

TFS Financial CORP  
Form 10-Q  
August 05, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the Quarterly Period Ended June 30, 2016

or

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

For transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-33390

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TFS FINANCIAL CORPORATION  
(Exact Name of Registrant as Specified in its Charter)

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United States of America	52-2054948
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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7007 Broadway Avenue	44105
Cleveland, Ohio	
(Address of Principal Executive Offices)	(Zip Code)
(216) 441-6000	

Registrant's telephone number, including area code:

Not Applicable

(Former name or former address, if changed since last report)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer  (do not check if a smaller reporting company) Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.

As of August 3, 2016, there were 285,335,828 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 79.6% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

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GLOSSARY OF TERMS

TFS Financial Corporation provides the following list of acronyms and defined terms as a tool for the reader. The acronyms and defined terms identified below are used throughout the document.

AOCI: Accumulated Other Comprehensive Income	FRS: Board of Governors of the Federal Reserve System
ARM: Adjustable Rate Mortgage	GAAP: Generally Accepted Accounting Principles
ASC: Accounting Standards Codification	GVA: General Valuation Allowances
ASU: Accounting Standards Update	HARP: Home Affordable Refinance Program
Association: Third Federal Savings and Loan Association of Cleveland	HPI: Home Price Index
BAAS: OCC Bank Accounting Advisory Series	IRR: Interest Rate Risk
BOLI: Bank Owned Life Insurance	IRS: Internal Revenue Service
CDs: Certificates of Deposit	IVA: Individual Valuation Allowance
CFPB: Consumer Financial Protection Bureau	LIHTC: Low Income Housing Tax Credit
CLTV: Combined Loan-to-Value	LIP: Loans-in-Process
Company: TFS Financial Corporation and its subsidiaries	LTV: Loan-to-Value
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act	MGIC: Mortgage Guaranty Insurance Corporation
DIF: Depository Insurance Fund	NOW: Negotiable Order of Withdrawal
EaR: Earnings at Risk	OCC: Office of the Comptroller of the Currency
EPS: Earnings per Share	OCI: Other Comprehensive Income
ESOP: Third Federal Employee (Associate) Stock Ownership Plan	PMI: Private Mortgage Insurance
EVE: Economic Value of Equity	PMIC: PMI Mortgage Insurance Co.
FASB: Financial Accounting Standards Board	QTL: Qualified Thrift Lender
FDIC: Federal Deposit Insurance Corporation	REMICs: Real Estate Mortgage Investment Conduits
FHFA: Federal Housing Finance Agency	REIT: Real Estate Investment Trust
FHLB: Federal Home Loan Bank	SVA: Specific Valuation Allowance
Fannie Mae: Federal National Mortgage Association	SEC: United States Securities and Exchange Commission
FRB-Cleveland: Federal Reserve Bank of Cleveland	TDR: Troubled Debt Restructuring
	Third Federal Savings, MHC: Third Federal Savings and Loan Association of Cleveland, MHC

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## Item 1. Financial Statements

TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CONDITION (unaudited)  
(In thousands, except share data)

