CARVER BANCORP INC
Form 10-Q
November 10, 2014

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 September 30, 2014
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 x 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 November 7, 2014
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	September 30, 2014 (unaudited)	March 31, 2014
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$94,638	$115,239
Money market investments	7,713	7,315
Total cash and cash equivalents	102,351	122,554
Restricted cash	6,354	6,354
Investment securities:		
Available-for-sale, at fair value	94,714	89,461
Held-to-maturity, at amortized cost (fair value of $8,722 and $8,971 at September 30, 2014 and March 31, 2014, respectively)	8,654	9,029
Total investment securities	103,368	98,490
Loans held-for-sale (“HFS”)	2,606	5,011
Loans receivable:		
Real estate mortgage loans	368,888	362,888
Commercial business loans	41,194	26,930
Consumer loans	353	138
Loans, net	410,435	389,956
Allowance for loan losses	(6,597)	(7,233)
Total loans receivable, net	403,838	382,723
Premises and equipment, net	7,520	7,830
Federal Home Loan Bank of New York (“FHLB-NY”) stock, at cost	2,574	3,101
Accrued interest receivable	3,180	2,557
Other assets	12,324	11,218
Total assets	$644,115	$639,838
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Savings	$95,716	$98,051
Non-interest bearing checking	54,054	53,232
Interest-bearing checking	28,786	24,271
Money market	145,443	127,655
Certificates of deposit	196,411	206,157
Total deposits	520,410	509,366
Advances from the FHLB-NY and other borrowed money	62,403	70,403
Other liabilities	8,171	8,900
Total liabilities	590,984	588,669
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
	61	61

Common stock (par value $0.01 per share: 10,000,000 shares authorized; 3,698,031 and 3,697,836 shares issued; 3,696,087 and 3,695,892 shares outstanding at September 30, 2014 and March 31, 2014, respectively)		
Additional paid-in capital	56,116	56,114
Accumulated deficit	(44,189)	(44,570)
Treasury stock, at cost (1,944 shares at September 30, 2014 and March 31, 2014)	(417)	(417)
Accumulated other comprehensive loss	(3,059)	(4,768)
Total equity attributable to Carver Bancorp, Inc.	53,630	51,538
Non-controlling interest	(499)	(369)
Total equity	53,131	51,169
Total liabilities and equity	$644,115	$639,838

See accompanying notes to consolidated financial statements

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

	Three Months Ended September 30,		Six Months Ended September 30,	
$ in thousands	2014	2013	2014	2013
Interest income:				
Loans	$5,000	$5,263	$10,162	$10,178
Mortgage-backed securities	192	285	398	548
Investment securities	329	348	653	696
Money market investments	69	46	135	89
Total interest income	5,590	5,942	11,348	11,511
Interest expense:				
Deposits	719	687	1,441	1,384
Advances and other borrowed money	273	290	543	603
Total interest expense	992	977	1,984	1,987
Net interest income	4,598	4,965	9,364	9,524
Provision for (recovery of) loan losses	(713)	(505)	(1,494)	326
Net interest income after provision for loan losses	5,311	5,470	10,858	9,198
Non-interest income:				
Depository fees and charges	924	878	1,820	1,790
Loan fees and service charges	118	305	213	603
Gain on sale of securities	—	208	4	486
Gain (loss) on sale of loans, net	(2)	180	(2)	670
Gain (loss) on real estate owned	—	(84)	4	(131)
Lower of cost or market adjustment on loans held-for-sale	1	(163)	1	(232)
Other	521	253	725	520
Total non-interest income	1,562	1,577	2,765	3,706
Non-interest expense:				
Employee compensation and benefits	2,999	2,646	5,787	5,014
Net occupancy expense	959	876	1,844	1,747
Equipment, net	252	209	427	384
Data processing	43	226	320	582
Consulting fees	309	92	398	212
Federal deposit insurance premiums	115	307	353	616
Other	2,076	2,243	4,170	3,325
Total non-interest expense	6,753	6,599	13,299	11,880
Income before income taxes	120	448	324	1,024
Income tax expense	57	16	73	88
Consolidated net income	63	432	251	936
Less: Net income (loss) attributable to non-controlling interest	(147)	90	(130)	183
Net income attributable to Carver Bancorp, Inc.	$210	$342	$381	$753

