CARVER BANCORP INC
Form 10-Q
February 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended December 31, 2015
OR

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

For the transition period from to
Commission File Number: 1-13007
CARVER BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	13-3904174 (I.R.S. Employer Identification No.)
75 West 125th Street, New York, New York (Address of Principal Executive Offices)	10027 (Zip Code)

Registrant's telephone number, including area code: (718) 230-2900

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.
þ Yes o 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
þ Yes oNo

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):
o Large Accelerated Filer o Accelerated Filer o Non-accelerated Filer þ Smaller Reporting Company

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

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

Class	Outstanding at February 9, 2016
Common Stock, par value $0.01	3,696,087

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PART I. FINANCIAL INFORMATION

CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

$ in thousands except per share data	December 31, 2015 (unaudited)	March 31, 2015
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$45,572	$44,864
Money market investments	504	6,128
Total cash and cash equivalents	46,076	50,992
Restricted cash	211	6,354
Investment securities:		
Available-for-sale, at fair value	68,192	101,185
Held-to-maturity, at amortized cost (fair value of $15,721 and $12,231 at December 31, 2015 and March 31, 2015, respectively)	15,731	11,922
Total investment securities	83,923	113,107
Loans held-for-sale (“HFS”)	2,404	2,576
Loans receivable:		
Real estate mortgage loans	524,624	412,204
Commercial business loans	76,867	70,555
Consumer loans	85	434
Loans, net	601,576	483,193
Allowance for loan losses	(5,174)	(4,477)
Total loans receivable, net	596,402	478,716
Premises and equipment, net	6,455	7,075
Federal Home Loan Bank of New York (“FHLB-NY”) stock, at cost	3,783	3,519
Accrued interest receivable	3,677	2,781
Other assets	11,202	11,266
Total assets	$754,133	$676,386
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Savings	$93,302	$95,009
Non-interest bearing checking	66,222	50,731
Interest-bearing checking	32,581	30,860
Money market	168,257	148,702
Certificates of deposit	235,594	200,123
Mortgagors deposits	1,656	2,336
Total deposits	597,612	527,761
Advances from the FHLB-NY and other borrowed money	88,403	83,403
Other liabilities	13,053	10,243
Total liabilities	699,068	621,407
EQUITY		
Preferred stock, (par value $0.01 per share: 45,118 Series D shares, with a liquidation preference of $1,000 per share, issued and outstanding)	45,118	45,118

Common stock (par value $0.01 per share: 10,000,000 shares authorized; 3,698,031 shares issued; 3,696,087 shares outstanding at December 31, 2015 and March 31, 2015, respectively)	61	61
Additional paid-in capital	55,470	55,468
Accumulated deficit	(43,757)	(44,206)
Treasury stock, at cost (1,944 shares at December 31, 2015 and March 31, 2015)	(417)	(417)
Accumulated other comprehensive loss	(1,410)	(1,045)
Total equity	55,065	54,979
Total liabilities and equity	$754,133	$676,386

See accompanying notes to consolidated financial statements

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CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
$ in thousands	2015	2014	2015	2014
Interest income:				
Loans	$6,467	$4,677	$18,283	$14,838
Mortgage-backed securities	192	197	579	595
Investment securities	317	345	999	998
Money market investments	33	46	87	181
Total interest income	7,009	5,265	19,948	16,612
Interest expense:				
Deposits	841	741	2,399	2,182
Advances and other borrowed money	330	272	924	815
Total interest expense	1,171	1,013	3,323	2,997
Net interest income	5,838	4,252	16,625	13,615
Provision for (recovery) loan losses	728	(1,151)	1,489	(2,645)
Net interest income after provision for loan losses	5,110	5,403	15,136	16,260
Non-interest income:				
Depository fees and charges	820	887	2,297	2,707
Loan fees and service charges	114	282	457	495
Gain on sale of securities	—	3	1	8
Gain (loss) on sale of loans, net	305	—	499	(2)
Gain on real estate owned	146	41	164	44
Gain on sale of building	1,203	—	1,203	—
Lower of cost or market adjustment on loans held-for-sale	1	1	1	2
Other	152	194	444	919
Total non-interest income	2,741	1,408	5,066	4,173
Non-interest expense:				
Employee compensation and benefits	2,921	2,997	8,430	8,784
Net occupancy expense	1,199	919	3,320	2,763
Equipment, net	150	229	475	656
Data processing	455	77	1,036	398
Consulting fees	245	369	558	767
Federal deposit insurance premiums	135	189	390	542
Other	2,242	2,009	5,382	6,178
Total non-interest expense	7,347	6,789	19,591	20,088
Income before income taxes	504	22	611	345
Income tax expense	67	62	160	135
Consolidated net income (loss)	437	(40)	451	210
Less: Net loss attributable to non-controlling interest	—	(151)	—	(281)
Net income attributable to Carver Bancorp, Inc.	$437	$111	$451	$491

