CARVER BANCORP INC
Form 10-Q
November 14, 2017
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 June 30, 2017
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: 001-13007
CARVER BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3904174
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
75 West 125th Street, New York, New York	10027
(Address of Principal Executive Offices)	(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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth 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	o Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
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 13, 2017
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
(Unaudited)

$ in thousands except per share data	June 30, 2017	March 31, 2017
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$45,195	$58,428
Money market investments	258	258
Total cash and cash equivalents	45,453	58,686
Restricted cash	—	283
Investment securities:		
Available-for-sale, at fair value	58,107	59,011
Held-to-maturity, at amortized cost (fair value of $13,221 and $13,497 at June 30, 2017 and March 31, 2017, respectively)	13,094	13,435
Total investment securities	71,201	72,446
Loans held-for-sale (HFS)	1,020	944
Loans receivable:		
Real estate mortgage loans	457,112	471,444
Commercial business loans	67,968	65,114
Consumer loans	8,612	8,994
Loans, gross	533,692	545,552
Allowance for loan losses	(5,133)	(5,060)
Total loans receivable, net	528,559	540,492
Premises and equipment, net	5,548	5,427
Federal Home Loan Bank of New York (“FHLB-NY”) stock, at cost	2,122	2,171
Accrued interest receivable	1,778	1,583
Other assets	5,393	5,829
Total assets	$661,074	$687,861
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing checking	$56,191	$61,576
Interest-bearing deposits		
Savings	102,738	100,913
Interest-bearing checking	24,130	37,180
Money market	108,835	140,807
Certificates of deposit	265,005	236,342
Escrow	1,762	2,358
Total interest-bearing deposits	502,470	517,600
Total deposits	558,661	579,176
Advances from the FHLB-NY and other borrowed money	44,403	49,403
Other liabilities	10,874	11,884
Total liabilities	613,938	640,463

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)	61	61
Additional paid-in capital	55,475	55,474
Accumulated deficit	(51,537)	(50,898)
Treasury stock, at cost (1,944 shares)	(417)	(417)
Accumulated other comprehensive loss	(1,564)	(1,940)
Total equity	47,136	47,398
Total liabilities and equity	$661,074	$687,861

See accompanying notes to consolidated financial statements

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

$ in thousands, except per share data	Three Months Ended June 30, 2017	2016 Restated (1)
Interest income:		
Loans	$5,652	$6,453
Mortgage-backed securities	250	170
Investment securities	158	228
Money market investments	111	69
Total interest income	6,171	6,920
Interest expense:		
Deposits	932	935
Advances and other borrowed money	286	327
Total interest expense	1,218	1,262
Net interest income	4,953	5,658
Provision for (recovery of) loan losses	120	(204)
Net interest income after provision for (recovery of) loan losses	4,833	5,862
Non-interest income:		
Depository fees and charges	895	802
Loan fees and service charges	98	120
Gain on sale of loans, net	—	66
Gain on sale of real estate owned, net of market value adjustment	67	—
Gain on sale of building, net	17	17
Other	132	135
Total non-interest income	1,209	1,140
Non-interest expense:		
Employee compensation and benefits	3,069	2,936
Net occupancy expense	827	743
Equipment, net	193	188
Data processing	393	328
Consulting fees	240	192
Federal deposit insurance premiums	147	166
Other	1,784	2,087
Total non-interest expense	6,653	6,640
(Loss) income before income taxes	(611)	362
Income tax expense	30	37
Net (loss) income	$(641)	$325
(Loss) earnings per common share:		
Basic	$(0.17)	$0.04

Diluted	(0.17)	0.04

[1] June 30, 2016 balances have been restated from previously reported results to correct for material and certain other errors from prior periods. Refer to Note 1 for further detail.

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 June 30,	
$ in thousands	2017	2016 Restated [1]
Net (loss) income	$(641)	$ 325
Other comprehensive income, net of tax:		
Change in unrealized loss of securities available-for-sale, net of income tax expense of $0	376	359
Less: Reclassification adjustment for sales of available-for-sale securities, net of income tax expense of $0	—	—
Total other comprehensive income, net of tax	376	359
Total comprehensive (loss) income, net of tax	$(265)	$ 684

[1] June 30, 2016 balances have been restated from previously reported results to correct for material and certain other errors from prior periods. Refer to Note 1 for further detail.