Earnings per common share:				
Basic	$0.06	$0.09	$0.10	$0.20
Diluted	0.06	0.09	0.10	0.20

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 September 30,		Six Months Ended September 30,	
$ in thousands	2014	2013	2014	2013
Net income attributable to Carver Bancorp, Inc.	$210	$342	$381	$753
Other comprehensive income (loss), net of tax:				
Change in unrealized loss of securities available-for-sale	150	(1,314)	1,713	(5,433)
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax	—	208	4	486
Total other comprehensive income (loss), net of tax	150	(1,522)	1,709	(5,919)
Total comprehensive income (loss), net of tax attributable to Carver Bancorp, Inc.	$360	$(1,180)	$2,090	$(5,166)

See accompanying notes to consolidated financial statements

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CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended September 30, 2014
(Unaudited)

($ in thousands)	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Non-controlling interest	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance — March 31, 2014	$45,118	$61	$56,114	$(417)	$(369)	$(44,570)	$(4,768)	$51,169
Net income attributable to Carver Bancorp, Inc.	—	—	—	—	—	381	—	381
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	1,709	1,709
Net income attributable to non-controlling interest	—	—	—	—	(130)	—	—	(130)
Stock based compensation expense	—	—	2	—	—	—	—	2
Balance — September 30, 2014	$45,118	$61	$56,116	$(417)	$(499)	$(44,189)	$(3,059)	$53,131

See accompanying notes to consolidated financial statements

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

	Six Months Ended September 30,	
($ in thousands)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before attribution to noncontrolling interests	$251	$936
Net (loss) income attributable to noncontrolling interests, net of taxes	(130)	183
Net income attributable to Carver Bancorp, Inc.	381	753
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	(1,494)	326
Stock based compensation expense	2	1
Depreciation and amortization expense	531	551
(Gain) loss on real estate owned	(4)	131
Gain on sale of securities, net	(4)	(486)
Loss (gain) on sale of loans, net	2	(670)
Amortization and accretion of loan premiums and discounts and deferred charges	(678)	(741)
Amortization and accretion of premiums and discounts — securities	140	(435)
Market adjustment on held-for-sale loans	(1)	232
Proceeds from sale of loans held-for-sale	—	13,621
Assets repurchased from third parties	—	(1,485)
Increase in accrued interest receivable	(622)	(283)
Decrease in other assets	3,457	183
Decrease in other liabilities	(1,300)	(1,044)
Net cash provided by operating activities	410	10,654
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments: Available-for-sale	(10,534)	(30,181)
Proceeds from principal payments, maturities, calls and sales of investments: Available-for-sale	6,867	48,892
Proceeds from principal payments, maturities and calls of investments: Held-to-maturity	362	1,750
Originations of loans held-for-investment	(26,024)	(44,993)
Loans purchased from third parties	(24,355)	(54,459)
Principal collections on loans	29,722	61,885
Proceeds on sale of loans	—	242
Decrease in restricted cash	—	4,110
Purchase (redemption) of FHLB-NY stock	527	(723)
Purchase of premises and equipment	(222)	(190)
Proceeds from sale of real estate owned	—	1,466
Net cash used in investing activities	(23,657)	(12,201)
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	11,044	(16,257)
Net (decrease) increase in FHLB-NY advances and other borrowings	(8,000)	19,000
Net cash provided by financing activities	3,044	2,743
Net (decrease) increase in cash and cash equivalents	(20,203)	1,196
Cash and cash equivalents at beginning of period	122,554	104,646
Cash and cash equivalents at end of period	$102,351	$105,842

Supplemental cash flow information:		
Noncash financing and investing activities		
Change in unrealized loss on valuation of available-for-sale investments, net	$1,710	$(5,913)
Transfers from loans held-for-investment to loans held-for-sale	$—	$7,949
Transfers to real estate owned	$2,434	$290
Cash paid for:		
Interest	$1,727	$1,809
Income taxes	$88	$—

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 ten 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 and supervisory authority for the Bank Order passed to the Office of the Comptroller of the Currency (“OCC”). No assurances can be given that the Bank and the Company will continue to comply with all provisions of the Orders. Failure to comply with these provisions could result in further regulatory actions to be taken by the regulators.