Earnings per common share:				
Basic	$0.12	$0.03	$0.12	$0.13
Diluted	0.12	0.03	0.12	0.13

See accompanying notes to consolidated financial statements

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CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
$ in thousands	2015	2014	2015	2014
Net income attributable to Carver Bancorp, Inc.	$437	$111	$451	$491
Other comprehensive income, net of tax:				
Change in unrealized loss of securities available-for-sale	(592)	1,103	(364)	2,817
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax	—	3	1	8
Total other comprehensive income (loss), net of tax	(592)	1,100	(365)	2,809
Total comprehensive income (loss), net of tax attributable to Carver Bancorp, Inc.	$(155)	$1,211	$86	$3,300

See accompanying notes to consolidated financial statements

CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended December 31, 2015
(Unaudited)

($ in thousands)	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity
Balance — March 31, 2015	$45,118	$61	$55,468	$ (44,206)	$(417)	$ (1,045)	$54,979
Net income attributable to Carver Bancorp, Inc.	—	—	—	451	—	—	451
Other comprehensive loss, net of taxes	—	—	—	—	—	(365)	(365)
Stock based compensation expense	—	—	2	(2)	—	—	—
Balance — December 31, 2015	$45,118	$61	$55,470	$ (43,757)	$(417)	$ (1,410)	$55,065

See accompanying notes to consolidated financial statements

CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended December 31,	
($ in thousands)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before attribution to noncontrolling interest	451	210
Net loss attributable to noncontrolling interest, net of taxes	—	(281)
Net income attributable to Carver Bancorp, Inc.	451	491
Adjustments to reconcile net income to net cash provided (used in) by operating activities:		
Provision for (recovery of) loan losses	1,489	(2,645)
Stock based compensation expense	2	2
Depreciation and amortization expense	511	779
Gain on real estate owned	(164)	(44)
Gain on sale of securities, net	(1)	(8)
(Gain) loss on sale of loans, net	(499)	2
Gain on sale of building	(1,203)	—
Amortization and accretion of loan premiums and discounts and deferred charges	(1,029)	(1,042)
Amortization and accretion of premiums and discounts — securities	96	141
Market adjustment on held-for-sale loans	(1)	(2)
Proceeds from sale of loans held-for-sale	730	—
Assets repurchased from third parties	—	(174)
Increase in accrued interest receivable	(896)	(102)
Decrease in other assets	(684)	650
Increase in other liabilities	3,241	553
Net cash provided by (used in) operating activities	2,043	(1,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments: Available-for-sale	—	(17,534)
Purchases of securities: Held-to-maturity	(5,118)	(3,667)
Proceeds from principal payments, maturities, calls and sales of investments: Available-for-sale	32,475	9,057
Proceeds from principal payments, maturities and calls of investments: Held-to-maturity	1,367	571
Originations of loans held-for-investment	(84,300)	(41,558)
Loans purchased from third parties	(105,445)	(49,966)
Principal collections on loans	52,090	45,561
Proceeds on sale of loans	17,620	—
Decrease in restricted cash	6,144	—
Redemption of FHLB-NY stock	(264)	662
Purchases of premises and equipment	(363)	(278)
Proceeds from sale of real estate owned	3,983	229
Net cash used in investing activities	(81,811)	(56,923)
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase in deposits	69,852	11,679
Net increase (decrease) in FHLB-NY advances and other borrowings	5,000	(11,000)
Net cash provided by financing activities	74,852	679

Net decrease in cash and cash equivalents	(4,916)	(57,643)
Cash and cash equivalents at beginning of period	50,992	122,554
Cash and cash equivalents at end of period	$46,076	$64,911
Supplemental cash flow information:		
Noncash financing and investing activities		
Transfers to real estate owned	$438	$2,434
Cash paid for:		
Interest	$2,609	$2,637
Income taxes	$143	$124