See accompanying notes to consolidated financial statements

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CARVER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended June 30, 2017 and 2016
(Unaudited)

$ in thousands	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity
Balance — March 31, 2017	$45,118	$ 61	$ 55,474	$ (50,898)	$ (417)	$ (1,940)	$47,398
Net loss	—	—	—	(641)	—	—	(641)
Other comprehensive income, net of taxes	—	—	—	—	—	376	376
Stock based compensation expense	—	—	1	2	—	—	3
Balance — June 30, 2017	$45,118	$ 61	$ 55,475	$ (51,537)	$ (417)	$ (1,564)	$47,136
Balance — March 31, 2016 Restated [1]	$45,118	$ 61	$ 55,470	$ (48,045)	$ (417)	$ (307)	$51,880
Net income — Restated [1]	—	—	—	325	—	—	325
Other comprehensive income, net of taxes	—	—	—	—	—	359	359
Balance — June 30, 2016 Restated [1]	$45,118	$ 61	$ 55,470	$ (47,720)	$ (417)	$ 52	$52,564

(1) 2016 balances have been restated from previously reported results to correct for material and certain other errors from prior periods. Refer to Note 1 for further detail.

See accompanying notes to consolidated financial statements

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

$ in thousands	Three Months Ended June 30, 2017	2016 Restated [1]
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income [1]	$(641)	$325
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Provision for (recovery of) loan losses	120	(204)
Stock based compensation expense	3	—
Depreciation and amortization expense	203	215
Gain on sale of real estate owned, net of market value adjustment	(67)	—
Gain on sale of loans, net	—	(66)
Gain on sale of building	(17)	(17)
Amortization and accretion of loan premiums and discounts and deferred charges	94	116
Amortization and accretion of premiums and discounts — securities	85	77
Increase in accrued interest receivable [1]	(195)	(601)
Decrease (increase) in other assets [1]	165	(17)
(Decrease) increase in other liabilities [1]	(1,016)	858
Net cash used in (provided by) operating activities	(1,266)	686
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments: Available-for-sale	—	(44)
Proceeds from principal payments, maturities and calls of investments: Available-for-sale	1,210	2,509
Proceeds from principal payments, maturities and calls of investments: Held-to-maturity	326	313
Originations of loans held-for-investment, net of repayments	11,731	19,550
Proceeds on sale of loans	—	4,463
Decrease in restricted cash	283	—
Redemption of FHLB-NY stock	49	667
Purchase of premises and equipment	(321)	(10)
Proceeds from sale of real estate owned	270	—
Net cash provided by investing activities	13,548	27,448
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(20,515)	(26,798)
Net decrease in FHLB-NY advances and other borrowings	(5,000)	(19,000)
Net cash used in financing activities	(25,515)	(45,798)
Net decrease in cash and cash equivalents	(13,233)	(17,664)
Cash and cash equivalents at beginning of period	58,686	63,188
Cash and cash equivalents at end of period	$45,453	$45,524
Supplemental cash flow information:		
Noncash financing and investing activities		
Transfers to held-for-sale loans	$—	$3,410
Cash paid for:		
Interest	$1,094	$1,111

[1] June 30, 2016 balances have been restated from previously reported results to correct for material and certain other errors from prior periods. Refer to Note 1 for further detail.
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 real estate investment trust, Carver Asset Corporation ("CAC"), that was 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.

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.

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. On September 17, 2003, Carver Statutory Trust I issued 13,000 shares, liquidation amount $1,000 per share, of floating rate capital securities. Gross proceeds from the sale of these trust preferred debt securities of $13 million, and proceeds from the sale of the trust's common securities of $0.4 million, were used to purchase approximately $13.4 million aggregate principal amount of the Company's floating rate junior subordinated debt securities due 2033. The trust preferred debt securities are redeemable at par quarterly at the option of the Company beginning on or after September 17, 2008, and have a mandatory redemption date of September 17, 2033. Cash distributions on the trust preferred debt securities are cumulative and payable at a floating rate per annum resetting quarterly with a margin of 3.05% over the three-month LIBOR. During the second quarter of fiscal year 2017, the Company applied for and was granted regulatory approval to settle all outstanding debenture interest payments through September 2016. Such payments were made in September 2016. Interest on the debentures has been deferred beginning with the December 2016 payment, per the terms of the agreement, which permit such deferral for up to twenty consecutive quarters, as the Company is prohibited from making payments without prior regulatory approval.