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.

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. The Company Order has not been terminated.

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 six month periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ended March 31, 2015. The consolidated balance sheet at September 30, 2014 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 March 31, 2014 Annual Report to Stockholders on Form 10-K. 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.

In addition, no assurances can be given that the Bank and the Company will continue to comply with all provisions of the Order. Failure to comply with these provisions could result in further regulatory actions to be taken by the regulators.

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	Six Months Ended

	September 30,		September 30,	
$ in thousands except per share data	2014	2013	2014	2013
Earnings per common share				
Net income available to common shareholders of Carver Bancorp, Inc.	$210	$342	381	753
Weighted average common shares outstanding	3,696,370	3,696,179	3,696,297	3,696,072
Basic earnings per common share	$0.06	$0.09	$0.10	$0.20
Diluted earnings per common share	0.06	0.09	0.10	0.20

NOTE 4. COMMON STOCK DIVIDENDS

As previously disclosed in a Form 8-K filed with the SEC on October 29, 2010, the Company's Board of Directors announced that, based on highly uncertain economic conditions and the desire to preserve capital, Carver suspended payment of the quarterly cash dividend on its common stock. In accordance with the Orders, the Bank and Company are also prohibited from paying any dividends without prior regulatory approval, and, as such, suspended the regularly quarterly cash dividend payments on the Company's Series B preferred stock issued under the Trouble Asset Relief Program Capital Purchase Program ("TARP CPP") to the United States Department of Treasury ("Treasury"). On October 18, 2011, Carver received approval from the Federal Reserve Bank to pay all outstanding dividend payments (which included $192 thousand accrued during the six month period ended September 30, 2011) on the Company's Series B preferred stock issued under the TARP CPP. There are no assurances that the payments of dividends on the common stock will resume.

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 before the regulators precluded future payments without prior approval. The expense continues to be accrued and the payments remain on deferral status.

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 six months ended September 30, 2014 and 2013:

Six months ended September 30, 2014 $ in thousands	At March 31, 2014	Other Comprehensive Income, net of tax	At September 30, 2014
Net unrealized loss on securities available-for-sale	$(4,768)	$1,709	$(3,059)
Accumulated other comprehensive loss, net of tax	$(4,768)	$1,709	$(3,059)

Six months ended September 30, 2013 $ in thousands	At March 31, 2013	Other Comprehensive Income, net of tax	At September 30, 2013
Net unrealized loss on securities available-for-sale	$1,064	$(5,919)	$(4,855)
Net unrealized loss on pension liability	(501)	—	(501)
Accumulated other comprehensive loss, net of tax	$563	$(5,919)	$(5,356)

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

$ in thousands	For the Three Months Ended September 30, 2014	2013	For the Six Months Ended September 30, 2014	2013	Affected Line Item in the Consolidated Statement of Operations
Reclassification adjustment for sales of available-for-sale securities, net of tax	—	208	4	486	Gain on sale of securities

Total reclassifications for the period	$—	$208	$4	$486

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 September 30, 2014, $94.7 million, or 91.6%, of the Bank's mortgage-backed and other investment securities were classified as available-for-sale, and the remaining $8.7 million, or 8.4%, were classified as held-to-maturity. The Bank had no securities classified as trading at September 30, 2014 and March 31, 2014.

The following table sets forth the amortized cost and estimated fair value of securities available-for-sale and held-to-maturity at September 30, 2014:

	Amortized	Gross Unrealized		
$ in thousands	Cost	Gains	Losses	Fair-Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$5,811	$—	$(157)	$5,654
Federal Home Loan Mortgage Corporation	11,369	2	(341)	11,030
Federal National Mortgage Association	10,278	—	(294)	9,984
Other	48	—	—	48
Total mortgage-backed securities	27,506	2	(792)	26,716
U.S. Government Agency Securities	54,737	12	(1,914)	52,835
Other investments	15,533	—	(370)	15,163
Total available-for-sale	97,776	14	(3,076)	94,714
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	3,429	212	—	3,641
Federal National Mortgage Association	5,225	—	(144)	5,081
Total held-to-maturity mortgage-backed securities	8,654	212	(144)	8,722
Total securities	$106,430	$226	$(3,220)	$103,436

