Kearny Financial Corp.
Form 10-Q
November 10, 2014
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________ to ________

Commission File Number 000-51093

KEARNY FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

UNITED STATES **(State or other jurisdiction of incorporation or organization)**	**22-3803741** **(I.R.S. Employer Identification Number)**
120 Passaic Ave.,	**07004-3510**
Fairfield, New Jersey	**(Zip Code)**
(Address of principal executive offices)	

973-244-4500

Registrant s telephone number, including area code

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	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 x

The number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: November 7, 2014.

$0.10 par value common stock 67,375,247 shares outstanding

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In Thousands, Except Share and Per Share Data)

	September 30, 2014 (Unaudited)	June 30, 2014
Assets		
Cash and amounts due from depository institutions	$ 14,821	$ 14,403
Interest-bearing deposits in other banks	111,965	120,631
Cash and Cash Equivalents	126,786	135,034
Debt securities available for sale (amortized cost $415,173 and $411,228)	412,523	407,898
Debt securities held to maturity (fair value $212,934 and $213,472)	215,454	216,414
Loans receivable, including unamortized yield adjustments of $(1,432) and $(1,397)	1,770,997	1,741,471
Less allowance for loan losses	(12,406)	(12,387)
Net Loans Receivable	1,758,591	1,729,084
Mortgage-backed securities available for sale (amortized cost $413,208 and $432,802)	413,878	437,223
Mortgage-backed securities held to maturity (fair value $307,178 and $293,781)	309,017	295,658
Premises and equipment	39,791	40,105
Federal Home Loan Bank of New York (FHLB) stock	27,383	25,990
Accrued interest receivable	9,308	9,013
Goodwill	108,591	108,591
Bank owned life insurance	89,472	88,820
Deferred income tax assets, net	7,967	10,314
Other assets	12,333	5,865
Total Assets	$ 3,531,094	$ 3,510,009
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Non-interest-bearing	$ 215,569	$ 224,054
Interest-bearing	2,233,744	2,255,887
Total Deposits	2,449,313	2,479,941
Borrowings	564,860	512,257
Advance payments by borrowers for taxes	8,699	9,001
Other liabilities	16,277	14,134
Total Liabilities	3,039,149	3,015,333

Stockholders Equity		
Preferred stock, $0.10 par value, 25,000,000 shares authorized; none issued and outstanding		
Common stock, $0.10 par value, 75,000,000 shares authorized; 73,781,587 shares issued; 67,375,247 and 67,267,865 shares outstanding, respectively	7,378	7,378
Paid-in capital	225,130	231,870
Retained earnings	339,278	336,355
Unearned Employee Stock Ownership Plan shares; 351,564 shares and 387,924 shares, respectively	(3,516)	(3,879)
Treasury stock, at cost; 6,406,340 shares and 6,513,722 shares, respectively	(73,535)	(74,768)
Accumulated other comprehensive loss	(2,790)	(2,280)
Total Stockholders Equity	491,945	494,676
Total Liabilities and Stockholders Equity	$ 3,531,094	$ 3,510,009

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended September 30, 2014	2013
Interest Income		
Loans	$ 18,405	$ 15,816
Mortgage-backed securities	4,776	5,554
Securities:		
Taxable	1,735	1,278
Tax-exempt	485	454
Other interest-earning assets	297	198
Total Interest Income	25,698	23,300
Interest Expense		
Deposits	3,846	3,632
Borrowings	2,327	1,472
Total Interest Expense	6,173	5,104
Net Interest Income	19,525	18,196
Provision for Loan Losses	858	1,168
Net Interest Income after Provision for Loan Losses	18,667	17,028
Non-Interest Income		
Fees and service charges	699	691
Gain on sale of loans		53
(Loss) gain on sale and write down of real estate owned	(151)	1
Income from bank owned life insurance	652	702
Electronic banking fees and charges	284	344
Miscellaneous	96	70
Total Non-Interest Income	1,580	1,861
Non-Interest Expenses		
Salaries and employee benefits	10,076	8,953
Net occupancy expense of premises	1,642	1,662
Equipment and systems	1,930	1,874
Advertising and marketing	148	251

Federal deposit insurance premium	589	512
Directors compensation	196	172
Miscellaneous	2,190	1,858
Total Non-Interest Expenses	$ 16,771	$ 15,282

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Continued)

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended September 30,	
	2014	2013
Income Before Income Taxes	$ 3,476	$ 3,607
Income Taxes	553	1,021
Net Income	$ 2,923	$ 2,586
Net Income per Common Share (EPS):		
Basic	$ 0.04	$ 0.04
Diluted	$ 0.04	$ 0.04
Weighted Average Number of Common Shares Outstanding:		
Basic	66,975	65,936
Diluted	67,371	65,936
Dividends Declared Per Common Share	$	$

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Unaudited)

	Three Months Ended September 30,	
	2014	2013
Net Income	$ 2,923	$ 2,586
Other Comprehensive Loss:		
Net unrealized (loss) gain on securities available for sale, net of deferred income tax (benefit) expense of:		
2014 ($1,041);		
2013 $534	(2,030)	943
Net gain on securities transferred from available for sale to held to maturity, net of deferred income tax expense of:		
2014 $0;		
2013 $0	2	
Fair value adjustments on derivatives, net of deferred income tax expense (benefit) of:		
2014 1,189;		
2013 ($1,155)	1,722	(1,672)
Benefit plan adjustments, net of deferred income tax (benefit) expense of:		
2014 $(140);		
2013 $333	(204)	481
Total Other Comprehensive Loss	(510)	(248)
Total Comprehensive Income	$ 2,413	$ 2,338

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Three Months Ended September 30, 2013

(In Thousands, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance June 30, 2013	66,501	$ 7,274	$ 215,722	$ 326,167	$ (5,334)	$ (71,983)	$ (4,139)	$ 467,707
Net income				2,586				2,586
Other comprehensive loss, net of income tax							(248)	(248)
ESOP shares committed to be released (36 shares)			9		364			373
Stock option expense			10					10
Treasury stock purchases	(120)					(1,211)		(1,211)
Restricted stock plan shares earned (4 shares)			42					42
Balance September 30, 2013	66,381	$ 7,274	$ 215,783	$ 328,753	$ (4,970)	$ (73,194)	$ (4,387)	$ 469,259

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Three Months Ended September 30, 2014

(In Thousands, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance June 30, 2014	67,268	$ 7,378	$ 231,870	$ 336,355	$ (3,879)	$ (74,768)	$ (2,280)	$ 494,676
Net income				2,923				2,923
Other comprehensive loss, net of income tax							(510)	(510)
ESOP shares committed to be released (36 shares)			184		363			547
Stock option expense			50					50
Treasury stock reissued	107		132			1,233		1,365
Restricted stock plan shares earned (7 shares)			82					82
Settlement of stock options with cash in lieu of shares			(7,188)					(7,188)
Balance September 30, 2014	67,375	$ 7,378	$ 225,130	$ 339,278	$ (3,516)	$ (73,535)	$ (2,790)	$ 491,945

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands, Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Cash Flows from Operating Activities:		
Net income	$ 2,923	$ 2,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	752	622
Net amortization of premiums, discounts and loan fees and costs	593	985
Deferred income taxes	2,339	(400)
Amortization of intangible assets	28	33
Amortization of benefit plans unrecognized net loss	20	11
Provision for loan losses	858	1,168
Loss (gain) on write-down and sales of real estate owned	151	(1)
Realized gain on sale of loans		(53)
Proceeds from sale of loans		496
Realized gain on disposition of premises and equipment	(25)	
Increase in cash surrender value of bank owned life insurance	(652)	(702)
ESOP, stock option plan and restricted stock plan expenses	679	425
Increase in interest receivable	(294)	(480)
(Increase) decrease in other assets	(3,650)	135
Increase in interest payable	54	70
Increase in other liabilities	1,752	983
Net Cash Provided by Operating Activities	5,528	5,878
Cash Flows from Investing Activities:		
Purchase of debt securities available for sale	(3,968)	(1,895)
Proceeds from repayments of debt securities available for sale	43	45
Purchase of debt securities held to maturity	(350)	(1,195)
Proceeds from calls and maturities of debt securities held to maturity	1,195	50
Proceeds from repayments of debt securities held to maturity	62	173
Purchase of loans	(12,868)	(56,319)
Net increase in loans receivable	(17,667)	(69,777)
Proceeds from sale of real estate owned	17	403
Purchases of mortgage-backed securities available for sale		(10,647)
Principal repayments on mortgage-backed securities available for sale	19,144	40,969
Purchases of mortgage-backed securities held to maturity	(16,695)	
Principal repayments on mortgage-backed securities held to maturity	3,202	420
Purchase of FHLB stock	(6,480)	(10,260)
Redemption of FHLB stock	5,087	4,411

