TFS Financial CORP
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015

or

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

For transition period from to

Commission File Number 001-33390

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

United States of America (State or Other Jurisdiction of Incorporation or Organization)	52-2054948 (I.R.S. Employer Identification No.)
7007 Broadway Avenue Cleveland, Ohio	44105
(Address of Principal Executive Offices)	(Zip Code)

(216) 441-6000
Registrant’s telephone number, including area code:
Not Applicable
(Former name or former address, if changed since last report)

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

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

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

Large accelerated filer ý Accelerated filer ¨

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

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

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

As of May 4, 2015 there were 295,239,131 shares of the Registrant's common stock, par value $0.01 per share, outstanding, of which 227,119,132 shares, or 76.9% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

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GLOSSARY OF TERMS

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

AOCI: Accumulated Other Comprehensive Income
ARM: Adjustable Rate Mortgage
ASC: Accounting Standards Codification
ASU: Accounting Standards Update
Association: Third Federal Savings and Loan Association of Cleveland
BAAS: OCC Bank Accounting Advisory Series
CDs: Certificates of Deposit
CFPB: Consumer Financial Protection Bureau
CLTV: Combined Loan-to-Value
Company: TFS Financial Corporation and its subsidiaries
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DIF: Depository Insurance Fund
EaR: Earnings at Risk
ESOP: Third Federal Employee (Associate) Stock Ownership Plan
EVE: Economic Value of Equity
FASB: Financial Accounting Standards Board
FDIC: Federal Deposit Insurance Corporation
FHFA: Federal Housing Finance Agency
FHLB: Federal Home Loan Bank
Fannie Mae: Federal National Mortgage Association
FRB-Cleveland: Federal Reserve Bank of Cleveland
FRS: Board of Governors of the Federal Reserve System
GAAP: Generally Accepted Accounting Principles
GVA: General Valuation Allowances
HARP: Home Affordable Refinance Program
HPI: Home Price Index
IRR: Interest Rate Risk
IRS: Internal Revenue Service
IVA: Individual Valuation Allowance
LIHTC: Low Income Housing Tax Credit
LIP: Loans-in-Process
LTV: Loan-to-Value
MGIC: Mortgage Guaranty Insurance Corporation
MOU: Memorandum of Understanding
NOW: Negotiable Order of Withdrawal
OCC: Office of the Comptroller of the Currency
OCI: Other Comprehensive Income
OTS: Office of Thrift Supervision
PMI: Private Mortgage Insurance
PMIC: PMI Mortgage Insurance Co.
QTL: Qualified Thrift Lender
REMICs: Real Estate Mortgage Investment Conduits
REIT: Real Estate Investment Trust
SEC: United States Securities and Exchange Commission
TDR: Troubled Debt Restructuring
Third Federal Savings, MHC: Third Federal Savings and Loan Association of Cleveland, MHC

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Item 1. Financial Statements
TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION (unaudited)
(In thousands, except share data)

	March 31, 2015	September 30, 2014
ASSETS		
Cash and due from banks	$27,918	$26,886
Interest-earning cash equivalents	192,817	154,517
Cash and cash equivalents	220,735	181,403
Investment securities available for sale (amortized cost $581,155 and $570,549, respectively)	586,091	568,868
Mortgage loans held for sale, at lower of cost or market ($1,101 and $4,570 measured at fair value, respectively)	1,101	4,962
Loans held for investment, net:		
Mortgage loans	10,950,262	10,708,483
Other consumer loans	3,874	4,721
Deferred loan expenses (fees), net	4,525	(1,155)
Allowance for loan losses	(77,093)	(81,362)
Loans, net	10,881,568	10,630,687
Mortgage loan servicing rights, net	10,741	11,669
Federal Home Loan Bank stock, at cost	69,470	40,411
Real estate owned	20,278	21,768
Premises, equipment, and software, net	55,788	56,443
Accrued interest receivable	31,793	31,952
Bank owned life insurance contracts	193,083	190,152
Other assets	63,046	64,880
TOTAL ASSETS	$12,133,694	$11,803,195
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$8,500,918	$8,653,878
Borrowed funds	1,667,753	1,138,639
Borrowers' advances for insurance and taxes	71,422	76,266
Principal, interest, and related escrow owed on loans serviced	60,370	54,670
Accrued expenses and other liabilities	42,805	40,285
Total liabilities	10,343,268	9,963,738
Commitments and contingent liabilities		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 296,370,083 and 301,654,581 outstanding at March 31, 2015 and September 30, 2014, respectively	3,323	3,323
Paid-in capital	1,703,791	1,702,441
Treasury stock, at cost; 35,948,667 and 30,664,169 shares at March 31, 2015 and September 30, 2014, respectively	(457,861)	(379,109)
Unallocated ESOP shares	(63,918)	(66,084)
Retained earnings—substantially restricted	611,335	589,678
Accumulated other comprehensive loss	(6,244)	(10,792)
Total shareholders' equity	1,790,426	1,839,457

TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$12,133,694	$11,803,195

See accompanying notes to unaudited interim consolidated financial statements.

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2015	2014	2015	2014
INTEREST AND DIVIDEND INCOME:				
Loans, including fees	$92,040	$90,545	$183,875	$180,946
Investment securities available for sale	2,548	2,305	5,103	4,405
Other interest and dividend earning assets	1,059	495	2,405	1,013
Total interest and dividend income	95,647	93,345	191,383	186,364
INTEREST EXPENSE:				
Deposits	23,422	21,962	47,898	45,224
Borrowed funds	4,803	2,349	8,927	4,311
Total interest expense	28,225	24,311	56,825	49,535
NET INTEREST INCOME	67,422	69,034	134,558	136,829
PROVISION FOR LOAN LOSSES	1,000	5,000	3,000	11,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	66,422	64,034	131,558	125,829
NON-INTEREST INCOME:				
Fees and service charges, net of amortization	1,979	2,393	4,137	4,682
Net gain on the sale of loans	1,144	533	1,842	872
Increase in and death benefits from bank owned life insurance contracts	1,599	1,583	3,500	3,196
Other	1,173	1,025	2,369	1,862
Total non-interest income	5,895	5,534	11,848	10,612
NON-INTEREST EXPENSE:				
Salaries and employee benefits	24,304	23,325	47,869	45,407
Marketing services	5,685	3,360	10,185	6,613
Office property, equipment and software	5,658	5,283	11,051	10,272
Federal insurance premium and assessments	2,888	2,547	5,349	5,094
State franchise tax	1,548	1,731	2,951	3,418
Real estate owned expense, net	2,635	3,008	5,335	4,953
Other operating expenses	6,111	5,677	12,062	12,033
Total non-interest expense	48,829	44,931	94,802	87,790
INCOME BEFORE INCOME TAXES	23,488	24,637	48,604	48,651
INCOME TAX EXPENSE	7,822	8,252	16,294	16,242
NET INCOME	$15,666	$16,385	$32,310	$32,409
Earnings per share—basic and diluted	$0.05	$0.05	$0.11	$0.11
Weighted average shares outstanding				
Basic	291,377,147	300,261,921	292,600,384	300,450,112
Diluted	293,342,875	301,529,980	294,744,776	301,697,091

See accompanying notes to unaudited interim consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Net income	$ 15,666	$ 16,385	$ 32,310	$ 32,409
Other comprehensive income (loss), net of tax:				
Change in net unrealized income (loss) on securities available for sale	3,868	1,773	4,301	(174)
Change in pension obligation	123	48	247	96
Total other comprehensive income (loss)	3,991	1,821	4,548	(78)
Total comprehensive income	$ 19,657	$ 18,206	$ 36,858	$ 32,331

See accompanying notes to unaudited interim consolidated financial statements.

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TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(In thousands)

	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at September 30, 2013	$ 3,323	$ 1,696,370	$ (278,215)	$ (70,418)	$ 529,021	$ (8,604)	$ 1,871,477
Net income	—	—	—	—	32,409	—	32,409
Other comprehensive loss, net of tax	—	—	—	—	—	(78)	(78)
ESOP shares allocated or committed to be released	—	416	—	2,167	—	—	2,583
Compensation costs for stock-based plans	—	3,591	—	—	—	—	3,591
Excess tax effect from stock-based compensation	—	43	—	—	—	—	43
Purchase of treasury stock (2,156,250 shares)	—	—	(26,058)	—	—	—	(26,058)
Treasury stock allocated to restricted stock plan	—	(1,092)	1,550	—	(297)	—	161
Balance at March 31, 2014	$ 3,323	$ 1,699,328	$ (302,723)	$ (68,251)	$ 561,133	$ (8,682)	$ 1,884,128
Balance at September 30, 2014	$ 3,323	$ 1,702,441	$ (379,109)	$ (66,084)	$ 589,678	$ (10,792)	$ 1,839,457
Net income	—	—	—	—	32,310	—	32,310
Other comprehensive income, net of tax	—	—	—	—	—	4,548	4,548
ESOP shares allocated or committed to be released	—	988	—	2,166	—	—	3,154
Compensation costs for stock-based plans	—	3,854	—	—	—	—	3,854
Excess tax effect from stock-based compensation	—	1,095	—	—	—	—	1,095
Purchase of treasury stock (5,622,500 shares)	—	—	(82,042)	—	—	—	(82,042)
Treasury stock allocated to restricted stock plan	—	(4,587)	3,290	—	(1,399)	—	(2,696)
Dividends paid to common shareholders ($0.14 per common share)	—	—	—	—	(9,254)	—	(9,254)
Balance at March 31, 2015	$ 3,323	$ 1,703,791	$ (457,861)	$ (63,918)	$ 611,335	$ (6,244)	$ 1,790,426

See accompanying notes to unaudited interim consolidated financial statements.

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

	For the Six Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$32,310	$32,409
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	7,008	6,335
Depreciation and amortization	7,874	5,976
Provision for loan losses	3,000	11,000
Net gain on the sale of loans	(1,842)	(872)
Other net losses	1,618	1,626
Principal repayments on and proceeds from sales of loans held for sale	11,083	16,513
Loans originated for sale	(11,537)	(13,480)
Increase in bank owned life insurance contracts	(3,227)	(3,202)
Net increase in interest receivable and other assets	(526)	(538)
Net increase in accrued expenses and other liabilities	2,431	5,083
Other	181	245
Net cash provided by operating activities	48,373	61,095
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans originated	(1,199,858)	(1,155,941)
Principal repayments on loans	892,238	836,092
Proceeds from principal repayments and maturities of:		
Securities available for sale	69,853	59,947
Proceeds from sale of:		
Loans	45,726	24,738
Real estate owned	11,907	12,708
Purchases of:		
FHLB stock	(29,059)	(4,785)
Securities available for sale	(83,011)	(71,292)
Premises and equipment	(1,728)	(2,230)
Other	295	18
Net cash used in investing activities	(293,637)	(300,745)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(152,960)	(49,009)
Net decrease in borrowers' advances for insurance and taxes	(4,844)	(6,159)
Net increase (decrease) in principal and interest owed on loans serviced	5,700	(22,333)
Net increase in short term borrowed funds	239,482	128,344
Proceeds from long term borrowed funds	300,294	230,000
Repayment of long term borrowed funds	(10,662)	(33,329)
Purchase of treasury shares	(81,559)	(26,058)
Excess tax benefit related to stock-based compensation	1,095	—
Acquisition of treasury shares through net settlement of stock benefit plans compensation	(2,696)	—
Dividends paid to common shareholders	(9,254)	—
Net cash provided by financing activities	284,596	221,456

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,332	(18,194)
CASH AND CASH EQUIVALENTS—Beginning of period	181,403	285,996
CASH AND CASH EQUIVALENTS—End of period	$220,735	$267,802
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest on deposits	$47,780	$44,943
Cash paid for interest on borrowed funds	8,445	3,968
Cash paid for income taxes	9,279	6,000
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned	12,110	11,230
Transfer of loans from held for investment to held for sale	40,351	24,619
Treasury stock issued for stock benefit plans	5,986	—

See accompanying notes to unaudited interim consolidated financial statements.

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

1. BASIS OF PRESENTATION

TFS Financial Corporation, a federally chartered stock holding company, conducts its principal activities through its wholly owned subsidiaries. The principal line of business of the Company is retail consumer banking, including mortgage lending, deposit gathering, and, to a much lesser extent, other financial services. On March 31, 2015, approximately 77% of the Company’s outstanding shares were owned by a federally chartered mutual holding company, Third Federal Savings and Loan Association of Cleveland, MHC. The thrift subsidiary of TFS Financial Corporation is Third Federal Savings and Loan Association of Cleveland.

The accounting and reporting policies followed by the Company conform in all material respects to accounting principles generally accepted in the United States of America and to general practices in the financial services industry. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for loan losses, the valuation of mortgage loan servicing rights, the valuation of deferred tax assets, and the determination of pension obligations and stock-based compensation are particularly subject to change.

The unaudited interim consolidated financial statements were prepared without an audit and reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial condition of the Company at March 31, 2015, and its results of operations and cash flows for the periods presented. Such adjustments are the only adjustments reflected in the unaudited interim financial statements. In accordance with Regulation S-X for interim financial information, these statements do not include certain information and footnote disclosures required for complete audited financial statements. The Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2014 contains consolidated financial statements and related notes, which should be read in conjunction with the accompanying interim consolidated financial statements. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2015 or for any other period.

2. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. For purposes of computing earnings per share amounts, outstanding shares include shares held by the public, shares held by the ESOP that have been allocated to participants or committed to be released for allocation to participants, the 227,119,132 shares held by Third Federal Savings, MHC, and, for purposes of computing dilutive earnings per share, stock options and restricted stock units with a dilutive impact. At March 31, 2015 and 2014, respectively, the ESOP held 6,391,761 and 6,825,100 shares that were neither allocated to participants nor committed to be released to participants.