	June 30, 2016	September 30, 2015
<b>ASSETS</b>		
Cash and due from banks	\$29,990	\$22,428
Interest-earning cash equivalents	171,323	132,941
Cash and cash equivalents	201,313	155,369
Investment securities available for sale (amortized cost \$526,703 and \$582,091, respectively)	530,153	585,053
Mortgage loans held for sale, at lower of cost or market (none measured at fair value)	346	116
Loans held for investment, net:		
Mortgage loans	11,485,592	11,245,557
Other consumer loans	2,957	3,468
Deferred loan expenses, net	16,726	10,112
Allowance for loan losses	(64,766)	(71,554)
Loans, net	11,440,509	11,187,583
Mortgage loan servicing rights, net	9,213	9,988
Federal Home Loan Bank stock, at cost	69,853	69,470
Real estate owned	9,182	17,492
Premises, equipment, and software, net	60,835	57,187
Accrued interest receivable	32,603	32,490
Bank owned life insurance contracts	198,533	195,861
Other assets	71,810	58,277
<b>TOTAL ASSETS</b>	<b>\$12,624,350</b>	<b>\$12,368,886</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits	\$8,368,900	\$8,285,858
Borrowed funds	2,442,892	2,168,627
Borrowers' advances for insurance and taxes	48,149	86,292
Principal, interest, and related escrow owed on loans serviced	34,585	49,493
Accrued expenses and other liabilities	50,826	49,246
Total liabilities	10,945,352	10,639,516
Commitments and contingent liabilities		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 286,017,531 and 290,882,379 outstanding at June 30, 2016 and September 30, 2015, respectively	3,323	3,323
Paid-in capital	1,714,524	1,707,629
Treasury stock, at cost; 46,301,219 and 41,436,371 shares at June 30, 2016 and September 30, 2015, respectively	(646,762)	(548,557)
Unallocated ESOP shares	(58,501)	(61,751)
Retained earnings—substantially restricted	682,727	641,791
Accumulated other comprehensive loss	(16,313)	(13,065)
Total shareholders' equity	1,678,998	1,729,370
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$12,624,350</b>	<b>\$12,368,886</b>

See accompanying notes to unaudited interim consolidated financial statements.

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TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (unaudited)  
(In thousands, except share and per share data)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2016	2015	2016	2015
<b>INTEREST AND DIVIDEND INCOME:</b>				
Loans, including fees	\$93,752	\$ 92,248	\$280,663	\$ 276,123
Investment securities available for sale	2,374	2,218	7,407	7,321
Other interest and dividend earning assets	867	1,206	2,499	3,611
Total interest and dividend income	96,993	95,672	290,569	287,055
<b>INTEREST EXPENSE:</b>				
Deposits	22,543	23,001	67,333	70,899
Borrowed funds	7,061	5,082	20,447	14,009
Total interest expense	29,604	28,083	87,780	84,908
NET INTEREST INCOME	67,389	67,589	202,789	202,147
PROVISION FOR LOAN LOSSES	(3,000 )	—	(5,000 )	3,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	70,389	67,589	207,789	199,147
<b>NON-INTEREST INCOME:</b>				
Fees and service charges, net of amortization	1,729	1,961	5,524	6,098
Net gain on the sale of loans	1,834	1,495	4,576	3,337
Increase in and death benefits from bank owned life insurance contracts	1,612	1,592	5,796	5,092
Other	933	1,078	3,032	3,447
Total non-interest income	6,108	6,126	18,928	17,974
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	23,055	23,077	73,057	70,946
Marketing services	4,499	7,200	13,151	17,385
Office property, equipment and software	5,924	5,465	17,626	16,516
Federal insurance premium and assessments	2,393	3,006	8,216	8,355
State franchise tax	1,240	1,449	4,132	4,400
Real estate owned expense, net	1,826	1,653	5,700	6,988
Other operating expenses	6,039	5,969	17,068	18,031
Total non-interest expense	44,976	47,819	138,950	142,621
INCOME BEFORE INCOME TAXES	31,521	25,896	87,767	74,500
INCOME TAX EXPENSE	10,901	8,638	30,020	24,932
NET INCOME	\$20,620	\$ 17,258	\$57,747	\$ 49,568
Earnings per share—basic and diluted	\$0.07	\$ 0.06	\$0.20	\$ 0.17
Weighted average shares outstanding				
Basic	280,815,438	288,553,691	282,326,922	291,251,487
Diluted	283,011,869	290,759,754	284,602,870	293,444,799

See accompanying notes to unaudited interim consolidated financial statements.



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TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)  
 (In thousands)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$20,620	\$17,258	\$57,747	\$49,568
Other comprehensive income (loss), net of tax:				
Net change in unrealized gain (loss) on securities available for sale	1,025	(2,294 )	317	2,007
Net change in cash flow hedges	(2,672 )	—	(4,317 )	—
Change in pension obligation	251	123	752	370
Total other comprehensive income (loss)	(1,396 )	(2,171 )	(3,248 )	2,377
Total comprehensive income	\$19,224	\$15,087	\$54,499	\$51,945
See accompanying notes to unaudited interim consolidated financial statements.				