See accompanying notes to consolidated financial statements

CARVER BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)
NOTE 1. ORGANIZATION

Nature of operations

Carver Bancorp, Inc. (on a stand-alone basis, the “Company” or “Registrant”), was incorporated in May 1996 and its principal wholly owned subsidiary is Carver Federal Savings Bank (the “Bank” or “Carver Federal”). Carver Federal's wholly owned subsidiaries are CFSB Realty Corp., Carver Community Development Corporation (“CCDC”) and CFSB Credit Corp., which is currently inactive. The Bank has a majority-owned interest in Carver Asset Corporation, a real estate investment trust formed in February 2004.

“Carver,” the “Company,” “we,” “us” or “our” refers to the Company along with its consolidated subsidiaries. The Bank was chartered in 1948 and began operations in 1949 as Carver Federal Savings and Loan Association, a federally-chartered mutual savings and loan association. The Bank converted to a federal savings bank in 1986. On October 24, 1994, the Bank converted from a mutual holding company structure to stock form and issued 2,314,375 shares of its common stock, par value 0.01 per share. On October 17, 1996, the Bank completed its reorganization into a holding company structure (the “Reorganization”) and became a wholly owned subsidiary of the Company.

In September 2003, the Company formed Carver Statutory Trust I (the “Trust”) for the sole purpose of issuing trust preferred securities and investing the proceeds in an equivalent amount of floating rate junior subordinated debentures of the Company. In accordance with Accounting Standards Codification (“ASC”) 810, “Consolidations,” Carver Statutory Trust I is unconsolidated for financial reporting purposes.

Carver Federal’s principal business consists of attracting deposit accounts through its branches and investing those funds in mortgage loans and other investments permitted by federal savings banks. The Bank has nine branches located throughout the City of New York that primarily serve the communities in which they operate.

On February 7, 2011, Carver Federal Savings Bank and Carver Bancorp, Inc. consented to enter into Cease and Desist Orders (the “Bank Order” and the "Company Order," respectively, and together the "Orders") with the Office of Thrift Supervision (“OTS”). The OTS issued these Orders based upon its findings that the Company was operating with an inadequate level of capital for the volume, type and quality of assets held by the Company, that it was operating with an excessive level of adversely classified assets, and earnings inadequate to augment its capital. Effective July 21, 2011, supervisory authority for the Company Order passed to the Board of Governors of the Federal Reserve System (the "Federal Reserve") and supervisory authority for the Bank Order passed to the Office of the Comptroller of the Currency (“OCC”). On November 3, 2014, the OCC notified the Bank that the OCC had determined that the Bank had satisfied all of the requirements of the Bank Order and directed that the Bank Order be terminated. In addition, the OCC notified the Bank that the OCC had determined that the Bank was no longer in “troubled condition” and was relieved of all prior conditions imposed on the Bank by the OTS as a result of its troubled condition designation. On September 24, 2015, the Federal Reserve notified the Company that the Company Order had been terminated and that the Company was no longer in "troubled condition."

On October 23, 2015, the Board of Directors of the Company adopted resolutions requiring, among other things, written approval from the Federal Reserve Bank of Philadelphia prior to the declaration or payment of dividends, any increase in debt by the Company, or the redemption of Company common stock.

On June 29, 2011, the Company raised $55 million of capital by issuing 55,000 shares of mandatorily convertible non-voting participating preferred stock, Series C (the “Series C preferred stock”). The issuance resulted in a $51.4 million increase in equity after considering the effect of various expenses associated with the capital raise. The capital raise enabled the Company to make a capital injection of $37 million in the Bank on June 30, 2011. In December

2011, another $7 million capital injection was made in the Bank. The remainder of the net capital raised is retained by the Company for future strategic purposes or to downstream into the Bank, if necessary. No assurances can be given that the amount of capital raised is sufficient to absorb the expected losses in the Bank's loan portfolio. Should the losses be greater than expected, additional capital may be necessary in the future.

On October 25, 2011, Carver's stockholders voted to approve a 1-for-15 reverse stock split. A separate vote of approval was given to convert the Series C preferred stock to non-cumulative non-voting participating preferred stock, Series D (“the Series D preferred stock”) and to common stock and to exchange the U.S. Treasury's (“Treasury”) Community Development Capital Initiative (“CDCI”) Series B preferred stock for common stock.