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

	For the Three Months Ended March 31,					
	2015			2014		
	Income	Shares	Per share amount	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)					
Net income	$15,666			$16,385		
Less: income allocated to restricted stock units	132			79		
Basic earnings per share:						
Income available to common shareholders	$15,534	291,377,147	$0.05	$16,306	300,261,921	$0.05
Diluted earnings per share:						
Effect of dilutive potential common shares		1,965,728			1,268,059	
Income available to common shareholders	$15,534	293,342,875	$0.05	$16,306	301,529,980	$0.05

	For the Six Months Ended March 31,					
	2015			2014		
	Income	Shares	Per share amount	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)					
Net income	$32,310			$32,409		
Less: income allocated to restricted stock units	279			156		
Basic earnings per share:						
Income available to common shareholders	$32,031	292,600,384	$0.11	$32,253	300,450,112	$0.11
Diluted earnings per share:						
Effect of dilutive potential common shares		2,144,392			1,246,979	
Income available to common shareholders	$32,031	294,744,776	$0.11	$32,253	301,697,091	$0.11

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2015	2014	2015	2014
Options to purchase shares	959,700	3,907,600	959,700	3,923,600

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3. INVESTMENT SECURITIES

Investments available for sale are summarized as follows:

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$2,000	$12	$—	$2,012
REMICs	568,916	4,981	(747)	573,150
Fannie Mae certificates	10,239	715	(25)	10,929
Total	$581,155	$5,708	$(772)	$586,091

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$2,000	$23	$—	$2,023
REMICs	557,895	1,896	(4,184)	555,607
Fannie Mae certificates	10,654	749	(165)	11,238
Total	$570,549	$2,668	$(4,349)	$568,868

Gross unrealized losses on securities and the estimated fair value of the related securities, aggregated by investment category and length of time the individual securities have been in a continuous loss position, at March 31, 2015 and September 30, 2014, were as follows:

	March 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	$61,342	$165	$84,246	$582	$145,588	$747
Fannie Mae certificates	4,904	25	—	—	4,904	25
Total	$66,246	$190	$84,246	$582	$150,492	$772

	September 30, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	$182,151	$947	$162,321	$3,237	$344,472	$4,184
Fannie Mae certificates	—	—	4,826	165	4,826	165
Total	$182,151	$947	$167,147	$3,402	$349,298	$4,349

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

their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

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Since the decline in value is attributable to changes in interest rates and not credit quality and because the Association has neither the intent to sell the securities nor is it more likely than not the Association will be required to sell the securities for the time periods necessary to recover the amortized cost, these investments are not considered other-than-temporarily impaired. At March 31, 2015, the amortized cost and fair value of U.S. government and agency obligations available for sale, categorized as due within one year, are $2,000 and $2,012, respectively. At September 30, 2014, the amortized cost and fair value of those obligations, then categorized as due in more than one year but less than five years, were $2,000 and $2,023, respectively.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans held for investment consist of the following:

	March 31, 2015	September 30, 2014
Real estate loans:		
Residential Core	$9,128,623	$8,828,839
Residential Home Today	145,427	154,196
Home equity loans and lines of credit	1,656,331	1,696,929
Construction	44,949	57,104
Real estate loans	10,975,330	10,737,068
Other consumer loans	3,874	4,721
Less:		
Deferred loan expenses (fees), net	4,525	(1,155)
LIP	(25,068)	(28,585)
Allowance for loan losses	(77,093)	(81,362)
Loans held for investment, net	$10,881,568	$10,630,687

At March 31, 2015 and September 30, 2014, respectively, $1,101 and $4,962 of loans were classified as mortgage loans held for sale.

A large concentration of the Company’s lending is in Ohio and Florida. As of March 31, 2015 and September 30, 2014, the percentages of residential real estate loans held in Ohio were 66% and 68%, respectively, and the percentages held in Florida were 17% as of both dates. As of March 31, 2015 and September 30, 2014, home equity loans and lines of credit were concentrated in Ohio (40% at each date), Florida (27% and 28% respectively), and California (13% at each date). Although somewhat dissipating during the last two years, the lingering effects of the adverse economic conditions and market for real estate in Ohio and Florida that arose in connection with the financial crisis of 2008, continue to unfavorably impact the ability of borrowers in those areas to repay their loans.

Home Today is an affordable housing program targeted to benefit low- and moderate-income home buyers. Through this program the Association provided the majority of loans to borrowers who would not otherwise qualify for the Association’s loan products, generally because of low credit scores. Although the credit profiles of borrowers in the Home Today program might be described as sub-prime, Home Today loans generally contain the same features as loans offered to our Core borrowers. Borrowers in the Home Today program must complete financial management education and counseling and must be referred to the Association by a sponsoring organization with which the Association has partnered as part of the program. Borrowers must also meet a minimum credit score threshold. Because the Association applied less stringent underwriting and credit standards to the majority of Home Today loans, loans originated under the program have greater credit risk than its traditional residential real estate mortgage loans. While effective March 27, 2009, the Home Today underwriting guidelines were changed to be substantially the same as the Association’s traditional first mortgage product, the majority of loans in this program were originated prior to that date. As of March 31, 2015 and September 30, 2014, the principal balance of Home Today loans originated prior to March 27, 2009 was $142,410 and $151,164, respectively. The Association does not offer, and has not offered, loan products frequently considered to be designed to target sub-prime borrowers containing features such as higher fees or higher rates, negative amortization, a loan-to-value ratio greater than 100%, or pay option adjustable-rate mortgages.

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An age analysis of the recorded investment in loan receivables that are past due at March 31, 2015 and September 30, 2014 is summarized in the following tables. When a loan is more than one month past due on its scheduled payments, the loan is considered 30 days or more past due. Balances are net of deferred fees and any applicable loans-in-process.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
March 31, 2015						
Real estate loans:						
Residential Core	$7,752	$2,159	$30,903	$40,814	$9,085,934	$9,126,748
Residential Home Today	4,639	2,065	12,325	19,029	124,343	143,372
Home equity loans and lines of credit	5,296	2,639	7,616	15,551	1,649,026	1,664,577
Construction	—	—	—	—	20,090	20,090
Total real estate loans	17,687	6,863	50,844	75,394	10,879,393	10,954,787
Other consumer loans	—	—	—	—	3,874	3,874
Total	$17,687	$6,863	$50,844	$75,394	$10,883,267	$10,958,661

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
September 30, 2014						
Real estate loans:						
Residential Core	$9,067	$3,899	$37,451	$50,417	$8,772,180	$8,822,597
Residential Home Today	7,887	2,553	15,105	25,545	126,417	151,962
Home equity loans and lines of credit	6,044	1,785	9,037	16,866	1,687,349	1,704,215
Construction	200	—	—	200	28,354	28,554
Total real estate loans	23,198	8,237	61,593	93,028	10,614,300	10,707,328
Other consumer loans	—	—	—	—	4,721	4,721
Total	$23,198	$8,237	$61,593	$93,028	$10,619,021	$10,712,049

The recorded investment of loan receivables in non-accrual status is summarized in the following table. Balances are net of deferred fees.

	March 31, 2015	September 30, 2014
Real estate loans:		
Residential Core	$71,180	$79,388
Residential Home Today	26,455	29,960
Home equity loans and lines of credit	24,658	26,189
Construction	—	—
Total real estate loans	122,293	135,537
Other consumer loans	—	—
Total non-accrual loans	$122,293	$135,537

Loans are placed in non-accrual status when they are contractually 90 days or more past due. Loans restructured in TDRs that were in non-accrual status prior to the restructurings remain in non-accrual status for a minimum of six months after restructuring. Additionally, home equity loans and lines of credit where the customer has a severely delinquent first mortgage loan and loans in Chapter 7 bankruptcy status where all borrowers have filed, and not reaffirmed or been dismissed, are placed in non-accrual status. At March 31, 2015 and September 30, 2014, respectively, the recorded investment in non-accrual loans includes $71,448 and $73,946 which are performing according to the terms of their agreement, of which $46,183 and $49,019 are loans in Chapter 7 bankruptcy status

primarily where all borrowers have filed, and have not reaffirmed or been dismissed.

Interest on loans in accrual status, including certain loans individually reviewed for impairment, is recognized in interest income as it accrues, on a daily basis. Accrued interest on loans in non-accrual status is reversed by a charge to interest income

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and income is subsequently recognized only to the extent cash payments are received. Cash payments on loans in non-accrual status are applied to the oldest scheduled, unpaid payment first. Cash payments on loans with a partial charge-off are applied fully to principal, then to recovery of the charged off amount prior to interest income being recognized. A non-accrual loan is generally returned to accrual status when contractual payments are less than 90 days past due. However, a loan may remain in non-accrual status when collectability is uncertain, such as a TDR that has not met minimum payment requirements, a loan with a partial charge-off, an equity loan or line of credit with a delinquent first mortgage greater than 90 days, or a loan in Chapter 7 bankruptcy status where all borrowers have filed, and have not reaffirmed or been dismissed. The number of days past due is determined by the number of scheduled payments that remain unpaid, assuming a period of 30 days between each scheduled payment.

The recorded investment in loan receivables at March 31, 2015 and September 30, 2014 is summarized in the following table. The table provides details of the recorded balances according to the method of evaluation used for determining the allowance for loan losses, distinguishing between determinations made by evaluating individual loans and determinations made by evaluating groups of loans not individually evaluated. Balances of recorded investments are net of deferred fees and any applicable loans-in-process.

	March 31, 2015			September 30, 2014		
	Individually	Collectively	Total	Individually	Collectively	Total
Real estate loans:						
Residential Core	$127,905	$8,998,843	$9,126,748	$131,719	$8,690,878	$8,822,597
Residential Home Today	63,393	79,979	143,372	67,177	84,785	151,962
Home equity loans and lines of credit	32,363	1,632,214	1,664,577	34,490	1,669,725	1,704,215
Construction	—	20,090	20,090	—	28,554	28,554
Total real estate loans	223,661	10,731,126	10,954,787	233,386	10,473,942	10,707,328
Other consumer loans	—	3,874	3,874	—	4,721	4,721
Total	$223,661	$10,735,000	$10,958,661	$233,386	$10,478,663	$10,712,049

An analysis of the allowance for loan losses at March 31, 2015 and September 30, 2014 is summarized in the following table. The analysis provides details of the allowance for loan losses according to the method of evaluation, distinguishing between allowances for loan losses determined by evaluating individual loans and allowances for loan losses determined by evaluating groups of loans collectively.

	March 31, 2015			September 30, 2014		
	Individually	Collectively	Total	Individually	Collectively	Total
Real estate loans:						
Residential Core	$9,799	$18,708	$28,507	$8,889	$22,191	$31,080
Residential Home Today	4,220	8,358	12,578	6,366	10,058	16,424
Home equity loans and lines of credit	541	35,449	35,990	532	33,299	33,831
Construction	—	18	18	—	27	27
Total real estate loans	14,560	62,533	77,093	15,787	65,575	81,362
Other consumer loans	—	—	—	—	—	—
Total	$14,560	$62,533	$77,093	$15,787	$65,575	$81,362

At March 31, 2015 and September 30, 2014, individually evaluated loans that required an allowance were comprised only of loans evaluated for impairment based on the present value of cash flows, such as performing TDRs. All other individually evaluated loans received a charge-off, if applicable.

Because many variables are considered in determining the appropriate level of general valuation allowances, directional changes in individual considerations do not always align with the directional change in the balance of a particular component of the general valuation allowance. At March 31, 2015 and September 30, 2014, respectively, allowances on individually reviewed loans evaluated for impairment based on the present value of cash flows, such as performing TDRs, were $14,560 and $15,787.

Residential Core mortgage loans represent the largest portion of the residential real estate portfolio. The Company believes overall credit risk is low based on the nature, composition, collateral, products, lien position and performance of the portfolio. The portfolio does not include loan types or structures that have historically experienced severe performance problems at other financial institutions (sub-prime, no documentation or pay option adjustable rate mortgages).

As described earlier in this footnote, Home Today loans have greater credit risk than traditional residential real estate mortgage loans. At March 31, 2015 and September 30, 2014, respectively, approximately 37% and 42% of Home Today loans include private mortgage insurance coverage. The majority of the coverage on these loans was provided by PMI Mortgage Insurance Co., which was seized by the Arizona Department of Insurance and through March 31, 2015 paid all claim payments at 67%. In April 2015, the Association was notified that, in addition to a catch-up adjustment for prior claims, all future claims will be paid at 70%. Appropriate adjustments have been made to the Association's affected valuation allowances and charge-offs, and estimated loss severity factors were adjusted accordingly for loans evaluated collectively. The amount of loans in our owned portfolio covered by mortgage insurance provided by PMIC as of March 31, 2015 and September 30, 2014, respectively, was $157,842 and $186,233 of which $145,325 and $170,128 was current. The amount of loans in our owned portfolio covered by mortgage insurance provided by Mortgage Guaranty Insurance Corporation as of March 31, 2015 and September 30, 2014, respectively, was $66,602 and $74,254 of which $65,943 and $73,616 was current. As of March 31, 2015, MGIC's long-term debt rating, as published by the major credit rating agencies, did not meet the requirements to qualify as "high credit quality"; however, MGIC continues to make claims payments in accordance with its contractual obligations and the Association has not increased its estimated loss severity factors related to MGIC's claim paying ability. No other loans were covered by mortgage insurers that were deferring claim payments or which were assessed as being non-investment grade.

Home equity loans and lines of credit represent a significant portion of the residential real estate portfolio, primarily comprised of home equity lines of credit. The state of the economy and low housing prices continue to have an adverse impact on a portion of this portfolio since the home equity lines generally are in a second lien position. Post-origination deterioration in economic and housing market conditions may also impact a borrower's ability to afford the higher payments required during the end of draw repayment period that follows the period of interest only payments on home equity lines of credit originated prior to 2012 or the ability to secure alternative financing. When the Association began to offer new home equity lines of credit again, the product was designed with prudent property and credit performance conditions to reduce future risk. Beginning in February 2013, the terms on new home equity lines of credit included monthly principal and interest payments throughout the entire term to minimize the potential payment differential between the during draw and after draw periods.

The Association originates construction loans to individuals for the construction of their personal single-family residence by a qualified builder (construction/permanent loans). The Association's construction/permanent loans generally provide for disbursements to the builder or sub-contractors during the construction phase as work progresses. During the construction phase, the borrower only pays interest on the drawn balance. Upon completion of construction, the loan converts to a permanent amortizing loan without the expense of a second closing. The Association offers construction/permanent loans with fixed or adjustable rates, and a current maximum loan-to-completed-appraised value ratio of 80%. Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Association may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. This is more likely to occur when home prices are falling.

Other consumer loans are comprised of loans secured by certificate of deposit accounts, which are fully recoverable in the event of non-payment.

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The recorded investment and the unpaid principal balance of impaired loans, including those reported as TDRs, as of March 31, 2015 and September 30, 2014 are summarized as follows. Balances of recorded investments are net of deferred fees.