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TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)  
(In thousands, except share and per share data)

	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2014	\$ 3,323	\$ 1,702,441	\$(379,109)	\$ (66,084 )	\$ 589,678	\$ (10,792 )	\$ 1,839,457
Net income	—	—	—	—	49,568	—	49,568
Other comprehensive income, net of tax	—	—	—	—	—	2,377	2,377
ESOP shares allocated or committed to be released	—	1,532	—	3,250	—	—	4,782
Compensation costs for stock-based plans	—	5,656	—	—	—	—	5,656
Excess tax effect from stock-based compensation	—	1,239	—	—	—	—	1,239
Purchase of treasury stock (8,480,500 shares)	—	—	(124,981 )	—	—	—	(124,981 )
Treasury stock allocated to restricted stock plan	—	(5,265 )	3,425	—	(1,399 )	—	(3,239 )
Dividends paid to common shareholders (\$0.21 per common share)	—	—	—	—	(13,584 )	—	(13,584 )
Balance at June 30, 2015	\$ 3,323	\$ 1,705,603	\$(500,665)	\$ (62,834 )	\$ 624,263	\$ (8,415 )	\$ 1,761,275
Balance at September 30, 2015	\$ 3,323	\$ 1,707,629	\$(548,557)	\$ (61,751 )	\$ 641,791	\$ (13,065 )	\$ 1,729,370
Net income	—	—	—	—	57,747	—	57,747
Other comprehensive loss, net of tax	—	—	—	—	—	(3,248 )	(3,248 )
ESOP shares allocated or committed to be released	—	2,519	—	3,250	—	—	5,769
Compensation costs for stock-based plans	—	4,710	—	—	—	—	4,710
Excess tax effect from stock-based compensation	—	2,695	—	—	—	—	2,695
Purchase of treasury stock (5,333,000 shares)	—	—	(94,649 )	—	—	—	(94,649 )
Treasury stock allocated to restricted stock plan	—	(3,029 )	(3,556 )	—	—	—	(6,585 )
Dividends paid to common shareholders (\$0.30 per common share)	—	—	—	—	(16,811 )	—	(16,811 )

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Balance at June 30, 2016      \$ 3,323    \$1,714,524    \$(646,762)    \$ (58,501 )    \$682,727    \$ (16,313 )    \$1,678,998  
See accompanying notes to unaudited interim consolidated financial statements.

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TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (in thousands)

	For the Nine Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$57,747	\$49,568
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	10,479	10,438
Depreciation and amortization	14,008	12,534
Deferred income tax expense	38	(388 )
Provision for loan losses	(5,000 )	3,000
Net gain on the sale of loans	(4,576 )	(3,337 )
Other net losses	1,229	1,956
Principal repayments on and proceeds from sales of loans held for sale	12,164	21,077
Loans originated for sale	(12,118 )	(20,641 )
Increase in bank owned life insurance contracts	(3,243 )	(4,825 )
Net increase in interest receivable and other assets	(12,049 )	(1,490 )
Net (decrease) increase in accrued expenses and other liabilities	(3,878 )	7,971
Other	162	305
Net cash provided by operating activities	54,963	76,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans originated	(2,018,772 )	(1,940,576 )
Principal repayments on loans	1,619,065	1,452,227
Proceeds from principal repayments and maturities of:		
Securities available for sale	110,859	112,983
Proceeds from sale of:		
Loans	140,854	83,029
Real estate owned	16,898	19,040
Purchases of:		
FHLB stock	(383 )	(29,059 )
Securities available for sale	(59,523 )	(114,462 )
Premises and equipment	(7,479 )	(3,388 )
Other	583	304
Net cash used in investing activities	(197,898 )	(419,902 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase (decrease) in deposits	83,042	(191,819 )
Net decrease in borrowers' advances for insurance and taxes	(38,143 )	(32,093 )
Net decrease in principal and interest owed on loans serviced	(14,908 )	(9,730 )
Net increase in short-term borrowed funds	413,161	372,551
Proceeds from long-term borrowed funds	40,290	400,294
Repayment of long-term borrowed funds	(179,186 )	(12,404 )
Purchase of treasury shares	(94,676 )	(124,681 )
Excess tax benefit related to stock-based compensation	2,695	1,239
Acquisition of treasury shares through net settlement of stock benefit plans compensation	(6,585 )	(3,239 )
Dividends paid to common shareholders	(16,811 )	(13,584 )
Net cash provided by financing activities	188,879	386,534