On October 27, 2011, the 1-for-15 reverse stock split was effected, which reduced the number of outstanding shares of common stock from 2,492,415 to 166,161.

On October 28, 2011, the Treasury exchanged the CDCI Series B preferred stock for 2,321,286 shares of Carver common stock and the Series C preferred stock converted into 1,208,039 shares of Carver common stock and 45,118 shares of Series D preferred stock.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidated financial statement presentation

The consolidated financial statements include the accounts of the Company, the Bank and the Bank’s wholly owned or majority-owned subsidiaries, Carver Asset Corporation, CFSB Realty Corp., CCDC, and CFSB Credit Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month period ended December 31, 2015 are not necessarily indicative of the results that may be expected for the year ended March 31, 2016. The consolidated balance sheet at December 31, 2015 has been derived from the unaudited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the period then ended. These unaudited consolidated financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended March 31, 2015. Amounts subject to significant estimates and assumptions are items such as the allowance for loan losses, valuation of real estate owned, realization of deferred tax assets, and the fair value of financial instruments. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses or future writedowns of real estate owned may be necessary based on changes in economic conditions in the areas where Carver Federal has extended mortgages and other credit instruments. Actual results could differ significantly from those assumptions. Current market conditions increase the risk and complexity of the judgments in these estimates.

In addition, the OCC, Carver Federal's regulator, as an integral part of its examination process, periodically reviews Carver Federal's allowance for loan losses and, if applicable, real estate owned valuations. The OCC may require Carver Federal to recognize additions to the allowance for loan losses or additional writedowns of real estate owned based on their judgments about information available to them at the time of their examination.

NOTE 3. EARNINGS PER COMMON SHARE

The following table reconciles the earnings available to common shareholders (numerator) and the weighted average common stock outstanding (denominator) for both basic and diluted earnings per share for the following periods:

	Three Months Ended December 31,		Nine Months Ended December 31,	
$ in thousands except per share data	2015	2014	2015	2014
Earnings per common share				
	$437	$111	451	491

Net income available to common shareholders of Carver Bancorp, Inc.				
Weighted average common shares outstanding	3,696,420	3,696,420	3,696,420	3,696,338
Basic earnings per common share	$0.12	$0.03	$0.12	$0.13
Diluted earnings per common share	0.12	0.03	0.12	0.13

NOTE 4. COMMON STOCK DIVIDENDS

On October 23, 2015, the Board of Directors of the Company adopted resolutions requiring, among other things, written approval from the Federal Reserve Bank of Philadelphia prior to the declaration or payment of dividends, any increase in debt by the Company, or the redemption of Company common stock.

Debenture interest payments which had previously been deferred in March 2011 and June 2011 on the Carver Statutory Trust I trust preferred securities (“TruPS”) were brought current in September 2011. The Company is prohibited from making future payments without prior approval. The expense continues to be accrued and the payments remain on deferral status. The Company has requested approval from the Federal Reserve to reinstate the debenture interest payment. This request remains pending.

On October 28, 2011, the Treasury exchanged the CDCI Series B preferred stock for 2,321,286 shares of Carver common stock and the Series C preferred stock converted into 1,208,039 shares of Carver common stock and 45,118 shares of Series D preferred stock. Series C stock was previously reported as mezzanine equity, and upon conversion to common and Series D preferred stock is now reported as equity attributable to Carver Bancorp, Inc. The holders of the Series D Preferred Stock are entitled to receive dividends, on an as-converted basis, simultaneously to the payment of any dividends on the common stock.

NOTE 5. OTHER COMPREHENSIVE INCOME (LOSS)

The following tables set forth changes in each component of accumulated other comprehensive loss, net of tax for the nine months ended December 31, 2015 and 2014:

Nine months ended December 31, 2015 $ in thousands	At March 31, 2015	Other Comprehensive Loss, net of tax	At December 31, 2015
Net unrealized loss on securities available-for-sale	$(1,045)	$(365)	$(1,410)
Accumulated other comprehensive loss, net of tax	$(1,045)	$(365)	$(1,410)

Nine months ended December 31, 2014 $ in thousands	At March 31, 2014	Other Comprehensive Income, net of tax	At December 31, 2014
Net unrealized loss on securities available-for-sale	$(4,768)	$2,809	$(1,959)
Accumulated other comprehensive loss, net of tax	$(4,768)	$2,809	$(1,959)

The following table sets forth information about amounts reclassified from accumulated other comprehensive loss to the consolidated statement of income and the affected line item in the statement where net income is presented.