	March 31, 2015			September 30, 2014		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related IVA recorded:						
Residential Core	$69,072	$89,553	$—	$72,840	$94,419	$—
Residential Home Today	26,463	55,646	—	28,045	57,854	—
Home equity loans and lines of credit	24,233	33,450	—	26,618	38,046	—
Construction	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total	$119,768	$178,649	$—	$127,503	$190,319	$—
With an IVA recorded:						
Residential Core	$58,833	$59,717	$9,799	$58,879	$59,842	$8,889
Residential Home Today	36,930	37,456	4,220	39,132	39,749	6,366
Home equity loans and lines of credit	8,130	8,141	541	7,872	7,909	532
Construction	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total	$103,893	$105,314	$14,560	$105,883	$107,500	$15,787
Total impaired loans:						
Residential Core	$127,905	$149,270	$9,799	$131,719	$154,261	$8,889
Residential Home Today	63,393	93,102	4,220	67,177	97,603	6,366
Home equity loans and lines of credit	32,363	41,591	541	34,490	45,955	532
Construction	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total	$223,661	$283,963	$14,560	$233,386	$297,819	$15,787

At March 31, 2015 and September 30, 2014, respectively, the recorded investment in impaired loans includes $184,307 and $186,428 of loans restructured in TDRs of which $19,010 and $20,851 were 90 days or more past due.
For all classes of loans, a loan is considered impaired when, based on current information and events, it is probable that the Association will be unable to collect the scheduled payments of principal and interest according to the contractual terms of the loan agreement. Factors considered in determining that a loan is impaired may include the deteriorating financial condition of the borrower indicated by missed or delinquent payments, a pending legal action, such as bankruptcy or foreclosure, or the absence of adequate security for the loan.

Charge-offs on residential mortgage loans, home equity loans and lines of credit, and construction loans are recognized when triggering events, such as foreclosure actions, short sales, or deeds accepted in lieu of repayment, result in less than full repayment of the recorded investment in the loans.

Partial or full charge-offs are also recognized for the amount of impairment on loans considered collateral dependent that meet the conditions described below.

- For residential mortgage loans, payments are greater than 180 days delinquent;
- For home equity lines of credit, equity loans, and residential loans restructured in a TDR, payments are greater than 90 days delinquent;
- For all classes of loans, a sheriff sale is scheduled within 60 days to sell the collateral securing the loan;
- For all classes of loans, all borrowers have been discharged of their obligation through a Chapter 7 bankruptcy;

- For all classes of loans, within 60 days of notification, all borrowers obligated on the loan have filed Chapter 7 bankruptcy and have not reaffirmed or been dismissed;
- For all classes of loans, a borrower obligated on a loan has filed bankruptcy and the loan is greater than 30 days delinquent;

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• For all classes of loans, it becomes evident that a loss is probable.

Collateral dependent residential mortgage loans and construction loans are charged off to the extent the recorded investment in a loan, net of anticipated mortgage insurance claims, exceeds the fair value less costs to dispose of the underlying property. Management can determine the loan is uncollectible for reasons such as foreclosures exceeding a reasonable time frame and recommend a full charge-off. Home equity loans or lines of credit are charged off to the extent the recorded investment in the loan plus the balance of any senior liens exceeds the fair value less costs to dispose of the underlying property or management determines the collateral is not sufficient to satisfy the loan. A loan in any portfolio that is identified as collateral dependent will continue to be reported as impaired until it is no longer considered collateral dependent, is less than 30 days past due and does not have a prior charge-off. A loan in any portfolio that has a partial charge-off consequent to impairment evaluation will continue to be individually evaluated for impairment until, at a minimum, the impairment has been recovered.

The following summarizes the effective dates of charge-off policies that changed or were first implemented during the current and previous four fiscal years and the portfolios to which those policies apply.

Effective Date	Policy	Portfolio(s) Affected
6/30/2014	A loan is considered collateral dependent and any collateral shortfall is charged off when, within 60 days of notification, all borrowers obligated on a loan filed Chapter 7 bankruptcy and have not reaffirmed or been dismissed (1)	All
9/30/2012	Pursuant to an OCC directive, a loan is considered collateral dependent and any collateral shortfall is charged off when all borrowers obligated on a loan are discharged through Chapter 7 bankruptcy	All
6/30/2012	Loans in any form of bankruptcy greater than 30 days past due are considered collateral dependent and any collateral shortfall is charged off	All
12/31/2011	Pursuant to an OCC directive, impairment on collateral dependent loans previously reserved for in the allowance were charged off. Charge-offs are recorded to recognize confirmed collateral shortfalls on impaired loans (2)	All
9/30/2010	Timing of impairment evaluation was accelerated to include equity loans greater than 90 days delinquent (3)	Home Equity Loans

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(1) Prior to 6/30/2014, collateral shortfalls on loans in Chapter 7 bankruptcy were charged off when all borrowers were discharged of the obligation or when the loan was 30 days or more past due. Adoption of this policy did not result in a material change to total charge-offs or the provision for loan losses in the three or nine months ending June 30, 2014.

(2) Prior to 12/31/2011, partial charge-offs were not used, but a reserve in the allowance was established when the recorded investment in the loan exceeded the fair value of the collateral less costs to dispose. Individual loans were only charged off when a triggering event occurred, such as a foreclosure action was culminated, a short sale was approved, or a deed was accepted in lieu of repayment.

(3) Prior to 9/30/2010, impairment evaluations on equity loans were performed when the loan was greater than 180 days delinquent.

Loans restructured in TDRs that are not evaluated based on collateral are separately evaluated for impairment on a loan by loan basis at the time of restructuring and at each subsequent reporting date for as long as they are reported as TDRs. The impairment evaluation is based on the present value of expected future cash flows discounted at the effective interest rate of the original loan. Expected future cash flows include a discount factor representing a potential for default. Valuation allowances are recorded for the excess of the recorded investments over the result of the cash flow analysis. Loans discharged in Chapter 7 bankruptcy are reported as TDRs and also evaluated based on the

present value of expected future cash flows unless evaluated based on collateral. We evaluate these loans using the expected future cash flows because we expect the borrower, not liquidation of the collateral, to be the source of repayment for the loan. Other consumer loans are not considered for restructuring. A loan restructured in a TDR is classified as an impaired loan for a minimum of one year. After one year, that loan may be reclassified out of the balance of impaired loans if the loan was restructured to yield a market rate for loans of similar credit risk at the time of restructuring and the loan is not impaired based on the terms of the restructuring agreement. No loans whose terms were restructured in TDRs were reclassified from impaired loans during the three months ended March 31, 2015 and March 31, 2014.

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The average recorded investment in impaired loans and the amount of interest income recognized during the period that the loans were impaired are summarized below.

	For the Three Months Ended March 31,			
	2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related IVA recorded:				
Residential Core	$70,658	$299	$80,383	$294
Residential Home Today	26,886	65	31,130	66
Home equity loans and lines of credit	24,305	86	28,752	85
Construction	—	—	340	1
Other consumer loans	—	—	—	—
Total	$121,849	$450	$140,605	$446
With an IVA recorded:				
Residential Core	$58,762	$650	$59,000	$680
Residential Home Today	37,262	476	42,427	536
Home equity loans and lines of credit	8,274	59	6,888	59
Construction	—	—	—	—
Other consumer loans	—	—	—	—
Total	$104,298	$1,185	$108,315	$1,275
Total impaired loans:				
Residential Core	$129,420	$949	$139,383	$974
Residential Home Today	64,148	541	73,557	602
Home equity loans and lines of credit	32,579	145	35,640	144
Construction	—	—	340	1
Other consumer loans	—	—	—	—
Total	$226,147	$1,635	$248,920	$1,721

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	For the Six Months Ended March 31,			
	2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related IVA recorded:				
Residential Core	$70,956	$586	$83,212	$575
Residential Home Today	27,254	123	31,854	153
Home equity loans and lines of credit	25,426	158	28,210	177
Construction	—	—	287	6
Other consumer loans	—	—	—	—
Total	$123,636	$867	$143,563	$911
With an IVA recorded:				
Residential Core	$58,856	$1,314	$59,749	$1,423
Residential Home Today	38,031	963	43,677	1,089
Home equity loans and lines of credit	8,001	126	6,889	119
Construction	—	—	33	—
Other consumer loans	—	—	—	—
Total	$104,888	$2,403	$110,348	$2,631
Total impaired loans:				
Residential Core	$129,812	$1,900	$142,961	$1,998
Residential Home Today	65,285	1,086	75,531	1,242
Home equity loans and lines of credit	33,427	284	35,099	296
Construction	—	—	320	6
Other consumer loans	—	—	—	—
Total	$228,524	$3,270	$253,911	$3,542

Interest on loans in non-accrual status is recognized on a cash-basis. The amounts of interest income on impaired loans recognized using a cash-basis method were $306 and $583 for the quarter ended and six months ended March 31, 2015, respectively, and $285 and $629 for the quarter ended and six months ended March 31, 2014, respectively. Cash payments on loans with a partial charge-off are applied fully to principal, then to recovery of the charged off amount prior to interest income being recognized. Interest income on the remaining impaired loans is recognized on an accrual basis.
The recorded investment in TDRs by type of concession as of March 31, 2015 and September 30, 2014 is shown in the tables below.

March 31, 2015	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 16,925	$ 1,087	$ 9,277	$ 22,147	$ 22,909	$ 33,939	$ 106,284
Residential Home Today	8,666	60	6,336	13,346	22,879	6,567	57,854
Home equity loans and lines of credit	102	2,553	444	2,215	765	14,090	20,169
Total	$ 25,693	$ 3,700	$ 16,057	$ 37,708	$ 46,553	$ 54,596	$ 184,307

September 30, 2014	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 16,693	$ 1,265	$ 10,248	$ 21,113	$ 22,687	$ 33,576	$ 105,582
Residential Home Today	11,374	78	7,448	15,085	20,823	5,301	60,109

Home equity loans and lines of credit	74	1,833	769	1,213	819	16,029	20,737
Total	$ 28,141	$ 3,176	$ 18,465	$ 37,411	$ 44,329	$ 54,906	$ 186,428

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TDRs may be restructured more than once. Among other requirements, a subsequent restructuring may be available for a borrower upon the expiration of temporary restructuring terms if the borrower cannot return to regular loan payments. If the borrower is experiencing an income curtailment that temporarily has reduced his/her capacity to repay, such as loss of employment, reduction of hours, non-paid leave or short term disability, a temporary restructuring is considered. If the borrower lacks the capacity to repay the loan at the current terms due to a permanent condition, a permanent restructuring is considered. In evaluating the need for a subsequent restructuring, the borrower's ability to repay is generally assessed utilizing a debt to income and cash flow analysis. As the economy slowly improves, the need for multiple restructurings continues to linger. Loans discharged in Chapter 7 bankruptcy are classified as multiple restructurings if the loan's original terms had also been restructured by the Association.

For all loans restructured during the three months and six months ended March 31, 2015 and March 31, 2014 (set forth in the table below), the pre-restructured outstanding recorded investment was not materially different from the post-restructured outstanding recorded investment.

The following tables set forth the recorded investment in TDRs restructured during the periods presented, according to the types of concessions granted.

	For the Three Months Ended March 31, 2015						
	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
Residential Core	$805	$—	$212	$1,149	$1,528	$2,233	$5,927
Residential Home Today	—	—	188	95	2,484	796	3,563
Home equity loans and lines of credit	—	369	—	446	40	348	1,203
Total	$805	$369	$400	$1,690	$4,052	$3,377	$10,693

	For the Three Months Ended March 31, 2014						
	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
Residential Core	$442	$—	$—	$586	$1,360	$1,541	$3,929
Residential Home Today	74	—	—	2	1,207	227	1,510
Home equity loans and lines of credit	—	237	—	551	70	1,189	2,047
Total	$516	$237	$—	$1,139	$2,637	$2,957	$7,486

	For the Six Months Ended March 31, 2015						
	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
Residential Core	$1,565	$—	$278	$2,998	$2,515	$5,089	$12,445
Residential Home Today	82	—	357	158	3,806	1,786	6,189
Home equity loans and lines of credit	—	1,015	—	917	83	913	2,928
Total	$1,647	$1,015	$635	$4,073	$6,404	$7,788	$21,562

	For the Six Months Ended March 31, 2014						
	Reduction in Interest Rates	Payment Extensions	Forbearance or Other	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total

			Actions				
Residential Core	$921	$—	$225	$2,112	$ 2,637	$3,397	$9,292
Residential Home Today	163	—	—	227	2,321	445	3,156
Home equity loans and lines of credit	—	523	—	745	126	2,073	3,467
Total	$1,084	$523	$225	$3,084	$ 5,084	$5,915	$15,915

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Below summarizes the information on TDRs restructured within the previous 12 months of the period listed for which there was a subsequent payment default, at least 30 days past due on one scheduled payment, during the period presented.

TDRs That Subsequently Defaulted	For the Three Months Ended March 31,			
	2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)		(Dollars in thousands)	
Residential Core	29	$3,698	32	$3,359
Residential Home Today	22	799	31	1,516
Home equity loans and lines of credit	14	575	40	1,469
Total	65	$5,072	103	$6,344

TDRs That Subsequently Defaulted	For the Six Months Ended March 31,			
	2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)		(Dollars in thousands)	
Residential Core	34	$3,801	37	$3,773
Residential Home Today	25	1,065	38	1,776
Home equity loans and lines of credit	21	642	49	1,554
Total	80	$5,508	124	$7,103

The following tables provide information about the credit quality of residential loan receivables by an internally assigned grade. Balances are net of deferred fees and any applicable LIP.

	Pass	Special Mention	Substandard	Loss	Total
March 31, 2015					
Real Estate Loans:					
Residential Core	$9,050,345	$—	$76,403	$—	$9,126,748
Residential Home Today	115,344	—	28,028	—	143,372
Home equity loans and lines of credit	1,630,364	5,879	28,334	—	1,664,577
Construction	20,090	—	—	—	20,090
Total	$10,816,143	$5,879	$132,765	$—	$10,954,787

	Pass	Special Mention	Substandard	Loss	Total
September 30, 2014					
Real Estate Loans:					
Residential Core	$8,739,183	$—	$83,414	$—	$8,822,597
Residential Home Today	120,827	—	31,135	—	151,962
Home equity loans and lines of credit	1,667,939	6,084	30,192	—	1,704,215
Construction	28,554	—	—	—	28,554
Total	$10,556,503	$6,084	$144,741	$—	$10,707,328

Residential loans are internally assigned a grade that complies with the guidelines outlined in the OCC's Handbook for Rating Credit Risk. Pass loans are assets well protected by the current paying capacity of the borrower. Special Mention loans have a potential weakness that the Association feels deserve management's attention and may result in further deterioration in their repayment prospects and/or the Association's credit position. Substandard loans are

inadequately protected by the current payment capacity of the borrower or the collateral pledged with a defined weakness that jeopardizes the liquidation of the debt. Also included in Substandard are performing home equity loans and lines of credit where the customer has a severely delinquent first mortgage to which the performing home equity loan or line of credit is subordinate and loans in Chapter 7

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bankruptcy status where all borrowers have filed, and have not reaffirmed or been dismissed. Loss loans are considered uncollectible and are charged off when identified.