* 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, 2014:

	Amortized	Gross Unrealized		Estimated
$ in thousands	Cost	Gains	Losses	Fair Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$5,972	$—	$(307)	$5,665
Federal Home Loan Mortgage Corporation	12,160	—	(564)	11,596
Federal National Mortgage Association	10,897	—	(466)	10,431
Other	49	—	—	49
Total mortgage-backed securities	29,078	—	(1,337)	27,741
U.S. Government Agency Securities	55,155	—	(2,966)	52,189
Other investments	10,000	—	(469)	9,531
Total available-for-sale	94,233	—	(4,772)	89,461
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	3,743	225	—	3,968

Federal National Mortgage Association	5,079	—	(283)	4,796
Total held-to-maturity mortgage-backed securities	8,822	225	(283)	8,764
Other	207	—	—	207
Total held-to-maturity	9,029	225	(283)	8,971
Total securities	$103,262	$225	$(5,055)	$98,432

* 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 September 30, 2014 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	$(4)	$652	$(788)	$24,940	$(792)	$25,592
U.S. Government Agency Securities	(3)	1,997	(1,911)	45,826	(1,914)	47,823
Other investments [1]	—	—	(370)	9,630	(370)	9,630
Total available-for-sale securities	(7)	2,649	(3,069)	80,396	(3,076)	83,045
Held-to-Maturity:						
Mortgage-backed securities	—	—	(144)	4,887	(144)	4,887
Total held-to-maturity securities	—	—	(144)	4,887	(144)	4,887
Total securities	$(7)	$2,649	$(3,213)	$85,283	$(3,220)	$87,932

[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, 2014 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	$(322)	$7,569	$(1,015)	$20,123	$(1,337)	$27,692
U.S. Government Agency Securities	(1,646)	34,074	(1,320)	18,115	(2,966)	52,189
Other investments [1]	(469)	9,531	—	—	(469)	9,531
Total available-for-sale securities	(2,437)	51,174	(2,335)	38,238	(4,772)	89,412
Held-to-Maturity:						
Mortgage-backed securities	(283)	4,796	—	—	(283)	4,796
Total held-to-maturity securities	(283)	4,796	—	—	(283)	4,796
Total securities	$(2,720)	$55,970	$(2,335)	$38,238	$(5,055)	$94,208

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

A total of 32 securities had an unrealized loss at September 30, 2014 compared to 35 at March 31, 2014. The majority of the securities in an unrealized loss position were U.S. Government Agency securities and mortgage-backed securities, representing 69.2% and 30.8% of total available-for-sale securities in an unrealized loss position at September 30, 2014. There were seventeen mortgage-backed securities and nine U.S. Government Agency securities in an unrealized loss position that had an unrealized loss for more than 12 months at September 30, 2014. 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 September 30, 2014, 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 September 30, 2014, 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.

$ in thousands	Amortized Cost	Fair Value	Weighted Average Yield	
Available-for-Sale:				
Less than one year	$5,533	$5,533	0.25	%
One through five years	13,000	12,893	1.42	%
Five through ten years	18,973	18,148	1.69	%
After ten years	60,270	58,140	2.02	%
Total	$97,776	$94,714	1.77	%
Held-to-maturity:				
Five through ten years	$5,032	$4,888	2.38	%
After ten years	3,622	3,834	3.74	%
Total	$8,654	$8,722	2.95	%

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

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

The allowance for loan and lease loss ("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 September 30, 2014 and March 31, 2014:

	September 30, 2014			March 31, 2014		
$ in thousands	Amount	Percent		Amount	Percent	
Gross loans receivable:						
One-to-four family	$117,915	29	%	$111,220	29	%
Multifamily	53,147	13	%	47,399	12	%
Commercial real estate	191,841	47	%	198,808	51	%
Construction	5,105	1	%	5,100	1	%
Business	41,347	10	%	27,149	7	%
Consumer [1]	353	—	%	138	—	%
Total loans receivable	$409,708	100	%	$389,814	100	%
Add:						
Premium on loans	1,206			957		
Less:						
Deferred fees and loan discounts,net	(479	)		(815	)	
Allowance for loan losses						