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,		Affected Line Item in the Consolidated Statement of
$ in thousands	2015	2014	2015	2014	Income
Reclassification adjustment for sales of available-for-sale securities, net of tax	—	3	1	8	Gain on sale of securities
Total reclassifications for the period	$—	$3	$1	$8	

NOTE 6. INVESTMENT SECURITIES

The Bank utilizes mortgage-backed and other investment securities in its asset/liability management strategy. In making investment decisions, the Bank considers, among other things, its yield and interest rate objectives, its interest rate and credit risk position, and its liquidity and cash flow.

Generally, the investment policy of the Bank is to invest funds among categories of investments and maturities based upon the Bank's asset/liability management policies, investment quality, loan and deposit volume and collateral requirements, liquidity needs and performance objectives. ASC Subtopic 320-10-25 requires that securities be classified into three categories: trading, held-to-maturity, and available-for-sale. At December 31, 2015, $68.2 million, or 81.3%, of the Bank's total securities were classified as available-for-sale, and the remaining $15.7 million, or 18.7%, were classified as held-to-maturity. The Bank had no securities classified as trading at December 31, 2015 and March 31, 2015.

The following table sets forth the amortized cost and estimated fair value of securities available-for-sale and held-to-maturity at December 31, 2015:

	Amortized	Gross Unrealized		Estimated
$ in thousands	Cost	Gains	Losses	Fair-Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$4,959	$—	$46	4,913
Federal Home Loan Mortgage Corporation	8,079	—	212	7,867
Federal National Mortgage Association	8,149	—	168	7,981
Other	46	—	—	46
Total mortgage-backed securities	21,233	—	426	20,807
U.S. Government Agency Securities	37,385	—	641	36,744
Other investments	10,984	—	343	10,641
Total available-for-sale	69,602	—	1,410	68,192
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	2,543	149	—	2,692
Federal National Mortgage Association and Other	12,188	—	149	12,039
Total held-to-maturity mortgage-backed securities	14,731	149	149	14,731
Corporate Bonds	1,000	—	10	990
Total held-to maturity	15,731	149	159	15,721
Total securities	$85,333	$149	$1,569	$83,913

* The carrying amount and amortized cost are the same for all held-to-maturity securities, as no OTTI has been recorded.

The following table sets forth the amortized cost and estimated fair value of securities available-for-sale and held-to-maturity at March 31, 2015:

	Amortized	Gross Unrealized		Estimated
$ in thousands	Cost	Gains	Losses	Fair Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$5,575	$9	$57	$5,527
Federal Home Loan Mortgage Corporation	10,705	10	127	10,588
Federal National Mortgage Association	10,925	35	103	10,857
Other	47	—	—	47
Total mortgage-backed securities	27,252	54	287	27,019
U.S. Government Agency Securities	58,464	48	662	57,850
Other investments	16,514	—	198	16,316
Total available-for-sale	102,230	102	1,147	101,185
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	3,100	232	—	3,332
Federal National Mortgage Association and Other	8,822	77	—	8,899
Total held-to-maturity mortgage-backed securities	11,922	309	—	12,231
Total held-to-maturity	11,922	309	—	12,231
Total securities	$114,152	$411	$1,147	$113,416

* The carrying amount and amortized cost are the same for all held-to-maturity securities, as no OTTI has been recorded.

The following table sets forth the unrealized losses and fair value of securities in an unrealized loss position at December 31, 2015 for less than 12 months and 12 months or longer:

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$ in thousands	Less than 12 months		12 months or longer		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available-for-Sale:						
Mortgage-backed securities	$29	$3,887	$397	$16,873	$426	$20,760
U.S. Government Agency Securities	93	10,907	548	25,837	641	36,744
Other investments [(1)]	—	—	343	9,657	343	9,657
Total available-for-sale securities	122	14,794	1,288	52,367	1,410	67,161
Held-to-Maturity:						
Mortgage-backed securities	149	11,889	—	—	149	11,889
Other	10	990	—	—	10	990
Total held-to-maturity securities	159	12,879	—	—	159	12,879
Total securities	$281	$27,673	$1,288	$52,367	$1,569	$80,040

[(1)] CRA fund comprised of over 95% agency securities.