Proceeds from cash settlement of premises and equipment	44	
Additions to premises and equipment	(457)	(539)
Net Cash Used in Investing Activities	$ (29,691)	$ (104,161)

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands, Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Cash Flows from Financing Activities:		
Net decrease in deposits	$ (30,568)	$ (39,261)
Repayment of term FHLB advances	(303,023)	(100,021)
Proceeds from term FHLB advances	375,000	175,000
Net change in overnight borrowings	(17,000)	55,000
Decrease in other short-term borrowings	(2,369)	(551)
(Decrease) increase in advance payments by borrowers for taxes	(302)	479
Purchase of common stock of Kearny Financial Corp. for treasury		(1,211)
Issuance of common stock of Kearny Financial Corp. from treasury	1,365	
Payment of cash for exercise of stock options	(7,188)	
Net Cash Provided by Financing Activities	15,915	89,435
Net Decrease in Cash and Cash Equivalents	(8,248)	(8,848)
Cash and Cash Equivalents Beginning	135,034	127,034
Cash and Cash Equivalents Ending	$ 126,786	$ 118,186
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the year for:		
Income taxes, net of refunds	$ 1,000	$ 250
Interest	$ 6,119	$ 5,034
Non-cash investing and financing activities:		
Acquisition of real estate owned in settlement of loans	$ 118	$ 282

See notes to unaudited consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. PRINCIPLES OF CONSOLIDATION

The unaudited consolidated financial statements include the accounts of Kearny Financial Corp. (the Company), its wholly-owned subsidiary, Kearny Federal Savings Bank (the Bank) and the Bank s wholly-owned subsidiaries, CJB Investment Corp. and KFS Financial Services, Inc. and its wholly-owned subsidiary, KFS Insurance Services, Inc. The Company conducts its business principally through the Bank. Management prepared the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), including the elimination of all significant inter-company accounts and transactions during consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, income, comprehensive income, changes in stockholders equity and cash flows in conformity with GAAP. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited consolidated financial statements have been included. The results of operations for the three- month period ended September 30, 2014, are not necessarily indicative of the results that may be expected for the entire fiscal year or any other period.

The data in the consolidated statement of financial condition for June 30, 2014 was derived from the Company s 2014 annual report on Form 10-K. That data, along with the interim unaudited financial information presented in the consolidated statements of financial condition, income, comprehensive income, changes in stockholders equity and cash flows should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in the Company s 2014 annual report on Form 10-K.

3. NET INCOME PER COMMON SHARE (EPS)

Basic EPS is based on the weighted average number of common shares actually outstanding including restricted stock awards (see following paragraph) adjusted for Employee Stock Ownership Plan (ESOP) shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding.

The Financial Accounting Standards Board (FASB) has issued guidance on determining whether instruments granted in share-based payment transactions are participating securities. This guidance clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied.

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The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	Three Months Ended September 30, 2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)		
Net income	$ 2,923		
Basic earnings per share, income available to common stockholders	$ 2,923	66,975	$ 0.04
Effect of dilutive securities:			
Stock options		396	
	$ 2,923	67,371	$ 0.04

	Three Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)		
Net income	$ 2,586		
Basic earnings per share, income available to common stockholders	$ 2,586	65,936	$ 0.04
Effect of dilutive securities:			
Stock options			
	$ 2,586	65,936	$ 0.04

During the three months ended September 30, 2014 and 2013, the average number of options which were considered anti-dilutive totaled approximately 185,000 and 3,158,000, respectively.

4. SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of September 30, 2014, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date this document was filed.

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5. PLAN OF CONVERSION AND REORGANIZATION

On September 4, 2014, the Boards of Directors of Kearny MHC (the majority stockholder of the Company), the Company and the Bank adopted a Plan of Conversion and Reorganization (the Plan). Pursuant to the Plan, Kearny MHC will convert from the mutual holding company form of organization to the fully public form. Kearny MHC will be merged into the Company, and Kearny MHC will no longer exist. The Company will then merge into a new Maryland corporation, also named Kearny Financial Corp., which will become the holding company for the Bank.

As part of the conversion, Kearny MHC s ownership interest of the Company will be offered for sale in a public offering. The existing publicly held shares of the Company, which represent the remaining ownership interest in the Company, will be exchanged for new shares of common stock of the new Maryland corporation. The exchange ratio will ensure that immediately after the conversion and public offering, the public shareholders of the Company will own the same aggregate percentage of common stock of the new Maryland corporation that they owned immediately prior to the completion of the conversion and public offering (excluding shares purchased in the stock offering and cash received in lieu of fractional shares).

When the conversion and public offering are completed, all of the capital stock of the Bank will be owned by the new Maryland corporation. The Plan provides for the establishment, upon the completion of the conversion, of special liquidation accounts for the benefit of certain depositors of the Bank in an amount equal to the greater of Kearny MHC s ownership interest in the retained earnings of the Company as of the date of the latest balance sheet contained in the prospectus plus the value of the net assets of Kearny MHC as of the date of the latest statement of financial condition of Kearny MHC prior to the consummation of the conversion (excluding its ownership of the Company).

Following the completion of the conversion, under the rules of the FRB, the Bank will not be permitted to pay dividends on its capital stock to the Company, its sole shareholder, if the Company s shareholders equity would be reduced below the amount of the liquidation accounts. The liquidation accounts will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder s interest in the liquidation accounts. Direct costs of the conversion and public offering will be deferred and reduce the proceeds from the shares sold in the public offering. The Company has incurred approximately $1.1 million in such costs through September 30, 2014.

The transactions contemplated by the Plan are subject to approval by the Company s stockholders (including approval by a majority of the shares held by persons other than the MHC) and the members of the MHC as well as the Board of Governors of the Federal Reserve System whose approval as the primary regulator of the Company and Kearny MHC remains pending at the time of this filing.

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6. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40) Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The purpose of the ASU is to reduce diversity in the application of guidance 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. This ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The purpose of the ASU is to address the concern that current accounting guidance distinguishes between repurchase agreements that settle at the same time as the maturity of the transferred financial asset and those that settle any time before maturity. In particular, repurchase-to-maturity transactions are generally accounted for as sales with forward agreements under current accounting, whereas typical repurchase agreements that settle before the maturity of the transferred financial asset are accounted for as secured borrowings. Additionally, current accounting guidance requires an evaluation of whether an initial transfer of a financial asset and a contemporaneous repurchase agreement (a repurchase financing) should be accounted for separately or linked. If linked, the arrangement is accounted for on a combined basis as a forward agreement. Those outcomes often are referred to as off-balance-sheet accounting. The ASU changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require two new related disclosures. This ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

7. STOCK REPURCHASE PLANS

On December 2, 2013, the Company announced that the Board of Directors authorized a stock repurchase plan to acquire up to 762,640 shares, or 5%, of the Company s outstanding stock held by persons other than Kearny MHC. Through September 30, 2014, the Company has repurchased a total of 62,900 shares in accordance with this repurchase plan at a total cost of approximately $700,000 and at an average cost per share of $11.13.

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8. SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses and fair values of debt and mortgage-backed securities available for sale at September 30, 2014 and June 30, 2014 and stratification by contractual maturity of debt securities available for sale at September 30, 2014 are presented below:

	At September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities available for sale:				
Debt securities:				
U.S. agency securities	$ 4,112	$ 33	$ 5	$ 4,140
Obligations of state and political subdivisions	27,531	35	531	27,035
Asset-backed securities	87,519	832	470	87,881
Collateralized loan obligations	124,052		824	123,228
Corporate bonds	163,070	528	1,251	162,347
Trust preferred securities	8,889	20	1,017	7,892
Total debt securities	415,173	1,448	4,098	412,523
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	32,553		744	31,809
Federal National Mortgage Association	49,628	10	1,555	48,083
Non-agency securities	196		1	195
Total collateralized mortgage obligations	82,377	10	2,300	80,087
Mortgage pass-through securities:				
Residential pass-through securities:				
Government National Mortgage Association	2,907	268	1	3,174
Federal Home Loan Mortgage Corporation	187,664	2,658	2,422	187,900
Federal National Mortgage Association	131,756	3,622	1,107	134,271
Total residential pass-through securities	322,327	6,548	3,530	325,345
Commercial pass-through securities:				
Federal National Mortgage Association	8,504		58	8,446
Total commercial pass-through securities	8,504		58	8,446
Total mortgage-backed securities	413,208	6,558	5,888	413,878
Total securities available for sale	$ 828,381	$ 8,006	$ 9,986	$ 826,401

