 16%, respectively, in the fourth quarter of 2020.

On Slide 7, we show our CD maturities over the next year. The greatest repricing opportunity will occur in the first quarter of 2021 with $342 million of CDs maturing with a weighted average rate of 1.23%. Assuming current rates, we expect deposit costs to head lower in 2021. As shown on Slide 8, our next strategic objective is to resume historical loan growth while achieving appropriate risk-adjusted returns. Net period-end loans increased 16% compared to a year ago, with Empire contributing almost 12 percentage points of the growth. Loan growth resumed in the fourth quarter after sluggish growth in the prior 2 quarters as a result of the pandemic. Despite the 150 basis point reduction in short-term rates in 2020, our core loan yields have only declined 34 basis points in the fourth quarter versus a year ago. We expect some pressure on loan yields for mix due to the low-yielding PPP loans and rate pressure on new production.

From January 19 through January 22, we have processed 434 PPP applications with a total requested loan balance of $115 million.

On Slide 9, we discuss the drivers of the net interest margin. Our net interest margin is impacted by the shape of the yield curve and how we fund our loan growth. With our liability-sensitive balance sheet, we have benefited from declining rates. Our core net interest margin rose 64 basis points over the past year and 8 basis points in the fourth quarter. Our deposit costs fell 124 basis points in 2020 and 10 basis points in the fourth quarter. We continue to expect improvements in our deposit costs, but the pace of improvements will slow. Core loan yields rose 1 basis point in the fourth quarter to 3.99%, but we expect some pressure over time due to changes in the portfolio mix and a lower rate on new loan originations.

The balance sheet restructuring occurred in late December 2020 with little impact on the fourth quarter results. We expect some of the benefit of the restructuring to be offset by loan pricing mix in 2021.

Slide 10 provides further detail on our previously announced balance sheet restructuring completed late in December. We prepaid $291 million of borrowings with a weighted average cost of 1.93% and replaced this with lower cost short-term funding. We also sold nearly $90 million of low-yielding investment securities and replaced some of securities bearing higher rates. All in, these transactions are expected to improve the net interest margin by 7 basis points in 2021. We will continue to actively manage the balance sheet to take into account liquidity, interest rate risk and net interest income outlook.

Our third strategic objective, as shown on Slide 11, is to enhance core earnings power by improving scalability and efficiency. We closed the Empire transaction on October 31, which expanded our footprint into attractive markets in Suffolk County recognizing only $1.5 million of goodwill. The system conversion occurred in November with no issues, and we remain on track to achieve our $7 million after-tax cost savings over 2021. The loan portfolio acquired in the Empire transaction has a 2% purchase accounting mark. Overall, the Empire transaction is performing in line with our expectations, and we remain comfortable with our 20% earnings accretion expectation for 2021.

Slide 12 has our fourth strategic objective, which is to manage credit risk. During the pandemic, we have supported our customers with various forbearance programs. At year-end, we have $364 million or 5% of our loans in forbearance, down 57% in the fourth quarter with about 40% of the total loans paying interest only. The majority of the $482 million linked quarter decline in forbearance loans has resumed regular payments. We remain well secured from a collateral standpoint with an average loan-to-value of 45% for the real estate backed mortgages, although borrower cash flows are temporarily impacted by the pandemic. We remain vigilant in monitoring borrowers' cash flows, and we perform regular site inspections. We continue to work with our customers to help them get through this difficult time.

On Slide 13, we provide the details of our allowance for loan losses. We had only 4 basis points or $646,000 of net charge-offs in the quarter. Under CECL, the $685 million of Empire loans required provision for loan losses of approximately $2 million. This is in addition to the $4 million related to the purchased credit deteriorated loans. Overall, the reserves to loan loss ratio rose 2 basis points to 67 basis points during the quarter.

Slide 14 is a reminder that our loss history has been significantly better than the industry for the past 20 years and even in the Great Recession, our losses were 4.5x below the industry peak. Additionally, we have planned our underwriting standards since then to further reduce risk. For example, we've reduced construction and mixed-use loans by 19% each, and the loan to values have improved from 48% to 38%.