Carver relies primarily on dividends from Carver Federal to pay cash dividends to its stockholders, to engage in share repurchase programs and to pay principal and interest on its trust preferred debt obligation. The OCC regulates all capital distributions, including dividend payments, by Carver Federal to Carver, and the FRB regulates dividends paid by Carver. As the subsidiary of a savings and loan association holding company, Carver Federal must file a notice or an application (depending on the proposed dividend amount) with the OCC (and a notice with the FRB) prior to the declaration of each capital distribution. The OCC will disallow any proposed dividend, for among other reasons, that would result in Carver Federal's failure to meet the OCC minimum capital requirements. In accordance with the Agreement, Carver Federal is currently prohibited from paying any dividends without prior OCC approval, and, as such, has suspended Carver's regular quarterly cash dividend on its common stock. There are no assurances that dividend payments to Carver will resume.

Regulation

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 May 24, 2016, the Bank entered into a Formal Agreement with the OCC to undertake certain compliance-related and other actions as further described in the Company’s Current Report on Form 8-K as filed with the Securities and Exchange Commission (“SEC”) on May 27, 2016. As a result of the Formal Agreement (“the Agreement”), the Bank must obtain the approval of the OCC prior to effecting any change in its directors or senior executive officers. The Bank may not declare or pay dividends or make any other capital distributions, including to the Company, without first filing an application with the OCC and receiving the prior approval of the OCC. Furthermore, the Bank must seek the OCC's written approval and the FDIC's written concurrence before entering into any "golden parachute payments" as that term is defined under 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

Restatement

On July 7, 2017, the Finance and Audit Committee of the Board of Directors of Carver Bancorp, Inc., after consultation with BDO USA, LLP, our independent registered public accounting firm, determined that our consolidated financial statements as of and for the fiscal year ended March 31, 2016, and each of the quarters during the 2016 and 2017 fiscal years should no longer be relied upon.

The Company's audited results as of and for the year ended March 31, 2016, as well as the unaudited condensed consolidated financial information for the quarterly periods in 2017 and 2016 were restated in the Annual Report on Form 10-K for the year ended March 31, 2017 (the "Restatement"). The Restatement corrected material errors related to reconciling items that were identified as uncollectable that should have been written off in prior periods, as well as adjustments related to loan system maintenance items and payment applications that were not timely processed by the Bank on to its core provider system. In addition to these errors, adjustments were made related to other individually immaterial errors including certain corrections that had been previously identified but not recorded because they were not material to our consolidated financial statements. These corrections included adjustments to other liabilities, interest expense and certain reclassification entries. The cumulative impact of the Restatement and error corrections on the quarter ended June 30, 2016 was increases in interest income of $14 thousand, interest expense of $21 thousand, and other non-interest expense of $53 thousand and a decrease in non-interest income of $23 thousand. Basic and diluted earnings per share were unchanged. All applicable amounts relating to this Restatement have been reflected in the consolidated financial statements and disclosed in the notes to the consolidated financial statements in this Form 10-Q.

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 month period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ended March 31, 2018. The consolidated balance sheet at June 30, 2017 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, 2017. Amounts subject to significant estimates and assumptions are items such as the allowance for loan losses, realization of deferred tax assets, assessment of other-than-temporary impairment of securities, 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.

Certain comparative amounts for the prior period have been reclassified to conform to current period presentations. Such reclassifications had no effect on net income or shareholders' equity.

NOTE 3. EARNINGS PER COMMON SHARE

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

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$ in thousands except per share data	Three Months Ended June 30, 2017	2016 Restated [1]
Net (loss) income - Restated [1]	$(641)	$ 325
Less: Participated securities share of undistributed earnings	—	195
Net (loss) income available to common shareholders - Restated [1]	$(641)	$ 130
Weighted average common shares outstanding - basic	3,696,420	3,696,420
Effect of dilutive Management Recognition Plan ("MRP") shares	—	4,000
Weighted average common shares outstanding – diluted	3,696,420	3,700,420
Basic (loss) earnings per common share - Restated [1]	$(0.17)	$ 0.04
Diluted (loss) earnings per common share - Restated [1]	$(0.17)	$ 0.04

[1] June 30, 2016 balances have been restated from previously reported results to correct for material and certain other errors from prior periods. Refer to Note 1 for further detail.