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NET INCREASE IN CASH AND CASH EQUIVALENTS	45,944	42,800
CASH AND CASH EQUIVALENTS—Beginning of period	155,369	181,403
CASH AND CASH EQUIVALENTS—End of period	\$201,313	\$224,203
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest on deposits	\$67,173	\$70,317
Cash paid for interest on borrowed funds	19,392	13,457
Cash paid for income taxes	25,782	15,383
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned	9,722	18,557
Transfer of loans from held for investment to held for sale	138,253	87,196
Treasury stock issued for stock benefit plans	3,029	6,676
See accompanying notes to unaudited interim consolidated financial statements.		

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TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands unless otherwise indicated)

1. BASIS OF PRESENTATION

TFS Financial Corporation, a federally chartered stock holding company, conducts its principal activities through its wholly owned subsidiaries. The principal line of business of the Company is retail consumer banking, including mortgage lending, deposit gathering, and, to a much lesser extent, other financial services. As of June 30, 2016, approximately 79% of the Company's outstanding shares were owned by a federally chartered mutual holding company, Third Federal Savings and Loan Association of Cleveland, MHC. The thrift subsidiary of TFS Financial Corporation is Third Federal Savings and Loan Association of Cleveland.

The accounting and reporting policies followed by the Company conform in all material respects to U.S. GAAP and to general practices in the financial services industry. The preparation of financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates. The allowance for loan losses, the valuation of deferred tax assets, and the determination of pension obligations are particularly subject to change.

The unaudited interim consolidated financial statements were prepared without an audit and reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial condition of the Company at June 30, 2016, and its results of operations and cash flows for the periods presented. Such adjustments are the only adjustments reflected in the unaudited interim financial statements. In accordance with SEC Regulation S-X for interim financial information, these statements do not include certain information and footnote disclosures required for complete audited financial statements. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 contains consolidated financial statements and related notes, which should be read in conjunction with the accompanying interim consolidated financial statements. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2016 or for any other period.

2. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings attributable to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings attributable to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. For purposes of computing earnings per share amounts, outstanding shares include shares held by the public, shares held by the ESOP that have been allocated to participants or committed to be released for allocation to participants, the 227,119,132 shares held by Third Federal Savings, MHC, and, for purposes of computing dilutive earnings per share, stock options and restricted stock units with a dilutive impact. Unvested shares awarded pursuant to the Company's restricted stock plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. At June 30, 2016 and 2015, respectively, the ESOP held 5,850,086 and 6,283,426 shares that were neither allocated to participants nor committed to be released to participants.

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The following is a summary of the Company's earnings per share calculations.

	For the Three Months Ended June 30,					
	2016		Per share	2015		Per share
	Income	Shares	amount	Income	Shares	amount
	(Dollars in thousands, except per share data)					
Net income	\$20,620			\$17,258		
Less: income allocated to restricted stock units	184			145		
Basic earnings per share:						
Income available to common shareholders	\$20,436	280,815,430	\$ 0.07	\$17,113	288,553,691	\$ 0.06
Diluted earnings per share:						
Effect of dilutive potential common shares		2,196,439			2,206,063	
Income available to common shareholders	\$20,436	283,011,869	\$ 0.07	\$17,113	290,759,754	\$ 0.06