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	At September 30, 2014 Amortized Cost	Fair Value
	(In Thousands)	
Debt securities available for sale:		
Due in one year or less	$	$
Due after one year through five years	20,054	20,220
Due after five years through ten years	172,394	171,410
Due after ten years	222,725	220,893
Total	$ 415,173	$ 412,523

	At June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities available for sale:				
Debt securities:				
U.S. agency securities	$ 4,159	$ 48	$ 2	$ 4,205
Obligations of state and political subdivisions	27,537	9	773	26,773
Asset-backed securities	87,480	663	827	87,316
Collateralized loan obligations	120,089		517	119,572
Corporate bonds	163,076	617	1,459	162,234
Trust preferred securities	8,887	32	1,121	7,798
Total debt securities	411,228	1,369	4,699	407,898
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	33,505		485	33,020
Federal National Mortgage Association	51,277	12	1,249	50,040
Non-agency securities	210			210
Total collateralized mortgage obligations	84,992	12	1,734	83,270
Mortgage pass-through securities:				
Residential pass-through securities:				
Government National Mortgage Association	3,055	221		3,276
Federal Home Loan Mortgage Corporation	196,882	3,937	1,929	198,890
Federal National Mortgage Association	147,873	4,750	836	151,787
Total residential pass-through securities	347,810	8,908	2,765	353,953
Total mortgage-backed securities	432,802	8,920	4,499	437,223

Total securities available for sale	$ 844,030	$ 10,289	$ 9,198	$ 845,121

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There were no sales of securities available for sale during the three months ended September 30, 2014 and September 30, 2013.

At September 30, 2014 and June 30, 2014, securities available for sale with carrying values of approximately $70.6 million and $76.1 million, respectively, were utilized as collateral for borrowings through the FHLB of New York. As of those same dates, securities available for sale with total carrying values of approximately $1.7 million and $1.8 million, respectively, were pledged to secure public funds on deposit.

At September 30, 2014, the Company s available for sale mortgage-backed securities were secured by residential and commercial mortgage loans with original contractual maturities of ten to thirty years. At June 30, 2014, the Company s available for sale mortgage-backed securities were secured by residential mortgage loans only with original contractual maturities of ten to thirty years. The effective lives of mortgage-backed securities are generally shorter than their contractual maturities due to principal amortization and prepayment of the mortgage loans comprised within those securities. Investors in mortgage pass-through securities generally share in the receipt of principal repayments on a pro-rata basis as paid by the borrowers. By comparison, collateralized mortgage obligations generally represent individual tranches within a larger investment vehicle that is designed to distribute cash flows received on securitized mortgage loans to investors in a manner determined by the overall terms and structure of the investment vehicle and those applying to the individual tranches within that structure.

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9. SECURITIES HELD TO MATURITY

The amortized cost, gross unrealized gains and losses and fair values of debt and mortgage-backed securities held to maturity at September 30, 2014 and June 30, 2014 and stratification by contractual maturity of debt securities held to maturity at September 30, 2014 are presented below:

	At September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities held to maturity:				
Debt securities:				
U.S. agency securities	$ 144,288	$ 10	$ 1,654	$ 142,644
Obligations of state and political subdivisions	71,166	75	951	70,290
Total debt securities	215,454	85	2,605	212,934
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	20	2		22
Federal National Mortgage Association	252	27		279
Non-agency securities	48		1	47
Total collateralized mortgage obligations	320	29	1	348
Mortgage pass-through securities:				
Residential pass-through securities:				
Government National Mortgage Association	8	1		9
Federal Home Loan Mortgage Corporation	272	14		286
Federal National Mortgage Association	125,243	575	499	125,319
Total residential pass-through securities	125,523	590	499	125,614
Commercial pass-through securities:				
Federal National Mortgage Association	183,174	111	2,069	181,216
Total commercial pass-through securities	183,174	111	2,069	181,216
Total mortgage-backed securities	309,017	730	2,569	307,178
Total securities held to maturity	$ 524,471	$ 815	$ 5,174	$ 520,112

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	At September 30, 2014	
	Amortized Cost	Fair Value
	(In Thousands)	
Debt securities held to maturity:		
Due in one year or less	$ 4,900	$ 4,916
Due after one year through five years	146,430	144,780
Due after five years through ten years	39,247	38,780
Due after ten years	24,877	24,458
Total	$ 215,454	$ 212,934

	At June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities held to maturity:				
Debt securities:				
U.S. agency securities	$ 144,349	$ 6	$ 1,408	$ 142,947
Obligations of state and political subdivisions	72,065	15	1,555	70,525
Total debt securities	216,414	21	2,963	213,472
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	20	2		22
Federal National Mortgage Association	264	30		294
Non-agency securities	54		1	53
Total collateralized mortgage obligations	338	32	1	369
Mortgage pass-through securities:				
Residential pass-through securities:				
Government National Mortgage Association	9			9
Federal Home Loan Mortgage Corporation	283	4		287
Federal National Mortgage Association	114,276	140	83	114,333
Total residential pass-through securities	114,568	144	83	114,629
Commercial pass-through securities:				
Federal National Mortgage Association	180,752	73	2,042	178,783
Total commercial pass-through securities	180,752	73	2,042	178,783
Total mortgage-backed securities	295,658	249	2,126	293,781

Total securities held to maturity	$ 512,072	$ 270	$ 5,089	$ 507,253

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There were no sales of securities held to maturity during the three months ended September 30, 2014 and September 30, 2013.

At September 30, 2014 and June 30, 2014, securities held to maturity with carrying values of approximately $128.0 million and $128.1 million, respectively, were utilized as collateral for borrowings from the FHLB of New York. As of those same dates, securities held to maturity with total carrying values of approximately $8.1 million and $4.5 million, respectively, were pledged to secure public funds on deposit.

At September 30, 2014 and June 30, 2014, the Company s held to maturity mortgage-backed securities were secured by both residential and commercial mortgage loans with original contractual maturities of ten to thirty years. The effective lives of mortgage-backed securities are generally shorter than their contractual maturities due to principal amortization and prepayment of the mortgage loans comprised within those securities. Investors in mortgage pass-through securities generally share in the receipt of principal repayments on a pro-rata basis as paid by the borrowers. By comparison, collateralized mortgage obligations generally represent individual tranches within a larger investment vehicle that is designed to distribute cash flows received on securitized mortgage loans to investors in a manner determined by the overall terms and structure of the investment vehicle and those applying to the individual tranches within that structure.

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10. IMPAIRMENT OF SECURITIES

The following two tables summarize the fair values and gross unrealized losses within the available for sale and held to maturity portfolios at September 30, 2014 and June 30, 2014. The gross unrealized losses, presented by security type, represent temporary impairments of value within each portfolio as of the dates presented. Temporary impairments within the available for sale portfolio have been recognized through other comprehensive income as reductions in stockholders equity on a tax-effected basis.

The tables are followed by a discussion that summarizes the Company s rationale for recognizing certain impairments as temporary versus those identified as other-than-temporary . Such rationale is presented by investment type and generally applies consistently to both the available for sale and held to maturity portfolios, except where specifically noted.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
Securities Available for Sale:						
At September 30, 2014:						
U.S. agency securities	$	$	$ 881	$ 5	$ 881	$ 5
Obligations of state and political subdivisions	4,464	20	17,326	511	21,790	531
Asset-backed securities	13,283	406	25,291	64	38,574	470
Collateralized loan obligations	98,331	648	24,897	176	123,228	824
Corporate bonds	39,876	123	53,929	1,128	93,805	1,251
Trust preferred securities			6,872	1,017	6,872	1,017
Collateralized mortgage obligations	30,889	482	48,142	1,818	79,031	2,300
Residential pass-through securities	37,055	144	119,625	3,386	156,680	3,530
Commercial pass-through securities	8,447	58			8,447	58
Total	$ 232,345	$ 1,881	$ 296,963	$ 8,105	$ 529,308	$ 9,986
At June 30, 2014:						
U.S. agency securities	$ 826	$ 1	$ 84	$ 1	$ 910	$ 2
Obligations of state and political subdivisions	946	3	23,140	770	24,086	773
Asset-backed securities	28,404	630	25,169	197	53,573	827
Collateralized loan obligations	84,705	270	24,829	247	109,534	517
Corporate bonds	19,790	210	53,811	1,249	73,601	1,459
Trust preferred securities			6,766	1,121	6,766	1,121
Collateralized mortgage obligations	21,806	219	50,028	1,515	71,834	1,734
Residential pass-through securities			123,666	2,765	123,666	2,765
Commercial pass-through securities						
Total	$ 156,477	$ 1,333	$ 307,493	$ 7,865	$ 463,970	$ 9,198