The following table sets forth the unrealized losses and fair value of securities in an unrealized loss position at March 31, 2015 for less than 12 months and 12 months or longer:

$ in thousands	Less than 12 months		12 months or longer		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available-for-Sale:						
Mortgage-backed securities	$—	$—	$287	$22,297	$287	$22,297
U.S. Government Agency Securities	57	12,943	605	26,400	662	39,343
Other investments [(1)]	—	—	198	9,802	198	9,802
Total available-for-sale securities	$57	$12,943	$1,090	$58,499	$1,147	$71,442

[(1)] CRA fund comprised of over 95% agency securities.

A total of 30 securities had an unrealized loss at December 31, 2015 compared to 23 at March 31, 2015. U.S. Government Agency securities and mortgage-backed securities, represented 54.7% and 30.9%, respectively, of total available-for-sale securities in an unrealized loss position at December 31, 2015. There were ten U.S. Government Agency securities, seven mortgage-backed securities, and one investment in a CRA fund that had an unrealized loss position for more than 12 months at December 31, 2015. Given the high credit quality of the securities which are backed by the U.S. government's guarantees, the risk of credit loss is minimal. Management believes that these unrealized losses are a direct result of the current rate environment and has the ability and intent to hold the securities until maturity or the valuation recovers.

The amount of an other-than-temporary impairment when there are credit and non-credit losses on a debt security which management does not intend to sell, and for which it is more likely than not that the Company will not be required to sell the security prior to the recovery of the non-credit impairment, the portion of the total impairment that is attributable to the credit loss would be recognized in earnings. The remaining difference between the debt security's amortized cost basis and its fair value would be included in other comprehensive income (loss). At December 31, 2015, the Bank does not have any securities that are classified as having other-than-temporary impairment in its investment portfolio.

The following is a summary of the carrying value (amortized cost) and fair value of securities at December 31, 2015, by remaining period to contractual maturity (ignoring earlier call dates, if any). Actual maturities may differ from contractual maturities because certain security issuers have the right to call or prepay their obligations. The table below does not consider the effects of possible prepayments or unscheduled repayments.

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$ in thousands	Amortized Cost	Fair Value	Weighted Average Yield	
Available-for-Sale:				
One through five years	5,983	5,911	1.37	%
Five through ten years	17,183	16,814	2.03	%
After ten years	46,436	45,467	1.60	%
Total	$69,602	$68,192	1.69	%
Held-to-maturity:				
Five through ten years	$7,023	$7,006	3.06	%
After ten years	8,708	8,715	2.55	%
Total	$15,731	$15,721	2.78	%

NOTE 7. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The loans receivable portfolio is segmented into one-to-four family, multifamily, commercial real estate, construction, business (including Small Business Administration loans), and consumer loans.

The allowance for loan and lease losses ("ALLL") reflects management's judgment in the evaluation of probable loan losses inherent in the portfolio at the balance sheet date. Management uses a disciplined process and methodology to calculate the ALLL each quarter. To determine the total ALLL, management estimates the reserves needed for each segment of the loan portfolio, including loans analyzed individually and loans analyzed on a pooled basis.

From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts or release balances from the ALLL. The ALLL is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends. Individual loan risk ratings are evaluated based on the specific facts related to that loan. Additions to the ALLL are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the ALLL, while recoveries of previously charged off amounts are credited to the ALLL.

The following is a summary of loans receivable, net of allowance for loan losses, and loans held-for-sale at December 31, 2015 and March 31, 2015:

	December 31, 2015			March 31, 2015		
$ in thousands	Amount	Percent		Amount	Percent	
Gross loans receivable:						
One-to-four family	$144,186	24	%	$125,020	26	%
Multifamily	105,259	18	%	93,780	19	%
Commercial real estate	266,657	45	%	186,443	39	%
Construction	5,045	1	%	5,107	1	%
Business (1)	76,962	13	%	70,679	15	%
Consumer (2)	85	—	%	434	—	%
Total loans receivable	$598,194	100	%	$481,463	100	%
Add:						
Premium on loans	3,842			2,233		
Less:						
Deferred fees and loan discounts,net	(460	)		(503	)	
Allowance for loan losses	(5,174	)		(4,477	)	
Total loans receivable, net	$596,402			$478,716		

Loans HFS	$2,404	$2,576

(1) Includes business overdrafts
(2) Includes personal loans and consumer overdrafts

The following is an analysis of the allowance for loan losses based upon the method of evaluating loan impairment for the three and nine month periods ended December 31, 2015 and 2014, and the fiscal year ended March 31, 2015.