On Slide 15, you can see the impact of the change in underwriting standards since the Great Recession. Our reserve to nonperforming loan ratio has improved over 214% from 164% a year ago and from under 25% 10 years ago. We remain confident that there is minimal loss content in our portfolio. Importantly, we continue to underwrite each loan using a cap rate in the mid-5s and stress test each loan.

Next, on Slide 16, our nonperforming assets improved linked quarter, declining 15% to only 31 basis points of loans plus REO. The loan-to-value on real estate dependent loans amounted to 38% and as of December 31, and the average loan-to-value for nonperforming loans collateralized by real estate was 31%. Criticized and Classified loans rose to $72 million in the fourth quarter, we are still low at only 107 basis points of loans. Of the $29 million increase, $15 million was from the Empire and $8 million was from 1 CRE relationship. To provide further detail, $16 million of criticized loans are in forbearance and $47 million were real estate dependent with an average LTV of 39%. We continue to actively monitor these credits and are comfortable with our risk exposure.

Slide 17 has our final strategic objective, which is to remain well capitalized. We continue to exceed all regulatory capital requirements with strong capital ratios. Our book intangible book value per share are $20.11 and $19.45, respectively. The TCE ratio declined 7.52% due to the Empire transaction, and our leverage ratio was 8.38%. Our primary use of capital is to support customers through the balance sheet growth and then we'll return any excess capital. We expect to approach 8% TCE by the end of 2021. The current dividend yield is over 4%.

Lastly, let me remind you of some items that could impact the first quarter. First, Empire was only included for 2 months of the fourth quarter. Our net interest margin should be positively impacted by deposit repricing and the balance sheet restructuring, but will have some pressure due to the loan yields. Excluding the expenses from the merger and the balance sheet restructuring, the core expense base was $33.5 million. As a reminder, the first quarter will be impacted by seasonality and compensation and a full quarter of the Empire expense base. Our effective tax rate in 2021 should approximate 26%.

With that, I'll turn it back over to John.

John R. Buran
President, CEO & Director

Thank you, Susan. On Slide 18, we provide our outlook. We are cautiously optimistic about the operating environment with a steeper yield curve, potential fiscal stimulus, and the continued rollout of a vaccine should put the economy on a path to return to normal over time. However, we are concerned about the rising number of COVID cases and what it means to the local economy. There are also open questions regarding the future regulatory environment and tax policy.

With that said, we are encouraged by our loan pipeline, which is trending higher than a year ago. The Empire deal is progressing in line with our expectations, and we remain very comfortable with our credit profile. Overall, we feel we are on the path to achieve our long-term goals of an ROA greater than or equal to 1% and an ROE greater than or equal to 10%.
With that, we'll now open it up for questions. Operator, I'll turn it over to you.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Steve Comery from G. Research.

Steven Comery
G. Research, LLC

I wanted to start with just kind of a clarification. Was there any PPP forgiveness recognized in the fourth quarter in NII and loan yields?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Very minimal.

John R. Buran
President, CEO & Director

Minimal, yeah.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Was a nonmaterial amount.

Steven Comery
G. Research, LLC

Okay. And any expectations as far as when you would start seeing material forgiveness?

John R. Buran
President, CEO & Director

More in the first quarter -- toward the end of the first quarter, I would say.

Steven Comery
G. Research, LLC

Okay. And I should -- okay, okay. And then moving on, I guess, kind of a similar topic to loan yields. I mean they did increase quarter-over-quarter. Should I read most to that increase is coming from layering in Empire? And if so, I mean, any idea what the yield would have looked like just on an organic basis?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes. So on an organic basis, the -- I'm trying to -- the NIM -- the prepayment recoveries and stuff brought down the yields by 11 basis points for their prepayments and the net gains and loss in -- so there is a big piece of prepayment penalty this quarter.

John R. Buran
President, CEO & Director

So your answer to the question on the Empire, I know Empire's ingoing yields were a little bit higher, but not significantly higher.

Steven Comery
G. Research, LLC

Okay. Okay. Fair enough. And then maybe a final one for me. John, you made a comment on shifting loan mix being a headwind for margin going forward. I'm just wondering kind of like, is this a conscious strategy? Or are you guys just kind of reflecting demand in the market and what's out there?