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The number of available for sale securities with unrealized losses at September 30, 2014 totaled 123 and included four U.S. agency securities, 55 municipal obligations, six asset-backed securities, 18 collateralized loan obligations, seven corporate obligations, four trust preferred securities and 29 mortgage-backed securities comprising ten collateralized mortgage obligations, two commercial pass-through securities and 17 residential pass-through securities. The number of available for sale securities with unrealized losses at June 30, 2014 totaled 111 and included four U.S. agency securities, 63 municipal obligations, five asset-backed securities, 16 collateralized loan obligations, six corporate obligations, four trust preferred securities and 13 mortgage-backed securities comprising six collateralized mortgage obligations and seven residential pass-through securities.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
Securities Held to Maturity:						
At September 30, 2014:						
U.S. agency securities	$	$	$ 141,675	$ 1,654	$ 141,675	$ 1,654
Obligations of state and political subdivisions	8,450	35	45,046	916	53,496	951
Collateralized mortgage obligations	47	1			47	1
Residential pass-through securities	94,867	499			94,867	499
Commercial pass-through securities	73,274	434	78,638	1,635	151,912	2,069
Total	$ 176,638	$ 969	$ 265,359	$ 4,205	$ 441,997	$ 5,174
At June 30, 2014:						
U.S. agency securities	$	$	$ 141,919	$ 1,408	$ 141,919	$ 1,408
Obligations of state and political subdivisions	5,808	36	57,056	1,519	62,864	1,555
Collateralized mortgage obligations	30	1			30	1
Residential pass-through securities	59,993	83			59,993	83
Commercial pass-through securities	56,234	230	96,937	1,812	153,171	2,042
Total	$ 122,065	$ 350	$ 295,912	$ 4,739	$ 417,977	$ 5,089

The number of held to maturity securities with unrealized losses at September 30, 2014 totaled 197 and included seven U.S. agency securities, 114 municipal obligations and 76 mortgage-backed securities comprising four collateralized mortgage obligations, 47 residential pass-through securities and 25 commercial pass-through securities. The number of held to maturity securities with unrealized losses at June 30, 2014 totaled 198 and included seven U.S. agency securities, 137 municipal obligations and 54 mortgage-backed securities comprising three collateralized mortgage obligations, 26 residential pass-through securities and 25 commercial pass-through securities.

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In general, if the fair value of a debt security is less than its amortized cost basis at the time of evaluation, the security is impaired and the impairment is to be evaluated to determine if it is other than temporary. The Company evaluates the impaired securities in its portfolio for possible other than temporary impairment (OTTI) on at least a quarterly basis. The following represents the circumstances under which an impaired security is determined to be other than temporarily impaired:

When the Company intends to sell the impaired debt security;

When the Company more likely than not will be required to sell the impaired debt security before recovery of its amortized cost (for example, whether liquidity requirements or contractual or regulatory obligations indicate that the security will be required to be sold before a forecasted recovery occurs); or

When an impaired debt security does not meet either of the two conditions above, but the Company does not expect to recover the entire amortized cost of the security. According to applicable accounting guidance for debt securities, this is generally when the present value of cash flows expected to be collected is less than the amortized cost of the security.

In the first two circumstances noted above, the amount of OTTI recognized in earnings is the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. In the third circumstance, however, the OTTI is to be separated into the amount representing the credit loss from the amount related to all other factors. The credit loss component is to be recognized in earnings while the non-credit loss component is to be recognized in other comprehensive income. In these cases, OTTI is generally predicated on an adverse change in cash flows (e.g. principal and/or interest payment deferrals or losses) versus those expected at the time of purchase. The absence of an adverse change in expected cash flows generally indicates that a security s impairment is related to other non-credit loss factors and is thereby generally not recognized as OTTI.

The Company considers a variety of factors when determining whether a credit loss exists for an impaired security including, but not limited to:

The length of time and the extent (a percentage) to which the fair value has been less than the amortized cost basis;

Adverse conditions specifically related to the security, an industry, or a geographic area (e.g. changes in the financial condition of the issuer of the security, or in the case of an asset backed debt security, in the financial condition of the underlying loan obligors, including changes in technology or the discontinuance of a segment of the business that may affect the future earnings potential of the issuer or underlying loan obligors of the security or changes in the quality of the credit enhancement);

The historical and implied volatility of the fair value of the security;

The payment structure of the debt security;

Actual or expected failure of the issuer of the security to make scheduled interest or principal payments;

Changes to the rating of the security by external rating agencies; and

Recoveries or additional declines in fair value subsequent to the balance sheet date.

At September 30, 2014 and June 30, 2014, the Company held no securities on which credit-related OTTI had been recognized in earnings. The following discussion summarizes the Company s rationale for recognizing the impairments reported in the tables above as temporary versus other-than-temporary . Such rationale is presented by investment type and generally applies consistently to both the available for sale and held to maturity portfolios, except where specifically noted.

Mortgage-backed Securities.

The carrying value of the Company s mortgage-backed securities totaled $722.9 million at September 30, 2014 and comprised 53.5% of total investments and 20.5% of total assets as of that date. This category of securities primarily includes mortgage pass-through securities and collateralized mortgage obligations issued by U.S. government agencies and/or government-sponsored entities (GSEs) such as Ginnie Mae, Fannie Mae and Freddie Mac who guarantee the contractual cash flows associated with those securities. Those guarantees were strengthened during the 2008-2009 financial crisis at which time Fannie Mae and Freddie Mac were placed into receivership by the federal government. Through those actions, the U.S. government effectively reinforced the guarantees of their agencies thereby strengthening the creditworthiness of the mortgage-backed securities issued by those agencies.

With credit risk being reduced to negligible levels due primarily to the U.S. government s support of most of these agencies, the unrealized losses on the Company s investment in U.S. agency mortgage-backed securities are due largely to the combined effects of several market-related factors including, most notably, changes in market interest rates. In general, the fair value of certain debt securities, including the Company s mortgage-backed securities, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities, which are generally characterized by fixed interest rates or adjustable rates that lag the movement in market interest rates, decline and vice-versa.

Additionally, movements in market interest rates significantly impact the average lives of mortgage-backed securities by influencing the rate of principal prepayment attributable to refinancing activity. Changes in the expected average lives of such securities significantly impact their fair values due to the extension or contraction of the cash flows that an investor expects to receive over the life of the security. Generally, lower market interest rates prompt greater refinancing activity thereby shortening the average lives of mortgage-backed securities and vice-versa. The historically low mortgage rates prevalent in the marketplace during recent years created significant refinancing incentive for qualified borrowers.

Prepayment rates are also influenced by fluctuating real estate values and the overall availability of credit in the marketplace which significantly impacts the ability of borrowers to qualify for refinancing. The residential real estate marketplace in recent years has been characterized by diminished property values and reduced availability of credit due to tightening underwriting standards. As a consequence, the ability of certain borrowers to qualify for the refinancing of existing loans has been reduced while residential real estate purchase activity has been stifled. These factors have partially offset the effects of historically low interest rates on mortgage-backed security prepayment rates.

The market price of mortgage-backed securities, being the key measure of the fair value to an investor in such securities, is also influenced by the overall supply and demand for such securities in the marketplace. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

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In sum, the factors influencing the fair value of the Company s U.S. agency mortgage-backed securities, as described above, generally result from movements in market interest rates and changing real estate and financial market conditions which affect the supply and demand for such securities. Such market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

Finally, the Company has the stated ability and intent to hold to maturity those securities so designated at September 30, 2014 and does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Moreover, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of that date. In light of the factors noted, the Company does not consider its U.S. agency and GSE mortgage-backed securities with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

In addition to those mortgage-backed securities issued by U.S. agencies and GSEs, the Company held a nominal balance of non-agency mortgage-backed securities at September 30, 2014. Unlike agency and GSE mortgage-backed securities, non-agency collateralized mortgage obligations are not explicitly guaranteed by a U.S. government sponsored entity. Rather, such securities generally utilize the structure of the larger investment vehicle to reallocate credit risk among the individual tranches comprised within that vehicle. Through this process, investors in different tranches are subject to varying degrees of risk that the cash flows of their tranche will be adversely impacted by borrowers defaulting on the underlying mortgage loans. The creditworthiness of certain tranches may also be further enhanced by additional credit insurance protection embedded within the terms of the total investment vehicle.