Three months ended December 31, 2015

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$1,595	$573	$1,436	99	$843	$26	$4,572
Charge-offs	77	64	—	—	43	28	212
Recoveries	—	—	1	—	59	26	86
Provision for (Recovery of) Loan Losses	113	104	470	(1)	26	16	728
Ending Balance	$1,631	$613	$1,907	$98	$885	$40	$5,174

Nine months ended December 31, 2015

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$1,989	$534	$1,029	99	$813	$13	$4,477
Charge-offs	320	305	—	—	163	288	1,076
Recoveries	1	—	4	—	247	32	284
Provision for (Recovery of) Loan Losses	(39)	384	874	(1)	(12)	283	1,489
Ending Balance	$1,631	$613	$1,907	$98	$885	$40	$5,174
Allowance for Loan Losses Ending Balance: collectively evaluated for impairment	1,533	612	1,895	98	820	40	4,998
Allowance for Loan Losses Ending Balance: individually evaluated for impairment	97	—	12	—	67	—	176
Loan Receivables Ending Balance:	$145,980	$106,184	$267,448	$5,012	$76,867	$85	$601,576
Ending Balance: collectively evaluated for impairment	141,284	104,955	262,162	5,012	71,359	85	584,857
Ending Balance: individually evaluated for impairment	4,696	1,229	5,286	—	5,508	—	16,719

Fiscal year ended March 31, 2015

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$3,377	$308	$1,835	$—	$1,705	$8	$7,233
Charge-offs	687	—	—	—	320	279	1,286
Recoveries	380	83	256	—	816	5	1,540
Provision for (Recovery of) Loan Losses	(1,081)	143	(1,062)	99	(1,388)	279	(3,010)
Ending Balance	$1,989	$534	$1,029	$99	$813	$13	$4,477
Allowance for Loan Losses Ending Balance: collectively	1,702	353	953	99	801	13	3,921

evaluated for impairment							
Allowance for Loan Losses Ending Balance: individually evaluated for impairment	287	181	76	—	12	—	556
Loan Receivables Ending Balance:	$126,527	$94,706	$185,851	$5,076	$70,599	$434	483,193
Ending Balance: collectively evaluated for impairment	119,480	93,218	183,230	5,076	65,243	434	466,681
Ending Balance: individually evaluated for impairment	7,047	1,488	2,621	—	5,356	—	16,512

Three months ended December 31, 2014

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$3,301	$372	$1,154	$214	$1,535	$21	$6,597
Charge-offs	112	—	—	—	—	—	112
Recoveries	—	—	2	—	540	4	546
Provision for (Recovery of) Loan Losses	225	(19)	(291)	(53)	(1,004)	(9)	(1,151)
Ending Balance	$3,414	$353	$865	$161	$1,071	$16	$5,880

Nine months ended December 31, 2014

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$3,377	$308	$1,835	$—	$1,705	$8	$7,233
Charge-offs	195	—	—	—	—	—	195
Recoveries	379	82	256	—	763	7	1,487
Provision for (Recovery of) Loan Losses	(147)	(37)	(1,226)	161	(1,397)	1	(2,645)
Ending Balance	$3,414	$353	$865	$161	$1,071	$16	$5,880
Allowance for Loan Losses Ending Balance: collectively evaluated for impairment	2,515	172	832	161	828	15	4,523
Allowance for Loan Losses Ending Balance: individually evaluated for impairment	899	181	32	—	244	1	1,357
Loan Receivables Ending Balance:	$127,417	$64,138	$200,334	$5,074	$38,244	$327	$435,534
Ending Balance: collectively evaluated for impairment	120,367	62,648	196,229	5,074	33,638	320	418,276
Ending Balance: individually evaluated for impairment	7,050	1,490	4,105	—	4,606	7	17,258

The following is a summary of nonaccrual loans at December 31, 2015 and March 31, 2015.