At March 31, 2015 and September 30, 2014, respectively, the recorded investment of impaired loans includes $102,906 and $103,459 of TDRs that are individually evaluated for impairment, but have adequately performed under the terms of the restructuring and are classified as Pass loans. At March 31, 2015 and September 30, 2014, respectively, there were $12,010 and $14,814 of loans classified substandard and $5,879 and $6,084 of loans designated special mention that are not included in the recorded investment of impaired loans; rather, they are included in loans collectively evaluated for impairment.

Other consumer loans are internally assigned a grade of nonperforming when they become 90 days or more past due. At March 31, 2015 and September 30, 2014, no consumer loans were graded as nonperforming.

During the quarter ended December 31, 2013, $5,321 of residential loans were deemed uncollectible and fully charged-off as a result of implementing a new practice of charging off the remaining balance on loans that had remained delinquent and in the foreclosure process for greater than 1,500 days. These loans previously were recorded at estimated net realizable value, with the potential for additional loss recognized within the allowance for loan losses. Any future foreclosure proceeds on these loans would result in recoveries of prior charge-offs.

Activity in the allowance for loan losses is summarized as follows:

	For the Three Months Ended March 31, 2015				
	Beginning Balance	Provisions	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$28,717	$1,315	$(2,916)	$1,391	$28,507
Residential Home Today	16,434	(3,537)	(581)	262	12,578
Home equity loans and lines of credit	34,595	3,221	(3,124)	1,298	35,990
Construction	16	1	—	1	18
Total real estate loans	79,762	1,000	(6,621)	2,952	77,093
Other consumer loans	—	—	—	—	—
Total	$79,762	$1,000	$(6,621)	$2,952	$77,093

	For the Three Months Ended March 31, 2014				
	Beginning Balance	Provisions	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$33,462	$1,865	$(3,707)	$1,022	$32,642
Residential Home Today	20,479	(2,412)	(2,388)	1,240	16,919
Home equity loans and lines of credit	31,227	5,624	(4,258)	1,192	33,785
Construction	114	(77)	—	8	45
Total real estate loans	85,282	5,000	(10,353)	3,462	83,391
Other consumer loans	—	—	—	—	—
Total	$85,282	$5,000	$(10,353)	$3,462	$83,391

	For the Six Months Ended March 31, 2015				
	Beginning Balance	Provisions	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$31,080	$(409)	$(4,184)	$2,020	$28,507
Residential Home Today	16,424	(2,613)	(1,663)	430	12,578
Home equity loans and lines of credit	33,831	6,201	(6,753)	2,711	35,990

Construction	27	(179)	—	170	18
Total real estate loans	81,362	3,000	(12,600)	5,331	77,093
Other consumer loans	—	—	—	—	—
Total	$81,362	$3,000	$(12,600)	$5,331	$77,093

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	For the Six Months Ended March 31, 2014				
	Beginning Balance	Provisions	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$35,427	$6,946	$(11,183)	$1,452	$32,642
Residential Home Today	24,112	(3,219)	(5,321)	1,347	16,919
Home equity loans and lines of credit	32,818	7,381	(8,935)	2,521	33,785
Construction	180	(108)	(41)	14	45
Total real estate loans	92,537	11,000	(25,480)	5,334	83,391
Other consumer loans	—	—	—	—	—
Total	$92,537	$11,000	$(25,480)	$5,334	$83,391

5. DEPOSITS

Deposit account balances are summarized as follows:

	March 31, 2015	September 30, 2014
Negotiable order of withdrawal accounts	$1,015,153	$990,326
Savings accounts	1,639,910	1,661,920
Certificates of deposit	5,844,321	6,000,216
	8,499,384	8,652,462
Accrued interest	1,534	1,416
Total deposits	$8,500,918	$8,653,878

Brokered certificates of deposit, which are used as a cost effective funding alternative, totaled $477,110 and $356,685 at March 31, 2015 and September 30, 2014, respectively. The FDIC places restrictions on banks with regard to issuing brokered deposits based on the bank's capital classification. As a well-capitalized institution at March 31, 2015 and September 30, 2014, the Association may accept brokered deposits without FDIC restrictions.

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6. OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) by component is as follows:

	For the Three Months Ended March 31, 2015			For the Three Months Ended March 31, 2014		
	Unrealized gains (losses) on securities available for sale	Defined Benefit Plan	Total	Unrealized gains (losses) on securities available for sale	Defined Benefit Plan	Total
Balance at beginning of period	$(659)	$(9,576)	$(10,235)	$(4,083)	$(6,420)	$(10,503)
Other comprehensive income before reclassifications, net of tax expense of $2,083 and $955	3,868	—	3,868	1,773	—	1,773
Amounts reclassified from accumulated other comprehensive income (loss), net of tax benefit of $67 and $26	—	123	123	—	48	48
Other comprehensive income	3,868	123	3,991	1,773	48	1,821
Balance at end of period	$3,209	$(9,453)	$(6,244)	$(2,310)	$(6,372)	$(8,682)

	For the Six Months Ended March 31, 2015			For the Six Months Ended March 31, 2014		
	Unrealized gains (losses) on securities available for sale	Defined Benefit Plan	Total	Unrealized gains (losses) on securities available for sale	Defined Benefit Plan	Total
Balance at beginning of period	$(1,092)	$(9,700)	$(10,792)	$(2,136)	$(6,468)	$(8,604)
Other comprehensive income (loss) before reclassifications, net of tax (expense) benefit of $(2,316) and $94	4,301	—	4,301	(174)	—	(174)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax benefit of $133 and $52	—	247	247	—	96	96
Other comprehensive income (loss)	4,301	247	4,548	(174)	96	(78)
Balance at end of period	$3,209	$(9,453)	$(6,244)	$(2,310)	$(6,372)	$(8,682)

The following table presents the reclassification adjustment out of accumulated other comprehensive income (loss) included in net income and the corresponding line item on the consolidated statements of income for the periods indicated:

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income For the Three Months Ended March 31,		For the Six Months Ended March 31,		Line Item in the Statement of Income
	2015	2014	2015	2014	

Actuarial loss	$190	$74	$380	$148	(a)
Income tax benefit	(67)	(26)	(133)	(52)	Income tax expense
Net of income tax benefit	$123	$48	$247	$96	

(a) These items are included in the computation of net period pension cost. See Note 8. Defined Benefit Plan for additional disclosure.

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7. INCOME TAXES

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and in various state and city jurisdictions. Federal income tax returns and the Association's Ohio Franchise Tax returns have been audited and settled for tax years through 2010 and 2011, respectively. With few exceptions, the Company is no longer subject to federal or state tax examinations for tax years prior to 2011.

The Company recognizes interest and penalties on income tax assessments or income tax refunds, where applicable, in the financial statements as a component of its provision for income taxes.

The Company makes certain investments in limited partnerships which invest in affordable housing projects that qualify for the Low Income Housing Tax Credit. The Company acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnership. The balance of these investments is included in Other Assets on the Consolidated Statements of Condition, $994 at March 31, 2015 and $0 at September 30, 2014.

The Company accounts for its interests in LIHTCs using the proportional amortization method. The impact of the Company's investments in tax credit entities on the provision for income taxes was not material during the three and six months ended March 31, 2015 and March 31, 2014.

8. DEFINED BENEFIT PLAN

The Third Federal Savings Retirement Plan (the "Plan") is a defined benefit pension plan. Effective December 31, 2002, the Plan was amended to limit participation to employees who met the Plan's eligibility requirements on that date. Effective December 31, 2011, the Plan was amended to freeze future benefit accruals for participants in the Plan. After December 31, 2002, employees not participating in the Plan, upon meeting the applicable eligibility requirements, and those eligible participants who no longer receive service credits under the Plan, participate in a separate tier of the Company's defined contribution 401(k) Savings Plan. Benefits under the Plan are based on years of service and the employee's average annual compensation (as defined in the Plan) through December 31, 2011. The funding policy of the Plan is consistent with the funding requirements of U.S. federal and other governmental laws and regulations.

The components, including an estimated settlement adjustment due to expected lump sum payments exceeding the interest cost for the year, of net periodic cost recognized in the statements of income are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Interest cost	$782	$801	$1,565	$1,602
Expected return on plan assets	(1,103)	(1,056)	(2,207)	(2,111)
Amortization of net loss	190	74	380	148
Estimated net loss due to settlement	228	181	456	361
Net periodic cost	$97	$—	$194	$—

There were no minimum employer contributions during the six months ended March 31, 2015. No minimum employer contributions are expected during the remainder of the fiscal year.

9. EQUITY INCENTIVE PLAN

In December 2014, 961,200 options to purchase our common stock and 295,500 restricted stock units were granted to certain directors, officers and employees of the Company. The awards were made pursuant to the shareholder-approved 2008 Equity Incentive Plan.

During the six months ended March 31, 2015 and 2014, the Company recorded $3,854 and $3,591, respectively, of stock-based compensation expense, comprised of stock option expense of $1,744 and $1,626, respectively, and restricted stock units expense of $2,110 and $1,965, respectively.

At March 31, 2015, 7,311,175 shares were subject to options, with a weighted average exercise price of $11.69 per share and a weighted average grant date fair value of $2.98 per share. Expected future expense related to the 2,037,102 non-vested options outstanding as of March 31, 2015 is $3,583 over a weighted average of 1.6 years. At

March 31, 2015, 855,812 restricted stock units, with a weighted average grant date fair value of $12.71 per unit, are unvested. Expected future

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compensation expense relating to the 1,226,190 restricted stock units outstanding as of March 31, 2015 is $5,297 over a weighted average period of 1.9 years. Each unit is equivalent to one share of common stock.

10. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company enters into commitments with off-balance sheet risk to meet the financing needs of its customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to originate loans generally have fixed expiration dates of 60 to 360 days or other termination clauses and may require payment of a fee. Unfunded commitments related to home equity lines of credit generally expire from 5 to 10 years following the date that the line of credit was established, subject to various conditions, including compliance with payment obligation, adequacy of collateral securing the line and maintenance of a satisfactory credit profile by the borrower. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Off-balance sheet commitments to extend credit involve elements of credit risk and interest rate risk in excess of the amount recognized in the consolidated statements of condition. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitment is represented by the contractual amount of the commitment. The
Company generally uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Interest rate risk on commitments to extend credit results from the possibility that interest rates may have moved unfavorably from the position of the Company since the time the commitment was made.

At March 31, 2015, the Company had commitments to originate loans as follows:

Fixed-rate mortgage loans	$295,960
Adjustable-rate mortgage loans	273,605
Equity loans and lines of credit including bridge loans	37,017
Total	$606,582

At March 31, 2015, the Company had unfunded commitments outstanding as follows:

Equity lines of credit	$1,172,701
Construction loans	25,068
Private equity investments	12,941
Total	$1,210,710

At March 31, 2015, the unfunded commitment on home equity lines of credit, including commitments for accounts suspended as a result of material default or a decline in equity, is $1,353,593.

At March 31, 2015 and September 30, 2014, the Company had $1,111 and $4,570, respectively, in commitments to securitize and sell mortgage loans.

Management expects that the above commitments will be funded through normal operations.

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition, results of operation, or statements of cash flows.

11. FAIR VALUE

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and a fair value framework is established whereby assets and liabilities measured at fair value are grouped into three levels of a fair value hierarchy, based on the transparency of inputs and the reliability of assumptions used to estimate fair value. The Company's policy is to recognize transfers between levels of the hierarchy as of the end of the reporting period in which the transfer occurs. The three levels of inputs are defined as follows:

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Level 1 –	quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 –	quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with few transactions, or model-based valuation techniques using assumptions that are observable in the market.
Level 3 –	a company’s own assumptions about how market participants would price an asset or liability.

As permitted under the fair value guidance in U.S. GAAP, the Company elects to measure at fair value mortgage loans classified as held for sale that are subject to pending agency contracts to securitize and sell loans. This election is expected to reduce volatility in earnings related to market fluctuations between the contract trade and settlement dates. At March 31, 2015 and September 30, 2014, respectively, there were $1,101 and $4,570 loans held for sale, with unpaid principal balances of $1,111 and $4,491, subject to pending agency contracts for which the fair value option was elected. Included in the net gain on the sale of loans is $0 and $37 for the three months ending March 31, 2015 and 2014, respectively, and $(111) and $(53) for the six months ending March 31, 2015 and 2014, respectively, related to changes during the period in the fair value of loans held for sale subject to pending agency contracts.

Presented below is a discussion of the methods and significant assumptions used by the Company to estimate fair value.

Investment Securities Available for Sale—Investment securities available for sale are recorded at fair value on a recurring basis. At March 31, 2015 and September 30, 2014, respectively, this includes $586,091 and $568,868 of investments in U.S. government and agency obligations including U.S. Treasury notes and sequentially structured, highly liquid collateralized mortgage obligations issued by Fannie Mae, Freddie Mac and Ginnie Mae. Both are measured using the market approach. The fair values of treasury notes and collateralized mortgage obligations represent unadjusted price estimates obtained from third party independent nationally recognized pricing services using pricing models or quoted prices of securities with similar characteristics and are included in Level 2 of the hierarchy. Third party pricing is reviewed on a monthly basis for reasonableness based on the market knowledge and experience of company personnel that interact daily with the markets for these types of securities.

Mortgage Loans Held for Sale—The fair value of mortgage loans held for sale is estimated on an aggregate basis using a market approach based on quoted secondary market pricing for loan portfolios with similar characteristics. Loans held for sale are carried at the lower of cost or fair value except, as described above, the Company elects the fair value measurement option for mortgage loans held for sale subject to pending agency contracts to securitize and sell loans. Loans held for sale are included in Level 2 of the hierarchy. At March 31, 2015 and September 30, 2014 there were $1,101 and $4,570, respectively, of loans held for sale measured at fair value and $0 and $392, respectively, of loans held for sale carried at cost.