The fair values of the non-agency mortgage-backed securities are subject to many of the factors applicable to the agency securities that may result in temporary impairments in value. However, due to the lack of agency guaranty, the Company also monitors the general level of credit risk for each of its non-agency mortgage-backed securities based upon a variety of factors including, but not limited to, the ratings assigned to its specific tranches by one or more credit rating agencies, where available. As noted above, the level of such ratings and changes thereto, is one of several factors considered by the Company in identifying those securities that may be other-than-temporarily impaired.

The applicable securities generally maintained their credit-ratings at levels supporting the investment grade assessment by the Company. The Company has the stated ability and intent to hold to maturity those securities at September 30, 2014 and has further concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of that date. In light of the factors noted, the Company does not consider its non-agency mortgage-backed securities with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

U.S. Agency Debt Securities.

The carrying value of the Company s U.S. agency debt securities totaled $148.4 million at September 30, 2014 and comprised 11.0% of total investments and 4.2% of total assets as of that date. Such securities included $144.3 million of fixed-rate U.S. agency debentures and $4.1 million of securities representing securitized pools of loans issued and fully guaranteed by the Small Business Administration (SBA), a U.S. government agency.

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With credit risk being reduced to negligible levels due to the issuer s guarantee, the unrealized losses on the Company s investment in U.S. agency debentures are due largely to the combined effects of several market-related factors including, most notably, changes in market interest rates. In general, the fair value of certain debt securities, including the Company s U.S. agency debentures, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities, which are generally characterized by fixed interest rates, decline and vice-versa.

The market price of U.S. agency debentures is also influenced by the overall supply and demand for such securities in the marketplace. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

In sum, the factors influencing the fair value of the Company s U.S. agency debentures, as described above, generally result from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

Finally, the Company has the stated ability and intent to hold to maturity those securities so designated at September 30, 2014 and does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of that date. In light of the factors noted, the Company does not consider its balance of U.S. agency securities with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

Obligations of State and Political Subdivisions.

The carrying value of the Company s securities representing obligations of state and political subdivisions totaled $98.2 million at September 30, 2014 and comprised 7.3% of total investments and 2.8% of total assets as of that date. Such securities include approximately $96.0 million of fixed-rate, bank-qualified securities representing general obligations of municipalities located within the U.S. or the obligations of their related entities such as boards of education or school districts. The portfolio also includes $2.2 million of non-rated bond anticipation notes (BANs) comprising five short-term obligations issued by a total of three New Jersey municipalities with whom the Company maintains or seeks to maintain deposit relationships. At September 30, 2014, the fair value of each of the Company s BANs equaled or exceeded their respective carrying values resulting in no reported impairment on those securities as of that date.

As noted earlier, the Company considers the ratings assigned by one or more credit rating agencies, where available, in its evaluation of the impairment attributable to each of its municipal obligations. The Company uses such ratings, in conjunction with the other criteria noted earlier, to identify those securities whose impairments are potentially credit-related versus noncredit-related .

Unrealized losses associated with municipal obligations whose credit ratings exceed certain internally defined thresholds are considered to be indicative of noncredit-related impairment given the nominal level of credit losses that would be expected based upon such ratings. That conclusion is generally reinforced, as appropriate, by additional internal analysis supporting the Company s periodic internal investment grade assessment of the security.

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At September 30, 2014, each of the Company s impaired municipal obligations were consistently rated by Moody s Investors Service (Moody s) and Standard & Poor s Financial Services (S&P) well above the thresholds that generally support the Company s investment grade assessment with such ratings equaling A or higher by S&P and/or A1 or higher by Moody s, where rated by those agencies. In the absence of such ratings, the Company relies upon its own internal analysis of the issuer s financial condition to validate its investment grade assessment.

Given the absence of any expectation for an adverse change in cash flows signifying a credit loss, the unrealized losses on the Company s investment in municipal obligations are due largely to the combined effects of several market-related factors including, most notably, changes in market interest rates. In general, the fair value of certain debt securities, including the Company s municipal obligations, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities, which are generally characterized by fixed interest rates, decline and vice-versa.

The market price of municipal obligations is also influenced by the overall supply and demand for such securities in the marketplace. While these factors may generally reflect the level of available liquidity in the marketplace, demand for individual securities will specifically reflect investors assessment of an issuer s creditworthiness and resulting expectations for timely and full repayment in accordance with the terms of the applicable security agreement. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

In sum, the factors influencing the fair value of the Company s municipal obligations, as described above, generally result from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

Finally, the Company has the stated ability and intent to hold to maturity those securities so designated at September 30, 2014 and does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of that date. In light of the factors noted, the Company does not consider its balance of obligations of state and political subdivisions with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

Asset-backed Securities.

The carrying value of the Company s asset-backed securities totaled $87.9 million at September 30, 2014 and comprised 6.5% of total investments and 2.5% of total assets as of that date. This category of securities is comprised entirely of structured, floating-rate securities representing securitized federal education loans with 97% U.S. government guarantees. The securities represent tranches of a larger investment vehicle designed to reallocate credit risk among the individual tranches comprised within that vehicle. Through this process, investors in different tranches are subject to varying degrees of risk that the cash flows of their tranche will be adversely impacted by borrowers defaulting on the underlying loans. The Company s securities represent the highest credit-quality tranches within the overall structures with each being rated AA+ by S&P at September 30, 2014.

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With credit risk being reduced to nominal levels due to the guarantees and structural support noted above, the unrealized losses on the Company s investment in asset-backed securities are due largely to the combined effects of several market-related factors, including changes in market interest rates and fluctuating demand for such securities in the marketplace. In general, the fair value of certain debt securities, including the Company s asset-backed securities, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities decline and vice-versa. However, the floating-rate nature of the Company s asset-backed securities greatly reduces their sensitivity to such changes in market rates.

More significantly, the market price of asset-backed securities is also influenced by the overall supply and demand for such securities in the marketplace. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

In sum, the factors influencing the fair value of the Company s asset-backed securities, as described above, generally result from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

Finally, the Company does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of September 30, 2014. In light of the factors noted, the Company does not consider its balance of asset-backed securities with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

Collateralized Loan Obligations.

The outstanding balance of the Company s collateralized loan obligations totaled $123.2 million at September 30, 2014 and comprised 9.1% of total investments and 3.5% of total assets as of that date. This category of securities is comprised entirely of structured, floating-rate securities comprised of securitized commercial loans to large U.S. corporations. The Company s securities represent tranches of a larger investment vehicle designed to reallocate cash flows and credit risk among the individual tranches comprised within that vehicle. Through this process, investors in different tranches are subject to varying degrees of risk that the cash flows of their tranche will be adversely impacted by borrowers defaulting on the underlying loans.

As noted earlier, the Company considers the ratings assigned by one or more credit rating agencies, where available, in its evaluation of the impairment attributable to each of its collateralized loan obligations. The Company uses such ratings, in conjunction with the other criteria noted earlier, to identify those securities whose impairments are potentially credit-related versus noncredit-related .

Unrealized losses associated with collateralized loan obligations whose credit ratings exceed certain internally defined thresholds are considered to be indicative of noncredit-related impairment given the nominal level of credit losses that would be expected based upon such ratings. That conclusion is generally reinforced, as appropriate, by additional internal analysis supporting the Company s periodic internal investment grade assessment of the security.

At September 30, 2014, each of the Company s impaired collateralized loan obligations were consistently rated by Moody s and S&P well above the thresholds that generally support the Company s investment grade assessment, with such ratings equaling AA or higher by S&P and Aa2 or higher by Moody s, where rated by those agencies.

Given the absence of any expectation for an adverse change in cash flows signifying a credit loss, the unrealized losses on the Company s investment in collateralized loan obligations are due largely to the combined effects of several market-related factors, including changes in market interest rates and fluctuating demand for such securities in the marketplace. In general, the fair value of certain debt securities, including the Company s collateralized loan obligations, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities decline and vice-versa. However, the floating-rate nature of the Company s collateralized loan obligations greatly reduces their sensitivity to such changes in market rates.

More significantly, the market price of collateralized loan obligations is also influenced by the overall supply and demand for such securities in the marketplace. While these factors may generally reflect the level of available liquidity in the marketplace, demand for individual securities will specifically reflect the performance of the underlying collateral in conjunction with the resiliency of the security s structural support as they affect investors expectations for timely and full repayment. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

In sum, the factors influencing the fair value of the Company s collateralized loan obligations, as described above, generally result from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

During fiscal 2014, the Company sold certain collateralized loan obligations that it had identified as potentially ineligible investments under the terms of the Volcker Rule and related regulations enacted by regulatory agencies in conjunction with the ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Such ineligibility was primarily based upon the actual composition of the securitized financial assets within the applicable securities.