NOTE 4. COMMON STOCK DIVIDENDS

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.

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 May 24, 2016, the Bank entered into a Formal Agreement with the OCC to undertake certain compliance-related and other actions as further described in the Company’s Current Report on Form 8-K as filed with the Securities and Exchange Commission (“SEC”) on May 27, 2016. As a result of the Formal Agreement, the Bank may not declare or pay dividends or make any other capital distributions, including to the Company, without first filing an application with the OCC and receiving the prior approval of the OCC.

NOTE 5. OTHER COMPREHENSIVE INCOME (LOSS)

The following tables set forth changes in each component of accumulated other comprehensive income (loss), net of tax for the three months ended June 30, 2017 and 2016:

$ in thousands	At March 31, 2017	Other Comprehensive Income, net of tax	At June 30, 2017
Net unrealized loss on securities available-for-sale	$(1,940)	$ 376	$(1,564)

$ in thousands	At March 31,	Other Comprehensive	At June 30,

	2016	Income, net of tax	2016
Net unrealized (loss) gain on securities available-for-sale	$ (307)	$ 359	$ 52

There were no reclassifications out of accumulated other comprehensive income (loss) to the consolidated statement of income for the three months ended June 30, 2017 and 2016.

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. GAAP requires that securities be classified into three categories: trading, held-to-maturity, and available-for-sale. At June 30, 2017, $58.1 million, or 81.6%, of the Bank's total securities were classified as available-for-sale, and the remaining $13.1 million, or 18.4%, were classified as held-to-maturity. The Bank had no securities classified as trading at June 30, 2017 and March 31, 2017.

The following tables set forth the amortized cost and estimated fair value of securities available-for-sale and held-to-maturity at June 30, 2017 and March 31, 2017:

	At June 30, 2017			
	Amortized	Gross Unrealized		Estimated
$ in thousands	Cost	Gains	Losses	Fair-Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$2,326	$—	$42	$ 2,284
Federal Home Loan Mortgage Corporation	7,680	—	159	7,521
Federal National Mortgage Association	26,594	—	727	25,867
Other	45	—	—	45
Total mortgage-backed securities	36,645	—	928	35,717
U.S. Government Agency Securities	7,571	—	87	7,484
Corporate Bonds	5,097	—	107	4,990
Other investments (1)	10,358	—	442	9,916
Total available-for-sale	$59,671	$—	$1,564	$ 58,107
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	$1,722	$90	$—	$ 1,812
Federal National Mortgage Association and Other	10,372	43	35	10,380
Total held-to-maturity mortgage-backed securities	12,094	133	35	12,192
Corporate Bonds	1,000	29	—	1,029
Total held-to maturity	$13,094	$162	$35	$ 13,221

$ in thousands	At March 31, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale:				
Mortgage-backed securities:				
Government National Mortgage Association	$2,576	$—	$89	$ 2,487
Federal Home Loan Mortgage Corporation	8,053	—	195	7,858
Federal National Mortgage Association	27,241	—	928	26,313
Other	45	—	—	45
Total mortgage-backed securities	37,915	—	1,212	36,703
U.S. Government Agency Securities	7,574	—	92	7,482
Corporate Bonds	5,104	—	140	4,964
Other investments (1)	10,358	—	496	9,862
Total available-for-sale	$60,951	$—	$1,940	$ 59,011
Held-to-Maturity*:				
Mortgage-backed securities:				
Government National Mortgage Association	$1,797	$86	$—	$ 1,883
Federal National Mortgage Association and Other	10,638	12	60	10,590
Total held-to-maturity mortgage-backed securities	12,435	98	60	12,473
Corporate Bonds	1,000	24	—	1,024
Total held-to-maturity	$13,435	$122	$60	$ 13,497

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

(1) Primarily comprised of an investment in a CRA fund with 95% of its underlying investments consisting of government and agency-backed securities.

There were no sales of securities from the available-for-sale portfolio for the three months ended June 30, 2017 and 2016.