	For the Nine Months Ended June 30,					
	2016		Per share	2015		Per share
	Income	Shares	amount	Income	Shares	amount
	(Dollars in thousands, except per share data)					
Net income	\$57,747			\$49,568		
Less: income allocated to restricted stock units	545			424		
Basic earnings per share:						
Income available to common shareholders	\$57,202	282,326,922	\$ 0.20	\$49,144	291,251,487	\$ 0.17
Diluted earnings per share:						
Effect of dilutive potential common shares		2,275,948			2,193,312	
Income available to common shareholders	\$57,202	284,602,870	\$ 0.20	\$49,144	293,444,799	\$ 0.17

The following is a summary of outstanding stock options and restricted stock units that are excluded from the computation of diluted earnings per share because their inclusion would be anti-dilutive.

	For the Three		For the Nine	
	Months Ended	Months Ended	Months Ended	Months Ended
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
Options to purchase shares	393,500	1,359,000	393,500	1,391,400

### 3. INVESTMENT SECURITIES

Investments available for sale are summarized as follows:

	June 30, 2016			
	Amortized	Gross	Unrealized	Fair
	Cost	Gains	Losses	Value
REMICs	\$517,360	\$3,222	\$(493)	\$520,089
Fannie Mae certificates	9,343	721	—	10,064
Total	\$526,703	\$3,943	\$(493)	\$530,153

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	September 30, 2015			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
U.S. government and agency obligations	\$2,000	\$2	\$—	\$2,002
REMICs	570,194	3,135	(878 )	572,451
Fannie Mae certificates	9,897	703	—	10,600
Total	\$582,091	\$3,840	\$(878)	\$585,053

Gross unrealized losses and the estimated fair value of REMICs, aggregated by the length of time the securities have been in a continuous loss position, at June 30, 2016 and September 30, 2015, were as follows:

	June 30, 2016					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	\$44,748	\$ 102	\$70,018	\$ 391	\$114,766	\$ 493

	September 30, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	\$86,754	\$ 299	\$80,639	\$ 579	\$167,393	\$ 878

The unrealized losses on investment securities were attributable to interest rate increases. The contractual terms of U.S. government and agency obligations do not permit the issuer to settle the security at a price less than the par value of the investment. The contractual cash flows of mortgage-backed securities are guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. REMICs are issued by or backed by securities issued by these governmental agencies. It is expected that the securities would not be settled at a price substantially less than the amortized cost of the investment. The U.S. Treasury Department established financing agreements in 2008 to ensure Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Since the decline in value is attributable to changes in interest rates and not credit quality and because the Association has neither the intent to sell the securities nor is it more likely than not the Association will be required to sell the securities for the time periods necessary to recover the amortized cost, these investments are not considered other-than-temporarily impaired. At June 30, 2016, the Association did not have U.S. government and agency obligations available for sale. At September 30, 2015, the amortized cost and fair value of U.S. government and agency obligations, then categorized as due within one year, were \$2,000 and \$2,002, respectively.



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## 4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans held for investment consist of the following:

	June 30, 2016	September 30, 2015
Real estate loans:		
Residential Core	\$9,790,721	\$9,462,939
Residential Home Today	125,547	135,746
Home equity loans and lines of credit	1,548,181	1,625,239
Construction	56,776	55,421
Real estate loans	11,521,225	11,279,345
Other consumer loans	2,957	3,468
Add (deduct):		
Deferred loan expenses, net	16,726	10,112
Loans in process	(35,633 )	(33,788 )
Allowance for loan losses	(64,766 )	(71,554 )
Loans held for investment, net	\$11,440,509	\$11,187,583

At June 30, 2016 and September 30, 2015, respectively, \$346 and \$116 of loans were classified as mortgage loans held for sale.

A large concentration of the Company's lending is in Ohio and Florida. As of June 30, 2016 and September 30, 2015, the percentage of total residential Core and Home Today loans held in Ohio were 60% and