At September 30, 2014, the Company s entire portfolio of collateralized loan obligations remains compliant with the Volcker Rule in that regard. As such, the Company concluded that the possibility of being required to sell its collateralized loan obligations prior to their anticipated recovery is currently unlikely which is further reinforced by the overall strength of the Company s liquidity, asset quality and capital position as of that date. Moreover, the Company does not otherwise intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost at September 30, 2014.

The Company intends to further review the underlying security agreements for each of its collateralized loan obligations to determine if the terms of such agreements could potentially allow for the inclusion of ineligible assets within the security s structure in the future. To the extent the agreements contain such provisions and cannot or will not be modified by the issuer to ensure ongoing compliance with the Volcker Rule, the Bank may consider selling such securities in the future.

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In light of the factors noted, the Company does not consider its balance of collateralized loan obligations with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

Corporate Bonds.

The carrying value of the Company s corporate bonds totaled $162.3 million at September 30, 2014 and comprised 12.0% of total investments and 4.6% of total assets as of that date. This category of securities is comprised entirely of floating-rate corporate debt obligations of large financial institutions.

As noted earlier, the Company considers the ratings assigned by one or more credit rating agencies, where available, in its evaluation of the impairment attributable to each of its corporate bonds. The Company uses such ratings, in conjunction with the other criteria noted earlier, to identify those securities whose impairments are potentially credit-related versus noncredit-related .

Unrealized losses associated with corporate bonds whose credit ratings exceed certain internally defined thresholds are considered to be indicative of noncredit-related impairment given the nominal level of credit losses that would be expected based upon such ratings. That conclusion is generally reinforced, as appropriate, by additional internal analysis supporting the Company s periodic internal investment grade assessment of the security.

At September 30, 2014, each of the Company s impaired corporate bonds were consistently rated by Moody s and S&P above the thresholds that generally support the Company s investment grade assessment with such ratings equaling A- or higher by S&P and/or Baa1 or higher by Moody s, where rated by those agencies.

Given the absence of any expectation for an adverse change in cash flows signifying a credit loss, the unrealized losses on the Company s investment in corporate bonds are due largely to the combined effects of several market-related factors including changes in market interest rates and fluctuating demand for such securities in the marketplace. In general, the fair value of certain debt securities, including the Company s corporate bonds, move inversely with changes in market interest rates. As market interest rates increase, the value of the securities decline and vice-versa. However, the floating-rate nature of the Company s corporate bonds greatly reduces their sensitivity to such changes in market rates.

More significantly, the market price of corporate bonds is also influenced by the overall supply and demand for such securities in the marketplace. While these factors may generally reflect the level of available liquidity in the marketplace, demand for individual securities will specifically reflect investors assessment of an issuer s creditworthiness and resulting expectations for timely and full repayment in accordance with the terms of the applicable security agreement. Absent other factors, an increase in the demand for, or a decrease in the supply of, a security increases its price. Conversely, a decrease in the demand for, or an increase in the supply of, a security decreases its price.

In sum, the factors influencing the fair value of the Company s corporate bonds, as described above, generally result from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Those market conditions may fluctuate over time resulting in certain securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not necessarily reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value resulting directly from these changing market conditions are considered noncredit-related and temporary in nature.

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Finally, the Company does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of September 30, 2014. In light of the factors noted, the Company does not consider its balance of corporate bonds with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

Trust Preferred Securities.

The carrying value of the Company s trust preferred securities totaled $7.9 million at September 30, 2014 and comprised less than one percent of total investments and total assets as of that date. The category comprises a total of five single-issuer (i.e. non-pooled) trust preferred securities, four of which are impaired as of September 30, 2014, that were originally issued by four separate financial institutions. As a result of bank mergers involving the issuers of these securities, the Company s five trust preferred securities currently represent the de-facto obligations of three separate financial institutions.

As noted earlier, the Company considers the ratings assigned by one or more credit rating agencies, where such ratings are available, in its evaluation of the impairment attributable to each of its trust preferred securities. The Company uses such ratings, in conjunction with other criteria, to identify those securities whose impairments are potentially credit-related versus noncredit-related .

Unrealized losses associated with trust preferred securities whose credit ratings exceed certain internally defined thresholds are considered to be indicative of noncredit-related impairment given the nominal level of credit losses that would be expected based upon such ratings. That conclusion is generally reinforced, as appropriate, by additional internal analysis supporting the Company s internal investment grade assessment of the security.

At September 30, 2014, the Company owned two securities at an amortized cost of $3.0 million that were consistently rated by Moody s and S&P above the thresholds that generally support the Company s investment grade assessment. The securities were originally issued through Chase Capital II and currently represent de facto obligations of JPMorgan Chase & Co.

The Company has attributed the unrealized losses on these securities to the combined effects of several market-related factors, including movements in market interest rates and general level of liquidity of such securities in the marketplace based on overall supply and demand.

With regard to interest rates, the Company s impaired trust preferred securities are variable rate securities whose interest rates generally float with three-month LIBOR plus a margin. Based upon the historically low level of short-term market interest rates, the current yield on these securities is comparatively low. Consequently, the fair value of the securities, as determined based upon their market price, reflects the adverse effects of the historically low market interest rates at September 30, 2014.

More significantly, the market prices of the impaired trust preferred securities also currently reflect the effect of reduced demand for such securities in the current marketplace. Additionally, such prices reflect the effects of increased supply arising from financial institutions selling such investments.

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In addition to the securities noted above, the Company owned two additional trust preferred securities at an amortized cost of $4.9 million whose external credit ratings by both S&P and Moody s fell below the thresholds that the Company normally associates with investment grade securities. The securities were originally issued through BankBoston Capital Trust IV and MBNA Capital Trust B and currently represent de-facto obligations of Bank of America Corporation.

The Company s evaluation of the unrealized loss associated with these securities considered a variety of factors to determine if any portion of the impairment was credit-related at September 30, 2014. Factors generally considered in such evaluations included the financial strength and viability of the issuer and its parent company, the security s historical performance through prior business and economic cycles, rating consistency or variability among rating companies, the security s current and anticipated status regarding payment default or deferral of contractual payments to investors and the impact of these factors on the present value of the security s expected future cash flows in relation to its amortized cost basis.

In its evaluation, the Company noted the overall financial strength and continuing expected viability of the issuing entity s parent, particularly given their systemically critical role in the marketplace. The Company noted the security s absence of historical defaults or payment deferrals throughout prior business cycles including the recent fiscal crisis that triggered the current economic weaknesses prevalent in the marketplace. Given these factors, the Company had no basis upon which to estimate an adverse change in the expected cash flows over the securities remaining terms to maturity.

In sum, the factors influencing the fair value of the Company s trust preferred securities and the resulting impairment attributable to each generally resulted from movements in market interest rates and changing market conditions which affect the supply and demand for such securities. Such market conditions may generally fluctuate over time resulting in the securities being impaired for periods in excess of 12 months. However, the longevity of such impairment is not reflective of an expectation for an adverse change in cash flows signifying a credit loss. Consequently, the impairments of value arising from these changing market conditions are both noncredit-related and temporary in nature.

Finally, the Company does not intend to sell the temporarily impaired available for sale securities prior to the recovery of their fair value to a level equal to or greater than the Company s amortized cost. Furthermore, the Company has concluded that the possibility of being required to sell the securities prior to their anticipated recovery is unlikely based upon its strong liquidity, asset quality and capital position as of September 30, 2014. In light of the factors noted, the Company does not consider its investments in trust preferred securities with unrealized losses at September 30, 2014 to be other-than-temporarily impaired as of that date.

11. LOAN QUALITY AND ALLOWANCE FOR LOAN LOSSES

Past Due Loans. A loan s past due status is generally determined based upon its P&I delinquency status in conjunction with its past maturity status, where applicable. A loan s P&I delinquency status is based upon the number of calendar days between the date of the earliest P&I payment due and the as of measurement date. A loan s past maturity status, where applicable, is based upon the number of calendar days between a loan s contractual maturity date and the as of measurement date. Based upon the larger of these criteria, loans are categorized into the following past due tiers for financial statement reporting and disclosure purposes: Current (including 1-29 days past due), 30-59 days, 60-89 days and 90 or more days.