The following table sets forth the unrealized losses and fair value of securities in an unrealized loss position at June 30, 2017 and March 31, 2017 for less than 12 months and 12 months or longer:

$ in thousands	At June 30, 2017 Less than 12 months Unrealized Losses	Less than 12 months Fair Value	12 months or longer Unrealized Losses	12 months or longer Fair Value	Total Unrealized Losses	Total Fair Value
Available-for-Sale:						
Mortgage-backed securities	$888	$33,916	$40	$1,756	$928	$35,672
U.S. Government Agency Securities	87	7,484	—	—	87	7,484
Corporate Bonds	107	4,990	—	—	107	4,990
Other investments (1)	—	—	442	9,558	442	9,558
Total available-for-sale securities	$1,082	$46,390	$482	$11,314	$1,564	$57,704
Held-to-Maturity:						
Mortgage-backed securities	$35	$4,370	$—	$—	$35	$4,370
Total held-to-maturity securities	35	4,370	—	—	35	4,370
Total securities	$1,117	$50,760	$482	$11,314	$1,599	$62,074

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$ in thousands	At March 31, 2017 Less than 12 months Unrealized Losses	 Fair Value	 12 months or longer Unrealized Losses	 Fair Value	 Total Unrealized Losses	 Fair Value
Available-for-Sale:						
Mortgage-backed securities	$1,171	$34,716	$41	$1,942	$1,212	$36,658
U.S. Government Agency Securities	92	7,482	—	—	92	7,482
Corporate bonds	140	4,964	—	—	140	4,964
Other investments [1]	—	—	496	9,504	496	9,504
Total available-for-sale securities	$1,403	$47,162	$537	$11,446	$1,940	$58,608
Held-to-Maturity:						
Mortgage-backed securities	$60	$7,623	$—	$—	$60	$7,623
Total held-to-maturity securities	60	7,623	—	—	60	7,623
Total securities	$1,463	$54,785	$537	$11,446	$2,000	$66,231

[1] Primarily comprised of an investment in a CRA fund with 95% of its underlying investments consisting of government and agency-backed securities.

A total of 31 securities had an unrealized loss at June 30, 2017 compared to 33 at March 31, 2017. Mortgage-backed securities represented 61.8% of total available-for-sale securities in an unrealized loss position at June 30, 2017. There was one mortgage-backed security and one investment in a CRA fund that had an unrealized loss position for more than 12 months, and five corporate bonds that had an unrealized loss position for less than 12 months at June 30, 2017. Given the high credit quality of the securities which are backed by the U.S. government's guarantees, and the corporate securities which are all reputable institutions in good financial standing, 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 until 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 is accounted for as follows: (1) the portion of the total impairment that is attributable to the credit loss would be recognized in earnings, and (2) the remaining difference between the debt security's amortized cost basis and its fair value would be included in other comprehensive income (loss). At June 30, 2017, 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 June 30, 2017, 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:			
One through five years	$ 5,060	$4,996	1.66 %
Five through ten years	14,206	13,914	2.00 %
After ten years	40,405	39,197	1.51 %
Total	$ 59,671	$58,107	1.64 %
Held-to-maturity:			

Five through ten years	$ 6,480	$6,576	3.04	%
After ten years	6,614	6,645	2.47	%
Total	$ 13,094	$13,221	2.75	%

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 at June 30, 2017 and March 31, 2017:

	June 30, 2017		March 31, 2017	
$ in thousands	Amount	Percent	Amount	Percent
Gross loans receivable:				
One-to-four family	$128,936	24.3 %	$132,679	24.5 %
Multifamily	82,392	15.6 %	87,824	16.2 %
Commercial real estate	241,815	45.7 %	241,794	44.7 %
Construction	—	— %	4,983	0.9 %
Business [1]	68,015	12.8 %	65,151	12.0 %
Consumer [2]	8,530	1.6 %	8,994	1.7 %
Total loans receivable	$529,688	100.0%	$541,425	100.0%
Unamortized premiums, deferred costs and fees, net	4,004		4,127	
Allowance for loan losses	(5,133)		(5,060)	
Total loans receivable, net	$528,559		$540,492	
Loans HFS	$1,020		$944	

[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 month periods ended June 30, 2017 and 2016, and the fiscal year ended March 31, 2017.