John R. Buran
President, CEO & Director

Well, I think the pressures that we see in the market tend to be on the commercial real estate side. And as a result, we're probably doing a little bit more multifamily, also maybe a little bit less mixed-use, which tends to be a -- historically a better yielding product. And then, of course, we've got the PPP loans as well. So there are a number of factors going on. I think the most important of which is just a caution in the general -- caution with respect to the general economy and just being very careful on the commercial real estate side.

Operator

And our next question comes from Chris O'Connell from KBW.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

So I wanted to start out with the expenses. I hear you that the cost saves are going to be front-loaded here, but there's also going to be a little bit of noise of the seasonal increases in the first quarter. Just all in, how do you guys see the core OpEx run rate over the next 2 quarters, given the seasonality that's going to be coming in, in the first quarter as well as the extra month of Empire and the cost saves? And then maybe where that flattens out into 2Q '21 and 3Q '21 once those seasonal factors and the cost saves are all layered in.

Susan K. Cullen
Senior EVP, Treasurer & CFO

So historically, our first quarter adjustment or seasonality of the expenses has been between $3 million, $3.5 million. So I would -- using the number we have included in the -- in our script of $33.5 million, I would say we'd be somewhere between $36 million and $38 million for the first quarter.

We would have another month's worth of expenses related to Empire and their run rate for their G&A expenses, as I believe we previously disclosed, was about $24 million for annually. So to do the math on that would be like another $1 million to our expense base per month.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then -- yes, yes. And then how do you see that falling down into the second quarter, I guess?

John R. Buran
President, CEO & Director

The $3.5 million goes away.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes. Our expenses will remain elevated because you don't really see -- we don't book their expenses onto our P&L and then pull half of them away. So our expense base will go up by half of their $24 million for the year.

John R. Buran
President, CEO & Director

But the differential between the first quarter and the remaining quarters is going to be the $3.5 million.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

I guess what I'm getting at is how much of the cost saves have been realized, given how quickly you guys did the conversion there? And how much are going to come through in the first quarter?

John R. Buran
President, CEO & Director

A pretty much. 2/3 of them are baked in.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Right.

John R. Buran
President, CEO & Director

The cost saves or just of the Empire for 2 months?

Susan K. Cullen
Senior EVP, Treasurer & CFO

The cost saves and Empire for the -- are both baked in for 2 months.

John R. Buran
President, CEO & Director

2 months, right.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then as far as the pipeline goes, it is about $355 million, is that including the $150 million of second round PPP?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No.

John R. Buran
President, CEO & Director

No.

Susan K. Cullen
Senior EVP, Treasurer & CFO

That's our core business.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

So it sounds like a pretty good pipeline here, although it seems like prepays overall in the New York market are fairly elevated. It sounds like you guys think you're going to be resuming loan growth in 2021 at a pretty good clip. Is that going to be more back-end weighted given some of the more prepays that might come in, in the first half?

John R. Buran
President, CEO & Director

Why don't you talk about prepays, Frank?

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

So we've actually not seen an elevated level of prepayment penalties probably since the pandemic started, it's a little bit of a blip probably towards the end of the third quarter. But overall, things are a little bit quiet right now. A lot of lenders are still working with their customers to finish up the relief programs they've had. So I'm not seeing a rush to prepay at this point in the market, don't see it in the first quarter.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. So -- and then as far as resuming kind of your normal loan growth levels, just honing in on that a bit. I mean are you guys thinking like mid-single-digit then, low to mid-single-digit would be the target?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. That's great. And then with the jump up in NPAs is obviously good movement downward there. And overall, pretty minimal on the credit cost side. But what's -- in terms of the jump up from Empire and then the single credit and criticized and classified, is there anything that is particularly worrisome there? Or is that more just being prudent?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No. As we've discussed in the past, we continue to do complete due diligence on Empire until we got the conversion done and the deal struck. So these credits that came over were totally within our expectations of what we knew we were acquiring. And there are no concerns related to these credits.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Great. And then kind of putting it all together, I guess, on the credit side, as you're looking at the reserves here at around 69 basis points or so ex PPP how do you guys see that progressing going forward?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, we are very confident in our credit quality. We stress test our loans. We have -- over 80% of the portfolio is backed by real estate that has an LTV of around 40%. The nonperforming assets have an LTV even less than that. Our modeling shows that we have taken all the loss content we have through the CECL model. So we are confident in our credit portfolio.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. I just mean as far as things stand now, with the deferrals and the levels that they're at and how you guys see those kind of progressing as we move into the first quarter of this year. I mean is -- do you think that the reserve alone is going to like hold around current levels or that, that's going to be coming down or...