$ in thousands	December 31, 2015	March 31, 2015
Gross loans receivable:		
One-to-four family	$2,997	$3,664
Multifamily	1,229	1,053
Commercial real estate	3,427	2,817
Business	2,494	861
Total nonaccrual loans	$10,147	$8,395

Nonaccrual loans increased $1.8 million, or 20.9%, to $10.1 million at December 31, 2015 from $8.4 million at March 31, 2015, primarily due to one commercial real estate loan that is experiencing delays in required approvals to allow onset of tenancy.

Non-performing loans at December 31, 2015, were comprised of $5.3 million of loans that were classified as nonperforming troubled debt restructures and impaired loans that are 90 days or more past due. Non performing troubled debt restructures are those that either have not consistently performed in accordance with their modified terms or were not performing in accordance with their modified terms for at least six months. Impaired loans that are not delinquent total $4.8 million and will remain on nonaccrual status until they are upgraded.

Non-performing loans at March 31, 2015, were comprised of $5.9 million of loans that were classified as nonperforming troubled debt restructures and impaired loans that are 90 days or more past due. Trouble debt restructured loans that are not delinquent total $3.6 million. Non performing troubled debt restructures are those that either have not consistently performed in accordance with their modified terms or were not performing in accordance with their modified terms for at least six months.

At December 31, 2015, other non-performing assets totaled $3.4 million which consisted of other real estate owned and held-for-sale loans. At December 31, 2015, other real estate owned valued at $1.0 million comprised of eight foreclosed properties, compared to $4.3 million comprised of ten properties at March 31, 2015. At December 31, 2015, held-for-sale loans totaled $2.4 million, compared to $2.6 million at March 31, 2015

The Bank utilizes an internal loan classification system as a means of reporting problem loans within its loan categories. Loans may be classified as "Pass," “Special Mention,” “Substandard,” “Doubtful,” and “Loss.” Loans rated Pass have demonstrated satisfactory asset quality, earning history, liquidity, and other adequate margins of creditor protection. They represent a moderate credit risk and some degree of financial stability. Loans are considered collectible in full, but perhaps require greater than average amount of loan officer attention. Borrowers are capable of absorbing normal setbacks without failure. Loans rated Special Mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Loans rated Substandard are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans rated Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. Loans classified as Loss are those considered uncollectible with insignificant value and are charged off immediately to the allowance for loan losses.

One-to-four family residential loans and consumer and other loans are rated non-performing if they are delinquent in payments ninety or more days, a troubled debt restructuring with less than six months contractual performance or past maturity. All other one-to-four family residential loans and consumer and other loans are performing loans.

As of December 31, 2015, the risk category by class of loans is as follows:

$ in thousands	Multifamily	Commercial Real Estate	Construction	Business
Credit Risk Profile by Internally Assigned Grade:				
Pass	$103,986	$253,186	$5,012	$69,110
Special Mention	—	3,864	—	1,295
Substandard	2,198	10,398	—	6,462
Doubtful	—	—	—	—
Loss	—	—	—	—
Total	$106,184	$267,448	$5,012	$76,867

	One-to-four family	Consumer
Credit Risk Profile Based on Payment Activity:		
Performing	$142,983	$85
Non-Performing	2,997	—
Total	$145,980	$85

As of March 31, 2015, and based on the most recent analysis performed, the risk category by class of loans is as follows:

$ in thousands	Multifamily	Commercial Real Estate	Construction	Business
Credit Risk Profile by Internally Assigned Grade:				
Pass	$93,218	$181,340	$5,076	$62,419
Special Mention	—	1,890	—	1,065
Substandard	1,488	2,621	—	7,115
Doubtful	—	—	—	—
Loss	—	—	—	—
Total	$94,706	$185,851	$5,076	$70,599

	One-to-four family	Consumer
Credit Risk Profile Based on Payment Activity:		
Performing	$122,689	$434
Non-Performing	3,838	—
Total	$126,527	$434

The following table presents an aging analysis of the recorded investment of past due financing receivable as of December 31, 2015 and March 31, 2015.
December 31, 2015

$ in thousands	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total Financing Receivables
One-to-four family	$—	$291	$2,737	$3,028	$142,952	$145,980
Multifamily	969	422	807	2,198	103,986	106,184
Commercial real estate	3,427	—	—	3,427	264,021	267,448
Construction	—	—	—	—	5,012	5,012
Business	640	337	1,805	2,782		