Impaired Loans—Impaired loans represent certain loans held for investment that are subject to a fair value measurement under U.S. GAAP because they are individually evaluated for impairment and that impairment is measured using a fair value measurement, such as the observable market price of the loan or the fair value of the collateral less estimated costs to dispose. Impairment is measured using the market approach based on the fair value of the collateral less estimated costs to dispose for loans the Company considers to be collateral-dependent due to a delinquency status or other adverse condition severe enough to indicate that the borrower can no longer be relied upon as the continued source of repayment. These conditions are described more fully in Note 4. Loans and Allowance for Loan Losses. To calculate impairment of collateral-dependent loans, the fair market values of the collateral, estimated using exterior appraisals in the majority of instances, are reduced by calculated costs to dispose derived from historical experience and recent market conditions. Any indicated impairment is recognized by a charge to the allowance for loan losses. Subsequent increases in collateral values or principal pay downs on loans with recognized impairment could result in an impaired loan being carried below its fair value. When no impairment loss is indicated, the carrying amount is considered to approximate the fair value of that loan to the Company because contractually that is the maximum recovery the Company can expect. The recorded investment of loans individually evaluated for impairment based on the fair value of the collateral are included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis. The range and weighted average impact of costs to dispose on fair values is determined at the time of impairment or when additional impairment is recognized and is included in quantitative information about

significant unobservable inputs later in this note.

Loans held for investment that have been restructured in TDRs and are performing according to the restructured terms of the loan agreement are individually evaluated for impairment using the present value of future cash flows based on the loan’s effective interest rate, which is not a fair value measurement. At March 31, 2015 and September 30, 2014, respectively, this included $103,963 and $105,954 in recorded investment of TDRs with related allowances for loss of $14,560 and $15,787.

Real Estate Owned—Real estate owned includes real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at the lower of the cost basis or fair value less estimated costs to dispose. Fair value is estimated under the market approach using independent third party appraisals. As these properties are actively marketed, estimated fair

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values may be adjusted by management to reflect current economic and market conditions. At March 31, 2015 and September 30, 2014, these adjustments were not significant to reported fair values. At March 31, 2015 and September 30, 2014, respectively, $15,503 and $17,970 of real estate owned is included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis where the cost basis equals or exceeds the estimate of fair values less costs to dispose of these properties. Real estate owned, as reported in the Consolidated Statements of Condition, includes estimated costs to dispose of $1,813 and $1,667 related to properties measured at fair value and $6,588 and $5,465 of properties carried at their original or adjusted cost basis at March 31, 2015 and September 30, 2014, respectively.

Derivatives—Derivative instruments include interest rate locks on commitments to originate loans for the held for sale portfolio and forward commitments on contracts to deliver mortgage loans. Derivatives are reported at fair value in other assets or other liabilities on the Consolidated Statement of Condition with changes in value recorded in current earnings. Fair value is estimated using a market approach based on quoted secondary market pricing for loan portfolios with characteristics similar to loans underlying the derivative contracts. The fair value of interest rate lock commitments is adjusted by a closure rate based on the estimated percentage of commitments that will result in closed loans. The range and weighted average impact of the closure rate is included in quantitative information about significant unobservable inputs later in this note. A significant change in the closure rate may result in a significant change in the ending fair value measurement of these derivatives relative to their total fair value. Because the closure rate is a significantly unobservable assumption, interest rate lock commitments are included in Level 3 of the hierarchy. Forward commitments on contracts to deliver mortgage loans are included in Level 2 of the hierarchy.

Assets and liabilities carried at fair value on a recurring basis in the Consolidated Statements of Condition at March 31, 2015 and September 30, 2014 are summarized below. There were no liabilities carried at fair value on a recurring basis at March 31, 2015.

		Recurring Fair Value Measurements at Reporting Date Using		
	March 31, 2015	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Assets				
Investment securities available for sale:				
U.S. government and agency obligations	$2,012	$ —	$ 2,012	$ —
REMIC's	573,150	—	573,150	—
Fannie Mae certificates	10,929	—	10,929	—
Mortgage loans held for sale	1,101	—	1,101	—
Derivatives:				
Interest rate lock commitments	169	—	—	169
Total	$587,361	$ —	$ 587,192	$ 169

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	September 30, 2014	Recurring Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Assets				
Investment securities available for sale:				
U.S. government and agency obligations	$2,023	$ —	$ 2,023	$ —
REMIC's	555,607	—	555,607	—
Fannie Mae certificates	11,238	—	11,238	—
Mortgage loans held for sale	4,570	—	4,570	—
Derivatives:				
Interest rate lock commitments	59	—	—	59
Total	$573,497	$ —	$ 573,438	$ 59
Liabilities				
Derivatives:				
Forward commitments for the sale of mortgage loans	$14	$ —	$ 14	$ —
Total	$14	$ —	$ 14	$ —

The table below presents a reconciliation of the beginning and ending balances and the location within the Consolidated Statements of Income where gains (losses) due to changes in fair value are recognized on interest rate lock commitments which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Beginning balance	$92	$52	$59	$158
Gain (loss) during the period due to changes in fair value:				
Included in other non-interest income	77	16	110	(90)
Ending balance	$169	$68	$169	$68
Change in unrealized gains for the period included in earnings for assets held at end of the reporting date	$169	$68	$169	$68

Summarized in the tables below are those assets measured at fair value on a nonrecurring basis. This includes loans held for investment that are individually evaluated for impairment, excluding performing TDRs valued using the present value of cash flow method, and properties included in real estate owned that are carried at fair value less estimated costs to dispose at the reporting date.

	March 31, 2015	Nonrecurring Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs

		Identical Assets (Level 1)	(Level 2)	(Level 3)
Impaired loans, net of allowance	$119,698	$ —	$ —	$ 119,698
Real estate owned[1]	15,503	—	—	15,503
Total	$135,201	$ —	$ —	$ 135,201

[1] Amounts represent fair value measurements of properties before deducting estimated costs to dispose.

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	September 30, 2014	Nonrecurring Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans, net of allowance	$127,432	$—	$ —	$ 127,432
Real estate owned[1]	17,970	—	—	17,970
Total	$145,402	$—	$ —	$ 145,402

[1] Amounts represent fair value measurements of properties before deducting estimated costs to dispose.

The following provides quantitative information about significant unobservable inputs categorized within Level 3 of the Fair Value Hierarchy.

	Fair Value 3/31/2015	Valuation Technique(s)	Unobservable Input	Range	Weighted Average
Impaired loans, net of allowance	$119,698	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience: • Residential Properties	0 - 24%	8.0%
Interest rate lock commitments	$169	Quoted Secondary Market pricing	Closure rate	0 - 100%	73.4%

	Fair Value 9/30/2014	Valuation Technique(s)	Unobservable Input	Range	Weighted Average
Impaired loans, net of allowance	$127,432	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience: • Residential Properties	0 - 24%	8.3%
Interest rate lock commitments	$59	Quoted Secondary Market pricing	Closure rate	0 - 100%	76.0%

The following table presents the estimated fair value of the Company’s financial instruments. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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	March 31, 2015				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	$27,918	$27,918	$27,918	$—	$—
Interest earning cash equivalents	192,817	192,817	192,817	—	—
Investment securities:					
Available for sale	586,091	586,091	—	586,091	—
Mortgage loans held for sale	1,101	1,101	—	1,101	—
Loans, net:					
Mortgage loans held for investment	10,877,694	11,261,484	—	—	11,261,484
Other loans	3,874	4,071	—	—	4,071
Federal Home Loan Bank stock	69,470	69,470	N/A	—	—
Private equity investments	369	369	—	—	369
Accrued interest receivable	31,793	31,793	—	31,793	—
Derivatives	169	169	—	—	169
Liabilities:					
NOW and passbook accounts	$2,655,063	$2,655,063	$—	$2,655,063	$—
Certificates of deposit	5,845,855	5,807,768	—	5,807,768	—
Borrowed funds	1,667,753	1,683,020	—	1,683,020	—
Borrowers' advances for taxes and insurance	71,422	71,422	—	71,422	—
Principal, interest and escrow owed on loans serviced	60,370	60,370	—	60,370	—

	September 30, 2014				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	$26,886	$26,886	$26,886	$—	$—
Interest earning cash equivalents	154,517	154,517	154,517	—	—
Investment securities:					
Available for sale	568,868	568,868	—	568,868	—
Mortgage loans held for sale	4,962	4,974	—	4,974	—
Loans, net:					
Mortgage loans held for investment	10,625,966	10,876,564	—	—	10,876,564
Other loans	4,721	4,894	—	—	4,894
Federal Home Loan Bank stock	40,411	40,411	N/A	—	—
Private equity investments	551	551	—	—	551
Accrued interest receivable	31,952	31,952	—	31,952	—
Derivatives	59	59	—	—	59
Liabilities:					
NOW and passbook accounts	$2,652,246	$2,652,246	$—	$2,652,246	$—
Certificates of deposit	6,001,632	5,875,499	—	5,875,499	—
Borrowed funds	1,138,639	1,139,647	—	1,139,647	—
Borrowers' advances for taxes and insurance	76,266	76,266	—	76,266	—
Principal, interest and escrow owed on loans serviced	54,670	54,670	—	54,670	—
Derivatives	14	14	—	14	—

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Presented below is a discussion of the valuation techniques and inputs used by the Company to estimate fair value.

Cash and Due from Banks, Interest Earning Cash Equivalents— The carrying amount is a reasonable estimate of fair value.
Investment and Mortgage-Backed Securities— Estimated fair value for investment and mortgage-backed securities is based on quoted market prices, when available. If quoted prices are not available, management will use as part of their estimation process fair values which are obtained from third party independent nationally recognized pricing services using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.
Mortgage Loans Held for Sale— Fair value of mortgage loans held for sale is based on quoted secondary market pricing for loan portfolios with similar characteristics.
Loans— For mortgage loans held for investment and other loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. The use of current rates to discount cash flows reflects current market expectations with respect to credit exposure. Impaired loans are measured at the lower of cost or fair value as described earlier in this footnote.
Federal Home Loan Bank Stock— It is not practical to estimate the fair value of FHLB stock due to restrictions on its transferability. The fair value is estimated to be the carrying value, which is par. All transactions in capital stock of the FHLB Cincinnati are executed at par.
Private Equity Investments— Private equity investments are initially valued based upon transaction price. The carrying value is subsequently adjusted when it is considered necessary based on current performance and market conditions. The carrying values are adjusted to reflect expected exit values. These investments are included in Other Assets in the accompanying Consolidated Statements of Condition at fair value.
Deposits— The fair value of demand deposit accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using discounted cash flows and rates currently offered for deposits of similar remaining maturities.
Borrowed Funds— Estimated fair value for borrowed funds is estimated using discounted cash flows and rates currently charged for borrowings of similar remaining maturities.
Accrued Interest Receivable, Borrowers' Advances for Insurance and Taxes, and Principal, Interest and Related Escrow Owed on Loans Serviced— The carrying amount is a reasonable estimate of fair value.
Derivatives— Fair value is estimated based on the valuation techniques and inputs described earlier in this footnote.

12. DERIVATIVE INSTRUMENTS

The Company enters into forward commitments for the sale of mortgage loans principally to protect against the risk of adverse interest rate movements on net income. The Company recognizes the fair value of such contracts when the characteristics of those contracts meet the definition of a derivative. These derivatives are not designated in a hedging relationship; therefore, gains and losses are recognized immediately in the statement of income. In addition, the Company enters into commitments to originate a portion of its loans, which when funded, are classified as held for sale. Such commitments meet the definition of a derivative and are not designated in a hedging relationship; therefore, gains and losses are recognized immediately in the statement of income. The Company had no derivatives designated as hedging instruments under FASB ASC 815, "Derivatives and Hedging," at March 31, 2015 or September 30, 2014.

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The following table provides the locations within the Consolidated Statements of Condition and the fair values for derivatives not designated as hedging instruments.

	Asset Derivatives			
	March 31, 2015		September 30, 2014	
	Location	Fair Value	Location	Fair Value
Interest rate lock commitments	Other Assets	$169	Other Assets	$59

	Liability Derivatives			
	March 31, 2015		September 30, 2014	
	Location	Fair Value	Location	Fair Value
Forward commitments for the sale of mortgage loans	Other Liabilities	$—	Other Liabilities	$14

The following table summarizes the locations and amounts of gain or (loss) recognized within the Consolidated Statements of Income on derivative instruments not designated as hedging instruments.

		Amount of Gain or (Loss) Recognized in Income on Derivatives			
		Three Months Ended		Six Months Ended	
	Location of Gain or (Loss)	March 31,		March 31,	
	Recognized in Income	2015	2014	2015	2014
Interest rate lock commitments	Other non-interest income	$77	$16	$110	$(90)
Forward commitments for the sale of mortgage loans	Net gain on the sale of loans	—	3	14	9
Total		$77	$19	$124	$(81)

13. RECENT ACCOUNTING PRONOUNCEMENTS

Pending as of March 31, 2015

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis. This amendment modifies the consolidation model for reporting legal entities under both the variable interest model and the voting interest model. This ASU will require all legal entities to reevaluate previous consolidation conclusions under the revised model and will be effective for annual periods beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the ASU by using a modified retrospective approach (by recording a cumulative-effect adjustment to equity as of the beginning of the year of adoption) or a full retrospective approach (by restating all periods presented). The Company is currently evaluating the impact of adopting the amendments on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), affecting any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. ASC Topic 606 does not apply to rights or obligations associated with financial instruments. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of adopting the amendments on its consolidated financial statements.

In January 2014, the FASB issued ASU 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure to reduce diversity by clarifying when an in-substance repossession or foreclosure occurs, that is, when a creditor should

be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure

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according to local requirements of the applicable jurisdiction. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The only impact of these amendments on the Company's consolidated financial statements will be an addition of the disclosure of loans in foreclosure in the Loans and Allowance for Loan Loss footnote.