John R. Buran
President, CEO & Director

So we're not seeing really collateral issues with respect to our -- with respect to the portfolio. We're just seeing cash flows that are temporarily impacted given the pandemic. We're not seeing any issues with respect to valuation. We don't have much exposure to Manhattan real estate. It tends to be in the boroughs where the kind of activity that is done on a day-to-day basis is supported by our type of real estate. And of course, we've got a significant multifamily portfolio and somewhere around a 48% loan-to-value across the portfolio and LTV on the real estate dependent NPLs is 31%. So we're really pretty confident about these values going forward. And I think it's a matter of just working with borrowers to deal with the cash flows.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Yes. No, I hear you there. I guess what I'm trying to get at is it seems like even if you were to exclude all the Empire-related provisions and movement on the reserve this quarter that you guys still would have been building the reserve-to-loan ratio on a stand-alone basis. So I guess is it going to keep moving that upward going forward?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, Chris, the allowance will grow very slightly at the Empire provision because with the charge-offs of $600,000 -- roughly $645,000. So we had to replenish that, plus we had some loan growth. So we had to cover that through our CECL modeling as well. The whole thing increased 2 basis points quarter-over-quarter, including the effects of the Empire transaction.

Operator

[Operator Instructions] Our next question comes from John LaViola from Piper Sandler.

John LaViola
Piper Sandler & Co., Research Division

Just a quick one maybe for Frank or Susan. Is there any additional color you can provide on that 1 CRE credit, the $7.7 million credit that moved into classified in the quarter?

Susan K. Cullen
Senior EVP, Treasurer & CFO

That is a real estate dependent hotel that has a 50%, 60-ish percent LTV. Unfortunately, they were severely impacted by the COVID crisis, and then they have been shut down. The underlying collateral is -- the property is still good. It's in a good location. So we don't foresee material losses on that, but that's basically what it is.

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

So the hotel opened in late October after being closed from pretty much March and missing the summer season and the fall season. The operators have several boutique-type hotels in the Manhattan area -- lower Manhattan area. We did have additional collateral tied to that property. Portions of that collateral were liquidated to reduce the loan balance and additional funds were posted to ensure that the real estate taxes were paid on a timely basis going forward. We're watching that asset very carefully.

As Susan had pointed out, they have significant equity. It was a purchase deal when we did the transaction. They probably have twice the amount of equity in the deal that we have and relative to the loan at this point in time. It looks as though they're just going to need more time like every other hotel in the metropolitan area to just get back on track. They've been running an opening -- they've been running and open. Their occupancy level has still not recovered, but we're working with them to continue to watch it as we move through 2021.

John LaViola
Piper Sandler & Co., Research Division

Excellent. That's great color. And maybe just one more for Susan. Can you help us think about the $364 million in loan deferrals that are -- forbearances that you have outstanding now and kind of the schedule for exploration moving forward on those balances?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So a big chunk of those will expire in the first quarter of 2021. And then some of the -- remainder of them are pretty much longer term, I would expect the second, third quarter. So we'll have some lingering.

Operator

And ladies and gentlemen, at this point, I'm showing no additional questions. I'd like to turn the conference call back over to Mr. Buran for any closing remarks.

John R. Buran
President, CEO & Director

Well, thank you. Thank you all for your kind attention and participation in the call. And once again, we feel very comfortable about the quarter and the outlook for the company, and we look forward to talking with you in the future. Have a good day and stay safe.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you.

Operator
And ladies and gentlemen, with that we'll conclude today's teleconference. You may now disconnect your lines, and we thank you for your participation.