Three months ended June 30, 2017

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$1,663	$ 1,213	$ 1,496	$ 106	$573	$ 9	$5,060
Charge-offs	81	—	—	—	20	14	115
Recoveries	—	—	5	—	59	4	68
Provision for (Recovery of) Loan Losses	(64)	14	146	(106)	112	18	120
Ending Balance	$1,518	$ 1,227	$ 1,647	$ —	$724	$ 17	$5,133
Allowance for Loan Losses Ending Balance: collectively evaluated for impairment	1,368	1,221	1,645	—	647	17	4,898

Allowance for Loan Losses Ending Balance: individually evaluated for impairment	150	6	2	—	77	—	235
Loan Receivables Ending Balance:	$ 131,134	$ 83,234	$ 242,743	$ —	$ 67,968	$ 8,613	$ 533,692
Ending Balance: collectively evaluated for impairment	124,905	81,639	239,733	—	62,984	8,613	517,874
Ending Balance: individually evaluated for impairment	6,229	1,595	3,010	—	4,984	—	15,818

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Fiscal year ended March 31, 2017

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$ 1,697	$ 622	$ 1,808	$ 62	$ 1,022	$ 21	$ 5,232
Charge-offs	106	338	—	—	—	85	529
Recoveries	—	—	20	—	304	4	328
Provision for (Recovery of) Loan Losses	72	929	(332)	44	(753)	69	29
Ending Balance	$ 1,663	$ 1,213	$ 1,496	$ 106	$ 573	$ 9	$ 5,060
Allowance for Loan Losses Ending Balance: collectively evaluated for impairment	1,357	1,207	1,490	106	532	7	4,699
Allowance for Loan Losses Ending Balance: individually evaluated for impairment	306	6	6	—	41	2	361
Loan Receivables Ending Balance:	$ 134,927	$ 88,750	$ 242,818	$ 4,949	$ 65,114	$ 8,994	$ 545,552
Ending Balance: collectively evaluated for impairment	129,420	87,148	239,323	4,949	61,027	8,992	530,859
Ending Balance: individually evaluated for impairment	5,507	1,602	3,495	—	4,087	2	14,693

Three months ended June 30, 2016

$ in thousands	One-to-four family	Multifamily	Commercial Real Estate	Construction	Business	Consumer	Total
Allowance for loan losses:							
Beginning Balance	$ 1,697	$ 622	$ 1,808	$ 62	$ 1,022	$ 21	$ 5,232
Charge-offs	3	7	—	—	—	—	10
Recoveries	—	—	5	—	156	4	165
Provision for (Recovery of) Loan Losses (restated)	181	(85)	45	—	(322)	(23)	(204)
Ending Balance	$ 1,875	$ 530	$ 1,858	$ 62	$ 856	$ 2	$ 5,183

The following is a summary of nonaccrual loans at June 30, 2017 and March 31, 2017.

$ in thousands	June 30, 2017	March 31, 2017
Gross loans receivable:		
One-to-four family	$4,703	$3,899
Multifamily	1,589	1,602
Commercial real estate	1,389	993
Business	1,026	1,922
Consumer	—	2
Total nonaccrual loans	$8,707	$8,418

Nonaccrual loans generally consist of loans for which the accrual of interest has been discontinued as a result of such loans becoming 90 days or more delinquent as to principal and/or interest payments. Interest income on nonaccrual loans is recorded when received based upon the collectability of the loan. Troubled debt restructured ("TDR") loans consist of modified loans where borrowers have been granted concessions in regards to the terms of their loans due to financial or other difficulties, which rendered them unable to repay their loans under the original contractual terms. Total TDR loans at June 30, 2017 were $5.6 million, $2.0 million of which were non-performing as they were either not consistently performing in accordance with their modified terms or not performing in accordance with their modified terms for at least six months. At March 31, 2017, total TDR loans were $6.4 million, of which $2.5 million were non-performing.

At June 30, 2017, other non-performing assets totaled $1.8 million which consisted of other real estate owned and held-for-sale loans. At June 30, 2017, other real estate owned valued at $787 thousand comprised of six foreclosed properties which includes $496 thousand of residential properties, compared to $990 thousand comprised of eight properties, which included $718 thousand of residential properties at March 31, 2017. At June 30, 2017, non performing held-for-sale loans totaled $1.0 million, compared to $944 thousand at March 31, 2017.

Although we believe that substantially all risk elements at June 30, 2017 have been disclosed, it is possible that for a variety of reasons, including economic conditions, certain borrowers may be unable to comply with the contractual repayment terms on certain real estate and commercial loans.

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 hist