Adopted in quarter ended March 31, 2015

FASB ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, which was issued in January 2014, permits entities to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statements as a component of income tax expense or benefit. The Company early adopted the amendments in ASC 323-740 related to investments in Qualified Affordable Housing Projects for the quarter ended March 31, 2015, to utilize the proportional amortization method for a recent tax credit investment. The adoption of ASU 2014-01 did not have a material impact on the Company's consolidated financial statements. Related disclosures are included in Note 7. Income Taxes.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on the Company’s consolidated financial statements or do not apply to its operations.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include, among other things:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements concerning trends in our provision for loan losses and charge-offs;
- statements regarding the trends in factors affecting our financial condition and results of operations, including asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;
- general economic conditions, either nationally or in our market areas, including employment prospects, real estate values and conditions that are worse than expected;
- decreased demand for our products and services and lower revenue and earnings because of a recession or other events;
- adverse changes and volatility in the securities markets, credit markets or real estate markets;
- legislative or regulatory changes that adversely affect our business, including changes in regulatory costs and capital requirements and changes related to our ability to pay dividends and the ability of Third Federal Savings, MHC to waive dividends;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible short-term dilutive effect of potential acquisitions or de novo branches, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- future adverse developments concerning Fannie Mae or Freddie Mac;
- changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury and the FRS and changes in the level of government support of housing finance;
- changes in policy and/or assessment rates of taxing authorities that adversely affect us;
- changes in our organization, or compensation and benefit plans and changes in expense trends (including, but not limited to trends affecting non-performing assets, charge-offs and provisions for loan losses);
- the impact of the governmental effort to restructure the U.S. financial and regulatory system, including the extensive reforms enacted in the DFA and the continuing impact of our coming under the jurisdiction of new federal regulators;
- the inability of third-party providers to perform their obligations to us;
- a slowing or failure of the moderate economic recovery;
- the adoption of implementing regulations by a number of different regulatory bodies under the DFA, and uncertainty in the exact nature, extent and timing of such regulations and the impact they will have on us;
- the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and its impact on the credit quality of our loans and other assets, and
- the ability of the U.S. Government to manage federal debt limits.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by law. Please

see Part II, Other Information Item 1A. Risk Factors for a discussion of certain risks related to our business.

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Overview

Our business strategy is to operate as a well-capitalized and profitable financial institution dedicated to providing exceptional personal service to our customers.

Since being organized in 1938, we grew to become, at the time of our initial public offering of stock in April 2007, the nation's largest mutually-owned savings and loan association based on total assets. We credit our success to our continued emphasis on our primary values: "Love, Trust, Respect, and a Commitment to Excellence, along with Having Fun." Our values are reflected in the design and pricing of our loan and deposit products, and historically, in our Home Today program, as described below. Our values are further reflected in the Broadway Redevelopment Initiative (a long-term revitalization program encompassing the three-mile corridor of the Broadway-Slavic Village neighborhood in Cleveland, Ohio where our main office was established and continues to be located) and the educational programs we have established and/or supported. We intend to continue to adhere to our primary values and to support our customers and the communities in which we operate.

In connection with the financial crisis of 2008 and its subsequent turmoil, regionally high unemployment, weak residential real estate values, less than robust capital and credit markets, and a general lack of confidence in the financial services sector of the economy presented significant challenges for us. Since the latter portion of calendar 2012 however, improving regional employment levels, recovering residential real estate values, recovering capital and credit markets and greater confidence in the financial services sector have resulted in better credit metrics and improved operating results for us.

Management believes that the following matters are those most critical to our success: (1) controlling our interest rate risk exposure; (2) monitoring and limiting our credit risk; (3) maintaining access to adequate liquidity and diverse funding sources; and (4) monitoring and controlling operating expenses.

Controlling Our Interest Rate Risk Exposure. Although the significant housing and credit quality issues that arose in connection with the 2008 financial crisis had a distinctly negative effect on our operating results and, as described below, are a matter of continuing concern for us, historically our greatest risk has been our exposure to changes in interest rates. When we hold long-term, fixed-rate assets, funded by liabilities with shorter re-pricing characteristics, we are exposed to potentially adverse impacts from changing interest rates, and most notably when interest rates are rising. Generally, and particularly over extended periods of time that encompass full economic cycles, interest rates associated with longer-term assets, like fixed-rate mortgages, have been higher than interest rates associated with shorter-term funding sources, like deposits. This difference has been an important component of our net interest income and is fundamental to our operations. We manage the risk of holding longer-term, fixed-rate mortgage assets primarily by maintaining high levels of regulatory capital and by promoting adjustable-rate loans and shorter-term, fixed-rate loans.

High Levels of Regulatory Capital

At March 31, 2015, as computed in accordance with the revised, effective January 1, 2015, capital requirements and computational methodologies promulgated by the federal banking agencies, the Company's Tier1 (leverage) capital totaled $1.79 billion or 13.83% of net average assets and 24.52% of risk-weighted assets, while the Association's Tier1(leverage) capital totaled $1.56 billion or 12.09% of net average assets and 21.47% of risk-weighted assets. Each of these measures was more than twice the minimum requirements currently in effect for the Association, for designation as "well capitalized" under regulatory prompt corrective action provisions which set minimum levels of 5.00% of net average assets and 8.00% of risk-weighted assets. Refer to the Liquidity and Capital Resources of this Item 2 for additional discussion regarding regulatory capital requirements.

Promotion of Adjustable-Rate Loans and Shorter-Term, Fixed-Rate Loans

In July 2010, we began marketing an adjustable-rate mortgage loan product that provides us with improved interest rate risk characteristics when compared to a 30-year, fixed-rate mortgage loan. Since its introduction, our "Smart Rate" adjustable rate mortgage has offered borrowers an interest rate lower than that of a 30-year, fixed-rate loan. The interest rate in the Smart Rate mortgage is locked for three or five years then resets annually after that. It contains a feature to re-lock the rate an unlimited number of times at our then current interest rate and fee schedule, for another three or five years (which must be the same as the original lock period) without having to complete a full refinance

transaction. Re-lock eligibility is subject to a satisfactory payment performance history by the borrower (never 60 days late, no 30-day delinquencies during the last twelve months, current at the time of re-lock, and no foreclosures or bankruptcies since the Smart Rate application was taken). In addition to a satisfactory payment history, re-lock eligibility requires that the property continues to be the borrower's primary residence. The loan term cannot be extended in connection with a re-lock nor can new funds be advanced. All interest rate caps and floors remain as originated.

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Beginning in the latter portion of fiscal 2012, we began to feature our ten-year, fully amortizing fixed-rate first mortgage loan in our product promotions. The ten-year, fixed-rate loan has a less severe interest rate risk profile when compared to loans with fixed-rate terms of 15 to 30 years and helps us to more effectively manage our interest rate risk exposure, yet provides our borrowers with the certainty of a fixed interest rate throughout the life of the obligation.

The following tables set forth our first mortgage loan production and balances segregated by loan structure at origination.

	For the Six Months Ended March 31, 2015		For the Six Months Ended March 31, 2014	
	Amount	Percent	Amount	Percent
First Mortgage Loan Originations:				
ARM production	$462,479	45.7 %	$388,252	37.7 %
Fixed-rate production:				
Terms less than or equal to 10 years	319,685	31.6	439,913	42.7
Terms greater than 10 years	229,694	22.7	202,688	19.6
Total fixed-rate production	549,379	54.3	642,601	62.3
Total First Mortgage Loan Originations:	$1,011,858	100.0 %	$1,030,853	100.0 %

	March 31, 2015		March 31, 2014	
	Amount	Percent	Amount	Percent
Residential Mortgage Loans Held For Investment, at the indicated dates:				
ARM Loans	$3,656,691	39.4 %	$3,312,833	38.3 %
Fixed-rate Loans:				
Terms less than or equal to 10 years	1,691,160	18.2	1,198,864	13.9
Terms greater than 10 years	3,926,199	42.4	4,140,230	47.8
Total fixed-rate loans	5,617,359	60.6	5,339,094	61.7
Total Residential Mortgage Loans Held For Investment:	$9,274,050	100.0 %	$8,651,927	100.0 %

The following table sets forth the balances as of March 31, 2015 for all ARM loans segregated by the next scheduled interest rate reset date.

During the Fiscal Years Ending September 30,	Current Balance of ARM Loans Scheduled for Interest Rate Reset (in thousands)
2015	$57,394
2016	369,732
2017	863,744
2018	1,068,599
2019	767,391
2020	529,831
Total	$3,656,691

At March 31, 2015 and September 30, 2014, mortgage loans held for sale, all of which were long-term, fixed-rate first mortgage loans and all of which were held for sale to Fannie Mae, totaled $1.1 million and $5.0 million, respectively.

Other Interest Rate Risk Management Tools

In years prior to fiscal 2010, in addition to maintaining high levels of regulatory capital, we also managed interest rate risk by actively selling long-term, fixed-rate mortgage loans in the secondary market, a strategy pursuant to which we were able to modulate the amount of long-term, fixed-rate loans held in our portfolio. Also prior to fiscal 2010, we

actively marketed home equity lines of credit which carry an adjustable rate of interest indexed to the prime rate and provide interest rate sensitivity to

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that portion of our assets. In light of the economic and regulatory environments that existed between 2010 and 2012, neither of these strategies were utilized during that period in managing our interest rate risk exposure.
Beginning in March 2012, the Association began offering redesigned home equity lines of credit subject to certain property and credit performance conditions. Through these redesigned products, we have begun the process of re-establishing home equity line of credit lending as a meaningful strategy used to manage our interest rate risk profile. At March 31, 2015, home equity lines of credit totaled $1.50 billion. Our home equity lending is discussed in the Allowance for Loan Losses section of the Critical Accounting Policies that follows this Overview.
While the sales of first mortgage loans and originations of new home equity lines of credit remain strategically important for us, since fiscal 2010, they have played only minor roles in our management of interest rate risk. Loan sales are discussed later in this Part 1, Item 2. under the heading Liquidity and Capital Resources, and in Part 1, Item 3. Quantitative and Qualitative Disclosures About Market Risk.
Notwithstanding our efforts to manage interest rate risk, should a rapid and substantial increase occur in general market interest rates, it is probable that, prospectively and particularly over a multi-year time horizon, the level of our net interest income would be adversely impacted.
Monitoring and Limiting Our Credit Risk. While, historically, we had been successful in limiting our credit risk exposure by generally imposing high credit standards with respect to lending, the confluence of unfavorable regional and macro-economic events that culminated in the 2008 housing market collapse and financial crisis, coupled with our pre-2010 expanded participation in the second lien mortgage lending markets, significantly refocused our attention with respect to credit risk. In response to the evolving economic landscape, we continuously revise and update our quarterly analysis and evaluation procedures, as needed, for each category of our lending with the objective of identifying and recognizing all appropriate credit impairments. At March 31, 2015, 90% of our assets consisted of residential real estate loans (both “held for sale” and “held for investment”) and home equity loans and lines of credit, which were originated predominantly to borrowers in the states of Ohio and Florida. Our analytic procedures and evaluations include specific reviews of all home equity loans and lines of credit that become 90 or more days past due, as well as specific reviews of all first mortgage loans that become 180 or more days past due. We transfer performing home equity lines of credit subordinate to first mortgages delinquent greater than 90 days to non-accrual status. We also charge-off performing loans to collateral value and classify those loans as non-accrual within 60 days of notification of all borrowers filing Chapter 7 bankruptcy, that have not reaffirmed or been dismissed, regardless of how long the loans have been performing. Loans where at least one borrower has been discharged of their obligation in Chapter 7 bankruptcy, are classified as TDRs. At March 31, 2015, $51.3 million of loans in Chapter 7 bankruptcy status were included in total TDRs. At March 31, 2015, the recorded investment in non-accrual status loans included $46.2 million of performing loans in Chapter 7 bankruptcy status, of which $44.6 million were also reported as TDRs.
In response to the unfavorable regional and macro-economic environment that arose beginning in 2008, and in an effort to limit our credit risk exposure and improve the credit performance of new customers, we tightened our credit eligibility criteria in evaluating a borrower’s ability to successfully fulfill his or her repayment obligation and we revised the design of many of our loan products to require higher borrower down-payments, limited the products available for condominiums, eliminated certain product features (such as interest-only adjustable-rate loans and loans above certain loan-to-value ratios), and we previously suspended home equity lending products with the exception of bridge loans between June 2010 and March 2012. The delinquency level related to loan originations prior to 2009, compared to originations in 2009 and after, reflect the higher credit standards to which we have subjected all new originations. As of March 31, 2015, loans originated prior to 2009 had a balance of $2.84 billion, of which $67.5 million, or 2.4%, were delinquent, while loans originated in 2009 and after had a balance of $8.12 billion, of which $7.9 million, or 0.1%, were delinquent.
One aspect of our credit risk concern relates to high concentrations of our loans that are secured by residential real estate in individual states, such as Ohio and Florida, particularly in light of the difficulties that arose in connection with the 2008 housing crisis with respect to the real estate markets in those two states. At March 31, 2015, approximately 65.1% and 17.3% of the combined total of our residential Core and construction loans held for investment were secured by properties in Ohio and Florida, respectively. Our 30 or more days delinquency ratios on

those loans in Ohio and Florida at March 31, 2015 were 0.5% and 0.7%, respectively. Our 30 or more days delinquency ratio for the Core portfolio as a whole was 0.4% at March 31, 2015. Also, at March 31, 2015, approximately 39.5% and 27.4% of our home equity loans and lines of credit were secured by properties in Ohio and Florida, respectively. Our 30 days or more delinquency ratios on those loans in Ohio and Florida at March 31, 2015 were 1.2% and 1.0%, respectively. Our 30 or more days delinquency ratio for the home equity loans and lines of credit portfolio as a whole at March 31, 2015 was 0.9%. While we focus our attention on, and are concerned with respect to the resolution of all loan delinquencies, our highest concern relates to loans that are secured by properties in Florida. The "Loan Portfolio Composition" portion of this Overview section and the “Allowance for Loan Losses” portion of the Critical Accounting Policies section that immediately follows this Overview, provides extensive details regarding our loan portfolio

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composition, delinquency statistics, our methodology in evaluating our loan loss provisions and the adequacy of our allowance for loan losses. In an effort to moderate the concentration of our credit risk exposure in individual states, particularly Ohio and Florida, we have utilized direct mail marketing, our internet site and our customer service call center to extend our lending activities to other attractive geographic locations. Currently, in addition to Ohio and Florida, we are actively lending in 19 other states and the District of Columbia, and as a result of that activity, the concentration ratios of the combined total of our residential, Core and construction loans held for investment for Ohio and Florida, as disclosed earlier in this paragraph, have trended downward from their September 30, 2010 levels when the concentrations were 79.1% in Ohio and 19.0% in Florida. Of the total mortgage and equity loan originations for the six months ended March 31, 2015, 40.6% are secured by properties in states other than Ohio or Florida. Although somewhat dissipating during the last two years, the lingering effects of the adverse economic conditions and market for real estate in Ohio and Florida that arose in connection with the financial crisis of 2008, continue to unfavorably impact the ability of borrowers in those areas to repay their loans.