Nonaccrual Loans. Loans are generally placed on nonaccrual status when contractual payments become 90 days or more past due, and are otherwise placed on nonaccrual status when the Company does not expect to receive all P&I

payments owed substantially in accordance with the terms of the loan

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agreement. Loans that become 90 days past maturity, but remain non-delinquent with regard to ongoing P&I payments, may remain on accrual status if: (1) the Company expects to receive all P&I payments owed substantially in accordance with the terms of the loan agreement, past maturity status notwithstanding, and (2) the borrower is working actively and cooperatively with the Company to remedy the past maturity status through an expected refinance, payoff or modification of the loan agreement that is not expected to result in a troubled debt restructuring (TDR) classification. All TDRs are placed on nonaccrual status for a period of no less than six months after restructuring, irrespective of past due status. The sum of nonaccrual loans plus accruing loans that are 90 days or more past due are generally defined collectively as nonperforming loans .

Payments received in cash on nonaccrual loans, including both the principal and interest portions of those payments, are generally applied to reduce the carrying value of the loan for financial statement purposes. When a loan is returned to accrual status, any accumulated interest payments previously applied to the carrying value of the loan during its nonaccrual period are recognized as interest income as an adjustment to the loan s yield over its remaining term.

Loans that are not considered to be TDRs are generally returned to accrual status when payments due are brought current and the Company expects to receive all remaining P&I payments owed substantially in accordance with the terms of the loan agreement. Non-TDR loans may also be returned to accrual status when a loan s payment status falls below 90 days past due and the Company: (1) expects receipt of the remaining past due amounts within a reasonable timeframe, and (2) expects to receive all remaining P&I payments owed substantially in accordance with the terms of the loan agreement.

Acquired Loans. Loans that we acquire through acquisitions are recorded at fair value with no carryover of the related allowance for credit losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

The excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable yield. The nonaccretable yield represents estimated future credit losses expected to be incurred over the life of the loan. Subsequent decreases to the expected cash flows require us to evaluate the need for an allowance for credit losses. Subsequent improvements in expected cash flows result in the reversal of a corresponding amount of the nonaccretable yield which we then reclassify as accretable yield that is recognized into interest income over the remaining life of the loan using the interest method. Our evaluation of the amount of future cash flows that we expect to collect is performed in a similar manner as that used to determine our allowance for credit losses. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretable yield portion of the fair value adjustment.

Acquired loans that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if we can reasonably estimate the timing and amount of the expected cash flows on such loans and if we expect to fully collect the new carrying value of the loans. As such, we may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable yield.

At September 30, 2014, the remaining outstanding principal balance and carrying amount of acquired credit-impaired loans totaled approximately $11,644,000 and $10,035,000, respectively. By comparison, at June 30, 2014, the remaining outstanding principal balance and carrying amount of acquired credit-impaired loans totaled approximately $11,778,000 and $10,138,000, respectively.

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The carrying amount of acquired credit-impaired loans for which interest is not being recognized due to the uncertainty of the cash flows relating to such loans totaled $2,349,000 and $2,374,000 at September 30, 2014 and June 30, 2014, respectively.

The balance of the allowance for loan losses at September 30, 2014 and June 30, 2014 included approximately $99,000 and $98,000 of valuation allowances, respectively, for a specifically identified impairment attributable to acquired credit-impaired loans. The valuation allowances were attributable to additional impairment recognized on the applicable loans subsequent to their acquisition, net of any charge offs recognized during that time.

The following table presents the changes in the accretable yield relating to the acquired credit-impaired loans for the three months ended September 30, 2014 and September 30, 2013.

	Three Months Ended September 30, 2014 (in thousands)	Three Months Ended September 30, 2013 (in thousands)
Beginning balance	$ 1,891	$ 741
Accretion to interest income	(64)	(55)
Disposals		
Reclassifications from nonaccretable difference		1,494
Ending balance	$ 1,827	$ 2,180

Classification of Assets. In compliance with regulatory guidelines, the Company s loan review system includes an evaluation process through which certain loans exhibiting adverse credit quality characteristics are classified Special Mention , Substandard , Doubtful or Loss .

An asset is classified as Substandard if it is inadequately protected by the paying capacity and net worth of the obligor or the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful have all of the weaknesses inherent in those classified as Substandard , with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions and values. Assets, or portions thereof, classified as Loss are considered uncollectible or of so little value that their continuance as assets is not warranted.

Management evaluates loans classified as substandard or doubtful for impairment in accordance with applicable accounting requirements. As discussed in greater detail below, a valuation allowance is established through the provision for loan losses for any impairment identified through such evaluations.

To the extent that impairment identified on a loan is classified as Loss , that portion of the loan is charged off against the allowance for loan losses. The classification of loan impairment as Loss is based upon a confirmed expectation for loss. For loans primarily secured by real estate, the expectation for loss is generally confirmed when: (a) impairment is identified on a loan individually evaluated in the manner described below, and (b) the loan is presumed to be collateral-dependent such that the source of loan repayment is expected to arise solely from sale of the collateral securing the applicable loan. Impairment identified on non-collateral-dependent loans may or may not be eligible for a

Loss classification depending upon the other salient facts and circumstances that affect the manner and likelihood of loan repayment. However, loan impairment that is classified as Loss is charged off against the allowance for loan losses concurrent with that classification.

The timeframe between when loan impairment is first identified by the Company and when such impairment may ultimately be charged off varies by loan type. For example, unsecured consumer and commercial loans are generally classified as Loss at 120 days past due, resulting in their outstanding balances being charged off at that time. For the Company s secured loans, the condition of collateral dependency generally serves as the basis upon which a Loss classification is ascribed to a loan s impairment thereby confirming an expected loss and triggering charge off of that impairment. While the facts and circumstances that effect the manner and likelihood of repayment vary from loan to loan, the Company generally considers the referral of a loan to foreclosure, coupled with the absence of other viable sources of loan repayment, to be demonstrable evidence of collateral dependency. Depending upon the nature of the collections process applicable to a particular loan, an early determination of collateral dependency could result in a nearly concurrent charge off of a newly identified impairment. By contrast, a presumption of collateral dependency may only be determined after the completion of lengthy loan collection and/or workout efforts, including bankruptcy proceedings, which may extend several months or more after a loan s impairment is first identified.

In a limited number of cases, the entire net carrying value of a loan may be determined to be impaired based upon a collateral-dependent impairment analysis. However, the borrower s adherence to contractual repayment terms precludes the recognition of a Loss classification and charge off. In these limited cases, a valuation allowance equal to 100% of the impaired loan s carrying value may be maintained against the net carrying value of the asset.

Assets which do not currently expose the Company to a sufficient degree of risk to warrant an adverse classification but have some credit deficiencies or other potential weaknesses are designated as Special Mention by management. Adversely classified assets, together with those rated as Special Mention , are generally referred to as Classified Assets . Non-classified assets are internally rated within one of four Pass categories or as Watch with the latter denoting a potential deficiency or concern that warrants increased oversight or tracking by management until remediated.

Management performs a classification of assets review, including the regulatory classification of assets, generally on a monthly basis. The results of the classification of assets review are validated by the Company s third party loan review firm during their quarterly independent review. In the event of a difference in rating or classification between those assigned by the internal and external resources, the Company will generally utilize the more critical or conservative rating or classification. Final loan ratings and regulatory classifications are presented monthly to the Board of Directors and are reviewed by regulators during the examination process.

Allowance for Loan Losses. The allowance for loan losses is a valuation account that reflects the Company s estimation of the losses in its loan portfolio to the extent they are both probable and reasonable to estimate. The balance of the allowance is generally maintained through provisions for loan losses that are charged to income in the period that estimated losses on loans are identified by the Company s loan review system. The Company charges confirmed losses on loans against the allowance as such losses are identified. Recoveries on loans previously charged-off are added back to the allowance.

The Company s allowance for loan loss calculation methodology utilizes a two-tier loss measurement process that is generally performed monthly. Based upon the results of the classification of assets and credit file review processes described earlier, the Company first identifies the loans that must be reviewed individually for impairment. Factors considered in identifying individual loans to be reviewed include, but may not be limited to, loan type, classification status, contractual payment status, performance/accrual status and impaired status.

The loans considered by the Company to be eligible for individual impairment review include its commercial mortgage loans, comprising multi-family and nonresidential real estate loans, construction loans, commercial business loans as well as its one-to-four family mortgage loans, home equity loans and home equity lines of credit.

A reviewed loan is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Once a loan is determined to be impaired, management performs an analysis to determine the amount of impairment associated with that loan.

In measuring the impairment associated with collateral-dependent loans, the fair value of the collateral securing the loan is generally used as a measurement proxy for that of the impaired loan itself as a practical expedient. In the case of real estate collateral, such values are generally determined based upon a discounted market value obtained through an automated valuation module or prepared by a qualified, independent real estate appraiser. The value of non-real estate collateral is similarly determined based upon an independent assessment of fair market value by a qualified resource.