Our residential Home Today loans are another area of credit risk concern. Although the principal balance in these loans totaled $145.4 million at March 31, 2015, and constituted only 1.4% of our total “held for investment” loan portfolio balance, these loans comprised 24.2% and 25.2% of our 90 days or greater delinquencies and our total delinquencies, respectively, at that date. At March 31, 2015, approximately 95.4% and 4.4% of our residential, Home Today loans were secured by properties in Ohio and Florida, respectively. At March 31, 2015, the percentages of those loans delinquent 30 days or more in Ohio and Florida were 13.0% and 18.2%, respectively. The disparity between the portfolio composition ratio and delinquency composition ratio reflects the nature of the Home Today loans. We do not offer, and have not offered, loan products frequently considered to be designed to target sub-prime borrowers containing features such as higher fees or higher rates, negative amortization, or low initial payment features with adjustable interest rates. Our Home Today loans, the majority of which were entered into with borrowers that had credit profiles that would not have otherwise qualified for our loan products due to deficient credit scores, generally contained the same features as loans offered to our Core borrowers. The overriding objective of our Home Today lending, just as it is with our Core lending, was to create successful homeowners. We have attempted to manage our Home Today credit risk by requiring that borrowers attend pre- and post-borrowing financial management education and counseling and that the borrowers be referred to us by a sponsoring organization with which we have partnered. Further, to manage the credit aspect of these loans, inasmuch as the majority of these buyers do not have sufficient funds for required down payments, many loans include private mortgage insurance. At March 31, 2015, 37.2% of Home Today loans included private mortgage insurance coverage. From a peak recorded investment of $306.6 million at December 31, 2007, the total recorded investment of the Home Today portfolio has declined to $143.4 million at March 31, 2015. This trend generally reflects the evolving conditions in the mortgage real estate market and the tightening of standards imposed by issuers of private mortgage insurance. As part of our effort to manage credit risk, effective March 27, 2009, the Home Today underwriting guidelines were revised to be substantially the same as our traditional mortgage product. At March 31, 2015, the recorded investment in Home Today loans originated subsequent to March 27, 2009 was $2.5 million. Unless private mortgage insurance requirements loosen among other things, we expect the Home Today portfolio to continue to decline in balance due to contractual amortization.

Maintaining Access to Adequate Liquidity and Diverse Funding Sources. For most insured depositories, customer and community confidence are critical to their ability to maintain access to adequate liquidity and to conduct business in an orderly fashion. The Company believes that maintaining high levels of capital is one of the most important factors in nurturing customer and community confidence. Accordingly, we have managed the pace of our growth in a manner that reflects our emphasis on high capital levels. At March 31, 2015, the Association’s ratio of Tier 1 (leverage) capital to net average assets (a basic industry measure that deems 5.00% or above to represent a “well capitalized” status) was 12.09%. The Association's current Tier 1 (leverage) capital ratio is lower than its ratio at September 30, 2014 (13.47%), due primarily to:

•the implementation, effective January 1, 2015, of the modified calculation methodology for the Tier 1 (leverage) capital ratio related to the standardized approach of the Basel III capital framework for U.S. banking organizations

("Basel III Rules"). This computational change reduced our Tier 1 (leverage) capital ratio by an estimated 79 basis points. The new methodology specifies that the denominator of the ratio is defined as "net average assets" rather than "adjusted tangible assets", as had previously been the case. As more fully described below in this Part 1, Item 2. under the heading Comparison of Financial Condition at March 31, 2015 and September 30, 2014, the strategy to increase net income that we employed beginning October 1, 2014, increased the balance of our average assets during the quarter, but did not impact our adjusted tangible assets at quarter end, as used in the denominator of the previous methodology's calculation; and

• a $66 million cash dividend payment that the Association made to the Company, its sole shareholder, in December 2014 that reduced our Tier 1 (leverage) capital ratio by an estimated 55 basis points. The amount of the dividend was determined using regulatory guidelines that allow dividends in an amount that does not exceed the Association's current calendar year-to-date net income, plus the preceding two year's retained net income, less prior

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dividend payments made during that time frame. Because of its intercompany nature, this dividend payment did not impact the Company's consolidated capital ratios.

We expect to continue to remain a well capitalized institution.

In managing its level of liquidity, the Company monitors available funding sources, which include attracting new deposits (including brokered CDs), borrowings from others, the conversion of assets to cash and the generation of funds through profitable operations. The Company has traditionally relied on retail deposits as its primary means in meeting its funding needs. At March 31, 2015, deposits totaled $8.50 billion (including $477.1 million of brokered CDs), while borrowings totaled $1.67 billion and borrowers' advances and servicing escrows totaled $131.8 million, combined. In evaluating funding sources, we consider many factors, including cost, duration, current availability, expected sustainability, impact on operations and capital levels.

To attract deposits, we offer our customers attractive rates of return on our deposit products. Our deposit products typically offer rates that are highly competitive with the rates on similar products offered by other financial institutions. We intend to continue this practice, subject to market conditions.

We preserve the availability of alternative funding sources through various mechanisms. First, by maintaining high capital levels, we retain the flexibility to increase our balance sheet size without jeopardizing our capital adequacy. Effectively, this permits us to increase the rates that we offer on our deposit products thereby attracting more potential customers. Second, we pledge available real estate mortgage loans and investment securities with the FHLB of Cincinnati and the FRB-Cleveland. At March 31, 2015, these collateral pledge support arrangements provide the ability to immediately borrow an additional $956.3 million from the FHLB of Cincinnati and $132.5 million from the FRB-Cleveland Discount Window. From the perspective of collateral value securing FHLB of Cincinnati advances, our capacity limit for additional borrowings beyond the immediately available limits at March 31, 2015 was $3.48 billion, subject to satisfaction of the FHLB of Cincinnati common stock ownership requirement. To satisfy the common stock ownership requirement we would need to increase our ownership of FHLB of Cincinnati common stock by an additional $69.7 million. Third, we invest in high quality marketable securities that exhibit limited market price variability, and to the extent that they are not needed as collateral for borrowings, can be sold in the institutional market and converted to cash. At March 31, 2015, our investment securities portfolio totaled $586.1 million. Finally, cash flows from operating activities have been a regular source of funds. During the six months ended March 31, 2015 and 2014, cash flows from operations totaled $48.4 million and $61.1 million, respectively.

Historically, a portion of the residential first mortgage loans that we originated were considered to be highly liquid as they were eligible for delivery/sale to Fannie Mae. However, due to delivery requirement changes imposed by Fannie Mae during and subsequent to the 2008 financial crisis, effective July 1, 2010, that was no longer an available source of liquidity. In response to Fannie Mae's delivery requirement changes, during fiscal 2013 we took the following measures: (1) we completed $276.9 million of non-agency eligible, whole loan sales, all on a servicing retained basis; and (2) we implemented certain loan origination changes required by Fannie Mae which resulted in our November 15, 2013 reinstatement as an approved seller to Fannie Mae. The non-agency sales which included both fixed-rate and Smart Rate loans, demonstrated that, with adequate lead time, the majority of our residential, first mortgage loan portfolio could be available for liquidity management purposes. Also, implementation of the loan origination changes required by Fannie Mae, to which a portion of our loan production will be subjected, elevates the level of liquidity available for those loans. At March 31, 2015, $1.1 million of agency eligible, long-term, fixed-rate HARP II first mortgage loans were classified as "held for sale". During the six months ended March 31, 2015, $10.9 million of agency-compliant HARP II loans and $45.2 million of long-term, fixed-rate, agency-compliant, non-HARP II first mortgage loans were sold to Fannie Mae.

Overall, while customer and community confidence can never be assured, the Company believes that its liquidity is adequate and that it has adequate access to alternative funding sources.

Monitoring and Controlling Operating Expenses. We continue to focus on managing operating expenses. Our ratio of non-interest expense to average assets was 1.47% for the six months ended March 31, 2015 and 1.55% for the six months ended March 31, 2014. As of March 31, 2015, our average assets per full-time employee and our average deposits per full-time employee were $12.2 million and $8.5 million, respectively. We believe that each of these

measures compares favorably with the averages for our peer group. Our average deposits held at our branch offices ($223.7 million per branch office as of March 31, 2015) contributes to our expense management efforts by limiting the overhead costs of serving our deposit customers. We will continue our efforts to control operating expenses as we grow our business.

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Loan Portfolio Composition. The following table sets forth the composition of the portfolio of loans held for investment, by type of loan segregated by geographic location at the indicated dates, excluding loans held for sale. The majority of our construction loan portfolio is secured by properties located in Ohio and the balances of other consumer loans are considered immaterial. Therefore, neither is segregated by geographic location.

	March 31, 2015		December 31, 2014		September 30, 2014		March 31, 2014	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)							
Real estate loans:								
Residential Core								
Ohio	$5,930,611		$5,975,418		$5,986,801		$6,015,052	
Florida	1,582,412		1,576,535		1,570,087		1,526,678	
Other	1,615,600		1,444,149		1,271,951		944,971	
Total Residential Core	9,128,623	83.1 %	8,996,102	82.7 %	8,828,839	82.2 %	8,486,701	80.9 %
Residential Home Today								
Ohio	138,762		142,753		146,974		157,463	
Florida	6,361		6,636		6,909		7,447	
Other	304		307		313		316	
Total Residential Home Today	145,427	1.4	149,696	1.5	154,196	1.5	165,226	1.6
Home equity loans and lines of credit								
Ohio	654,729		667,802		675,911		687,660	
Florida	453,234		465,426		475,375		506,132	
California	213,794		212,393		213,309		216,995	
Other	334,574		331,679		332,334		348,024	
Total Home equity loans and lines of credit	1,656,331	15.1	1,677,300	15.4	1,696,929	15.8	1,758,811	16.8
Total Construction	44,949	0.4	48,899	0.4	57,104	0.5	70,236	0.7
Other consumer loans	3,874	—	4,636	—	4,721	—	4,076	—
Total loans receivable	10,979,204	100.0 %	10,876,633	100.0 %	10,741,789	100.0 %	10,485,050	100.0 %
Deferred loan expenses (fees), net	4,525		1,643		(1,155)		(7,913)	
Loans in process	(25,068)		(27,795)		(28,585)		(36,928)	
Allowance for loan losses	(77,093)		(79,762)		(81,362)		(83,391)	
Total loans receivable, net	$10,881,568		$10,770,719		$10,630,687		$10,356,818	

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On March 31, 2015, the unpaid principal balance of our home equity loans and lines of credit portfolio consisted of $159.7 million in home equity loans (which included $138.3 million of home equity lines of credit, which are in the amortization period and no longer eligible to be drawn upon, and $1.1 million in bridge loans) and $1.50 billion in home equity lines of credit. The following table sets forth credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of March 31, 2015. Home equity lines of credit in the draw period are reported according to geographic distribution.

	Credit Exposure	Principal Balance	Percent Delinquent 90 Days or More	Mean CLTV Percent at Origination (2)	Current Mean CLTV Percent (3)
	(Dollars in thousands)				
Home equity lines of credit in draw period (by state)					
Ohio	$1,209,293	$556,910	0.18 %	60 %	59 %
Florida	614,570	431,907	0.37 %	62 %	71 %
California	315,529	204,829	0.17 %	66 %	63 %
Other (1)	529,912	302,957	0.33 %	63 %	65 %
Total home equity lines of credit in draw period	2,669,304	1,496,603	0.26 %	61 %	63 %
Home equity lines in repayment, home equity loans and bridge loans	159,728	159,728	2.31 %	67 %	50 %
Total	$2,829,032	$1,656,331	0.46 %	62 %	61 %

(1) No individual other state has a committed or drawn balance greater than 10% of total equities nor 5% of total loans.
(2) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.
(3) Current Mean CLTV is based on best available first mortgage and property values as of March 31, 2015. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

At March 31, 2015, 43.0% of our home equity lending portfolio was either in a first lien position (25.6%), in a subordinate (second) lien position behind a first lien that we held (8.8%) or behind a first lien that was held by a loan that we serviced for others (8.6%). In addition, at March 31, 2015, 18.1% of our home equity line of credit portfolio in the draw period was making only the required minimum payment on their outstanding line balance.

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The following table sets forth credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of March 31, 2015. Home equity lines of credit in the draw period are stratified by the calendar year originated:

	Credit Exposure	Principal Balance	Percent Delinquent 90 Days or More	Mean CLTV Percent at Origination (1)	Current Mean CLTV Percent (2)
	(Dollars in thousands)				
Home equity lines of credit in draw period					
2005 and prior	$563,697	$303,131	0.34 %	57 %	58 %
2006	223,206	141,885	0.57 %	65 %	72 %
2007	347,999	238,401	0.36 %	67 %	74 %
2008	739,473	465,492	0.25 %	63 %	64 %
2009	297,190	145,564	0.07 %	55 %	57 %
2010	25,161	10,909	— %	58 %	53 %
2011	232	165	— %	39 %	50 %
2012	27,184	11,884	— %	50 %	46 %
2013	79,032	35,874	— %	60 %	53 %
2014	275,159	112,136	— %	60 %	58 %
2015	90,971	31,162	— %	61 %	60 %
Total home equity lines of credit in draw period	2,669,304	1,496,603	0.26 %	61 %	63 %
Home equity lines in repayment, home equity loans and bridge loans	159,728	159,728	2.31 %	67 %	50 %
Total	$2,829,032	$1,656,331	0.46 %	62 %	61 %

(1) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.

(2) Current Mean CLTV is based on best available first mortgage and property values as of March 31, 2015. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

In general, the home equity line of credit product originated prior to June 2010 (when new home equity lending was temporarily suspended) was characterized by a ten year draw period followed by a ten year repayment period; however, there were two types of transactions that could result in a draw period that extended beyond ten years. The first transaction involved customer requests for increases in the amount of their home equity line of credit. When the customer’s credit performance and profile supported the increase, the draw period term was reset for the ten year period following the date of the increase in the home equity line of credit amount. A second transaction that impacted the draw period involved extensions. For a period of time prior to June 2008, the Association had a program that evaluated home equity lines of credit that were nearing the end of their draw period and made a determination as to whether or not the customer should be offered an additional ten year draw period. If the account and customer met certain pre-established criteria, an offer was made to extend the otherwise expiring draw period by ten years from the date of the offer. If the customer chose to accept the extension, the origination date of the account remained unchanged but the account would have a revised draw period that was extended by ten years. As a result of these two programs, the reported draw periods for certain home equity line of credit accounts exceed ten years.

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The following table sets forth by fiscal year that the draw period expires, the principal balance of home equity lines of credit in the draw period as of March 31, 2015, segregated by the current combined LTV range.

	Current CLTV Category					
Home equity lines of credit in draw period (by End of Draw Fiscal Year):	< 80%	80 - 89.9%	90 - 100%	>100%	Unknown (2)	Total
	(Dollars in thousands)					
2015	$26,285	$4,852	$4,704	$3,105	$386	$39,332
2016	79,671	19,815	17,043	33,428	788	150,745
2017	129,614	32,821	28,664	54,963	3,832	249,894
2018 (1)	380,633	82,383	52,351	50,600	8,066	574,033
2019 (1)	328,847	42,175	8,535	4,290	6,113	389,960
2020 (1)	87,581	3,690	360	296	503	92,430
Post 2020	117	43	—	—	49	209
Total	$1,032,748	$185,779	$111,657	$146,682	$19,737	$1,496,603

(1) Home equity lines of credit whose draw period ends in fiscal years 2018, 2019, and 2020 include $18,598, $92,877, and $62,296 respectively, of lines where the customer has an amortizing payment during the draw period.

(2) Market data necessary for stratification is not readily available.

As shown in the origination by year table, which is the second preceding table above, the percents of loans delinquent 90 days or more (seriously delinquent) originated during the years preceding the 2008 financial and housing crisis are comparatively higher than the years following 2008. Those years saw rapidly increasing housing prices, especially in our Florida market. As the housing prices declined along with the general economic downturn and higher levels of unemployment that accompanied the 2008 financial crisis, we see that reflected in delinquencies for those years. Home equity lines of credit originated during those years also saw higher loan amounts, higher permitted loan-to-value ratios, and lower credit scores. Reflective of the general decrease in housing values since 2006 and through the aftermath of the 2008 financial crisis, current mean CLTV percentages remain higher than the mean CLTV percentages at origination.

As described above, in light of the past and continuing weakness in the housing market, the current level of delinquencies and the uncertainty with respect to future employment levels and economic prospects, we currently conduct an expanded loan level evaluation of our equity lines of credit which are delinquent 90 days or more.

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The following table sets forth the breakdown of current mean CLTV percentages for our home equity lines of credit in the draw period as of March 31, 2015.

	Credit Exposure	Principal Balance	Percent of Total	Percent Delinquent 90 Days or More	Mean CLTV Percent at Origination (2)	Current Mean CLTV Percent (3)
	(Dollars in thousands)					
Home equity lines of credit in draw period (by current mean CLTV)						
< 80%	$2,062,561	$1,032,747	69.0 %	0.19 %	56 %	54 %
80 - 89.9%	272,727	185,779	12.4 %	0.48 %	78 %	84 %
90 - 100%	139,563	111,657	7.5 %	0.32 %	80 %	94 %
> 100%	159,401	146,682	9.8 %	0.31 %	81 %	120 %
Unknown (1)	35,052	19,738	1.3 %	1.21 %	55 %	(1)
	$2,669,304	$1,496,603	100.0 %	0.26 %	61 %	63 %

(1) Market data necessary for stratification is not readily available.
(2) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.
(3) Current Mean CLTV is based on best available first mortgage and property values as of March 31, 2015. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

Delinquent Loans. The following tables set forth the number and recorded investment in loan delinquencies by type, segregated by geographic location and severity of delinquency at the dates indicated. The majority of our construction loan portfolio is secured by properties located in Ohio and there were no delinquencies in the other consumer loan portfolio; therefore, neither is segregated by geography.

	Loans Delinquent for 30-89 Days		90 Days or More		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
March 31, 2015						
Real estate loans:						
Residential Core						
Ohio	102	$9,026	223	$19,972	325	$28,998
Florida	7	885	96	9,865	103	10,750
Other	—	—	8	1,066	8	1,066
Total Residential Core	109	9,911	327	30,903	436	40,814
Residential Home Today						
Ohio	108	6,290	289	11,553	397	17,843
Florida	5	372	13	772	18	1,144
Kentucky	1	42	—	—	1	42
Total Residential Home Today	114	6,704	302	12,325	416	19,029
Home equity loans and lines of credit						
Ohio	139	3,969	201	3,614	340	7,583
Florida	49	2,540	160	1,912	209	4,452
California	8	664	16	436	24	1,100
Other	21	762	63	1,654	84	2,416
Total Home equity loans and lines of credit	217	7,935	440	7,616	657	15,551

Construction	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total	440	$24,550	1,069	$50,844	1,509	$75,394

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	Loans Delinquent for				Total	
	30-89 Days		90 Days or More			
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
December 31, 2014						
Real estate loans:						
Residential Core						
Ohio	129	$13,715	247	$20,032	376	$33,747
Florida	10	1,777	114	11,814	124	13,591
Other	2	355	8	1,542	10	1,897
Total Residential Core	141	15,847	369	33,388	510	49,235
Residential Home Today						
Ohio	173	9,986	311	12,937	484	22,923
Florida	9	734	17	753	26	1,487
Total Residential Home Today	182	10,720	328	13,690	510	24,410
Home equity loans and lines of credit						
Ohio	147	4,313	215	3,522	362	7,835
Florida	40	1,773	168	2,096	208	3,869
California	8	679	16	495	24	1,174
Other	35	1,841	58	1,594	93	3,435
Total Home equity loans and lines of credit	230	8,606	457	7,707	687	16,313
Construction	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total	553	$35,173	1,154	$54,785	1,707	$89,958

	Loans Delinquent for				Total	
	30-89 Days		90 Days or More			
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
September 30, 2014						
Real estate loans:						
Residential Core						
Ohio	108	$10,416	263	$22,218	371	$32,634
Florida	14	2,006	141	14,291	155	16,297
Other	3	544	4	942	7	1,486
Total Residential Core	125	12,966	408	37,451	533	50,417
Residential Home Today						
Ohio	168	9,797	328	14,256	496	24,053
Florida	9	643	18	849	27	1,492
Total Residential Home Today	177	10,440	346	15,105	523	25,545
Home equity loans and lines of credit						
Ohio	123	3,753	214	3,637	337	7,390
Florida	36	2,365	184	3,010	220	5,375
California	11	753	16	298	27	1,051
Other	21	958	59	2,092	80	3,050
Total Home equity loans and lines of credit	191	7,829	473	9,037	664	16,866
Construction	1	200	—	—	1	200
Other consumer loans	—	—	—	—	—	—
Total	494	$31,435	1,227	$61,593	1,721	$93,028

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	Loans Delinquent for 30-89 Days		90 Days or More		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
March 31, 2014						
Real estate loans:						
Residential Core						
Ohio	119	$13,179	284	$24,842	403	$38,021
Florida	16	2,777	178	19,222	194	21,999
Kentucky	3	245	1	327	4	572
Total Residential Core	138	16,201	463	44,391	601	60,592
Residential Home Today						
Ohio	146	8,583	348	15,500	494	24,083
Florida	3	283	15	722	18	1,005
Total Residential Home Today	149	8,866	363	16,222	512	25,088
Home equity loans and lines of credit						
Ohio	126	3,579	233	5,198	359	8,777
Florida	55	3,845	187	4,114	242	7,959
California	10	635	22	1,041	32	1,676
Other	22	1,185	63	2,754	85	3,939
Total Home equity loans and lines of credit	213	9,244	505	13,107	718	22,351
Construction	—	—	3	151	3	151
Other consumer loans	—	—	—	—	—	—
Total	500	$34,311	1,334	$73,871	1,834	$108,182

Loans delinquent 90 days or more remained at 0.5% of total net loans at March 31, 2015 compared to December 31, 2014, and decreased 0.2% from 0.7% at March 31, 2014. Loans delinquent 30 to 89 days decreased 0.1% to 0.2% of total net loans at March 31, 2015 from both December 31, 2014 and March 31, 2014. During the last several years, the inability of borrowers to repay their loans has been primarily a result of high unemployment and uncertain economic prospects in our primary lending markets. Although regional employment levels have improved, we believe the breadth and sustainability of the economic recovery has slowed and, accordingly, some borrowers who were current on their loans at March 31, 2015 may experience payment problems in the future. The excess number of housing units available for sale in certain segments of the market today also may limit a borrower’s ability to sell a home he or she can no longer afford. In many Florida areas, although housing values have recovered to a certain extent over the past year, values remain depressed from the state’s market peak which may limit a borrower’s ability to sell a home at a price that equals or exceeds the balance of the outstanding mortgage indebtedness.

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Non-Performing Assets and Troubled Debt Restructurings. The following table sets forth the recorded investments and categories of our non-performing assets and TDRs at the dates indicated.

	March 31, 2015	December 31, 2014	September 30, 2014	March 31, 2014
	(Dollars in thousands)			
Non-accrual loans:				
Real estate loans:				
Residential Core	$71,180	$73,585	$79,388	$80,915
Residential Home Today	26,455	28,249	29,960	31,469
Home equity loans and lines of credit	24,658	25,005	26,189	30,162
Construction	—	—	—	151
Other consumer loans	—	—	—	—
Total non-accrual loans (1)(2)	122,293	126,839	135,537	142,697
Real estate owned	20,278	21,984	21,768	19,912
Other non-performing assets	—	—	—	—
Total non-performing assets	$142,571	$148,823	$157,305	$162,609
Ratios:				
Total non-accrual loans to total loans	1.12 %	1.17 %	1.27 %	1.37 %
Total non-accrual loans to total assets	1.01 %	1.05 %	1.15 %	1.24 %
Total non-performing assets to total assets	1.18 %	1.23 %	1.33 %	1.41 %
TDRs: (not included in non-accrual loans above)				
Real estate loans:				
Residential Core	$61,099	$60,806	$59,630	$58,842
Residential Home Today	37,404	38,292	39,148	42,066
Home equity loans and lines of credit	9,094	8,960	8,117	7,303
Construction	—	—	—	—
Other consumer loans	—	—	—	—
Total	$107,597	$108,058	$106,895	$108,211

(1) Totals at March 31, 2015, December 31, 2014, September 30, 2014 and March 31, 2014, include $57.7 million, $57.4 million, $58.7 million and $54.9 million, respectively, in TDRs, which are less than 90 days past due but included with nonaccrual loans for a minimum period of six months from the restructuring date due to their non-accrual status prior to restructuring, because they have been partially charged off, or because all borrowers have been discharged of their obligation through a Chapter 7 bankruptcy.

(2) Includes $19.0 million, $19.1 million, $20.9 million and $26.6 million in TDRs that are 90 days or more past due at March 31, 2015, December 31, 2014, September 30, 2014 and March 31, 2014, respectively.

The gross interest income that would have been recorded during the six months ended March 31, 2015 and March 31, 2014 on non-accrual loans if they had been accruing during the entire period and TDRs if they had been current and performing in accordance with their original terms during the entire period was $6.6 million and $6.7 million, respectively. The interest income recognized on those loans included in net income for the six months ended March 31, 2015 and March 31, 2014 was $3.2 million and $3.4 million, respectively.

At March 31, 2015, December 31, 2014, September 30, 2014 and March 31, 2014, the recorded investment of impaired loans includes accruing TDRs and loans that are returned to accrual status when contractual payments are less than 90 days past due. These loans continue to be individually evaluated for impairment until at a minimum, contractual payments are less than 30 days past due. Also, the recorded investment of non-accrual loans includes loans that are not included in the recorded investment of impaired loans because they are included in loans collectively evaluated for impairment.

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The table below sets forth the recorded investments and categories between non-accrual loans and impaired loans at the dates indicated.

	March 31, 2015	December 31, 2014	September 30, 2014	March 31, 2014
	(Dollars in thousands)			
Non-Accrual Loans	$122,293	$126,839	$135,537	$142,697
Accruing TDRs	107,597	108,057	106,895	108,211
Performing Impaired	5,417	6,145	5,389	7,184
Collectively Evaluated	(11,646)	(12,411)	(14,435)	(13,314)
Total Impaired loans	$223,661	$228,630	$233,386	$244,778

In response to the economic challenges facing many borrowers, the Association continues to restructure loans, resulting in $184.3 million of total TDRs (accrual and non-accrual) recorded at March 31, 2015. There was a $2.1 million decrease in the recorded investment of TDRs from September 30, 2014 and a $5.4 million decrease in the aggregate balance from March 31, 2014.

Loan restructuring is a method used to help families keep their homes and preserve our neighborhoods. This involves making changes to the borrowers' loan terms through interest rate reductions, either for a specific period or for the remaining term of the loan; term extensions, including beyond that provided in the original agreement; principal forgiveness; capitalization of delinquent payments in special situations; or some combination of the above. Loans discharged through Chapter 7 bankruptcy are also reported as TDRs per OCC interpretive guidance issued in July 2012. For discussion on impairment measurement, see Note 4 to the Unaudited Interim Consolidated Financial Statements: LOANS AND ALLOWANCE FOR LOAN LOSSES.

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The following table sets forth the recorded investment in accrual and non-accrual TDRs, by the types of concessions granted, as of March 31, 2015.

	Reduction in Interest Rates	Payment Extensions	Forbearance or Other Actions	Multiple Concessions	Multiple Restructurings	Bankruptcy	Total
	(In thousands)						
Accrual							
Residential Core	$ 14,767	$ 698	$ 7,989	$ 17,989	$ 11,340	$ 8,316	$ 61,099
Residential Home Today	6,227	—	4,175	11,784	14,072	1,146	37,404
Home equity loans and lines of credit	102	2,407	317	1,789	352	4,127	9,094
Construction	—	—	—	—	—	—	—
Total	$ 21,096	$ 3,105	$ 12,481	$ 31,562	$ 25,764	$ 13,589	$ 107,597
Non-Accrual, Performing							
Residential Core	$ 1,450	$ 160	$ 205	$ 3,472	$ 9,520	$ 20,647	$ 35,454
Residential Home Today	1,253	11	671	1,117	4,980	3,652	