The Company generally obtains independent appraisals on properties securing mortgage loans when such loans are initially placed on nonperforming or impaired status with such values updated approximately every six to twelve months thereafter throughout the collections, bankruptcy and/or foreclosure processes. Appraised values are typically updated at the point of foreclosure, where applicable, and approximately every six to twelve months thereafter while the repossessed property is held as real estate owned.

As supported by accounting and regulatory guidance, the Company reduces the fair value of the collateral by estimated selling costs, such as real estate brokerage commissions, to measure impairment when such costs are expected to reduce the cash flows available to repay the loan.

The Company establishes valuation allowances in the fiscal period during which the loan impairments are identified. The results of management s individual loan impairment evaluations are validated by the Company s third party loan review firm during their quarterly independent review. Such valuation allowances are adjusted in subsequent fiscal periods, where appropriate, to reflect any changes in carrying value or fair value identified during subsequent impairment evaluations which are generally updated monthly by management.

The second tier of the loss measurement process involves estimating the probable and estimable losses which addresses loans not otherwise reviewed individually for impairment as well as those individually reviewed loans that are determined to be non-impaired. Such loans include groups of smaller-balance homogeneous loans that may generally be excluded from individual impairment analysis, and therefore collectively evaluated for impairment, as well as the non-impaired loans within categories that are otherwise eligible for individual impairment review.

Valuation allowances established through the second tier of the loss measurement process utilize historical and environmental loss factors to collectively estimate the level of probable losses within defined segments of the Company s loan portfolio. These segments aggregate homogeneous subsets of loans with similar risk characteristics based upon loan type. For allowance for loan loss calculation and reporting purposes, the Company currently stratifies its loan portfolio into seven primary segments: residential mortgage loans, commercial mortgage loans, construction loans, commercial business loans, home equity loans, home equity lines of credit and other consumer loans.

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The risks presented by residential mortgage loans are primarily related to adverse changes in the borrower s financial condition that threaten repayment of the loan in accordance with its contractual terms. Such risk to repayment can arise from job loss, divorce, illness and the personal bankruptcy of the borrower. For collateral dependent residential mortgage loans, additional risk of loss is presented by potential declines in the fair value of the collateral securing the loan.

Home equity loans and home equity lines of credit generally share the same risks as those applicable to residential mortgage loans. However, to the extent that such loans represent junior liens, they are comparatively more susceptible to such risks given their subordinate position behind senior liens.

In addition to sharing similar risks as those presented by residential mortgage loans, risks relating to commercial mortgage also arise from comparatively larger loan balances to single borrowers or groups of related borrowers. Moreover, the repayment of such loans is typically dependent on the successful operation of an underlying real estate project and may be further threatened by adverse changes to demand and supply of commercial real estate as well as changes generally impacting overall business or economic conditions.

The risks presented by construction loans are generally considered to be greater than those attributable to residential and commercial mortgage loans. Risks from construction lending arise, in part, from the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property s value at completion of the project and the estimated cost, including interest, of the project. The nature of these loans is such that they are comparatively more difficult to evaluate and monitor than permanent mortgage loans.

Commercial business loans are also considered to present a comparatively greater risk of loss due to the concentration of principal in a limited number of loans and/or borrowers and the effects of general economic conditions on the business. Commercial business loans may be secured by varying forms of collateral including, but not limited to, business equipment, receivables, inventory and other business assets which may not provide an adequate source of repayment of the outstanding loan balance in the event of borrower default. Moreover, the repayment of commercial business loans is primarily dependent on the successful operation of the underlying business which may be threatened by adverse changes to the demand for the business products and/or services as well as the overall efficiency and effectiveness of the business operations and infrastructure.

Finally, our unsecured consumer loans generally have shorter terms and higher interest rates than other forms of lending but generally involve more credit risk due to the lack of collateral to secure the loan in the event of borrower default. Consumer loan repayment is dependent on the borrower s continuing financial stability, and therefore is more likely to be adversely affected by job loss, divorce, illness and personal bankruptcy. By contrast, our consumer loans also include account loans that are fully secured by the borrower s deposit accounts and generally present nominal risk to the Bank.

Each primary segment is further stratified to distinguish between loans originated and purchased through third parties from loans acquired through business combinations. Commercial business loans include secured and unsecured loans as well as loans originated through SBA programs. Additional criteria may be used to further group loans with common risk characteristics. For example, such criteria may distinguish between loans secured by different collateral types or separately identify loans supported by government guarantees such as those issued by the SBA.

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In regard to historical loss factors, the Company s allowance for loan loss calculation calls for an analysis of historical charge-offs and recoveries for each of the defined segments within the loan portfolio. The Company utilizes a two-year moving average of annual net charge-off rates (charge-offs net of recoveries) by loan segment, where available, to calculate its actual, historical loss experience. The outstanding principal balance of the non-impaired portion of each loan segment is multiplied by the applicable historical loss factor to estimate the level of probable losses based upon the Company s historical loss experience.

As noted, the second tier of the Company s allowance for loan loss calculation also utilizes environmental loss factors to estimate the probable losses within the loan portfolio. Environmental loss factors are based upon specific qualitative criteria representing key sources of risk within the loan portfolio. Such risk criteria includes the level of and trends in nonperforming loans; the effects of changes in credit policy; the experience, ability and depth of the lending function s management and staff; national and local economic trends and conditions; credit risk concentrations and changes in local and regional real estate values. During fiscal 2014, the environmental factors utilized by the Company in its allowance for loan loss calculation were expanded to include changes in the nature, volume and terms of loans, changes in the quality of loan review systems and resources and the effects of regulatory, legal and other external factors.

For each category of the loan portfolio, a level of risk, developed from a number of internal and external resources, is assigned to each of the qualitative criteria utilizing a scale ranging from zero (negligible risk) to 15 (high risk), with higher values potentially ascribed to exceptional levels of risk that exceed the standard range, as appropriate. The sum of the risk values, expressed as a whole number, is multiplied by .01% to arrive at an overall environmental loss factor, expressed in basis points, for each loan category.

The Company incorporates its credit-rating classification system into the calculation of environmental loss factors by loan type by including risk-rating classification weights in its calculation of those factors. The Company s risk-rating classification system ascribes a numerical rating of 1 through 9 to each loan within the portfolio. The ratings 5 through 9 represent the numerical equivalents of the traditional loan classifications Watch , Special Mention , Substandard , Doubtful and Loss , respectively, while lower ratings, 1 through 4 , represent risk-ratings within the least risky Pass category. The environmental loss factor applicable to each non-impaired loan within a category, as described above, is weighted by a multiplier based upon the loan s risk-rating classification. Within any single loan category, a higher environmental loss factor is ascribed to those loans with comparatively higher risk-rating classifications resulting in a proportionately greater ALLL requirement attributable to such loans compared to the comparatively lower risk-rated loans within that category.

In evaluating the impact of the level and trends in nonperforming loans on environmental loss factors, the Company first broadly considers the occurrence and overall magnitude of prior losses recognized on such loans over an extended period of time. For this purpose, losses are considered to include both charge offs as well as loan impairments for which valuation allowances have been recognized through provisions to the allowance for loan losses, but have not yet been charged off. To the extent that prior losses have generally been recognized on nonperforming loans within a category, a basis is established to recognize existing losses on loans collectively evaluated for impairment based upon the current levels of nonperforming loans within that category. Conversely, the absence of material prior losses attributable to delinquent or nonperforming loans within a category may significantly diminish, or even preclude, the consideration of the level of nonperforming loans in the calculation of the environmental loss factors attributable to that category of loans.

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Once the basis for considering the level of nonperforming loans on environmental loss factors is established, the Company then considers the current dollar amount of nonperforming loans by loan type in relation to the total outstanding balance of loans within the category. A greater portion of nonperforming loans within a category in relation to the total suggests a comparatively greater level of risk and expected loss within that loan category and vice-versa.

In addition to considering the current level of nonperforming loans in relation to the total outstanding balance for each category, the Company also considers the degree to which those levels have changed from period to period. A significant and sustained increase in nonperforming loans over a 12-24 month period suggests a growing level of expected loss within that loan category and vice-versa.

As noted above, the Company considers these factors in a qualitative, rather than quantitative fashion when ascribing the risk value, as described above, to the level and trends of nonperforming loans that is applicable to a particular loan category. As with all environmental loss factors, the risk value assigned ultimately reflects the Company s best judgment as to the level of expected losses on loans collectively evaluated for impairment.

The sum of the probable and estimable loan losses calculated through the first and second tiers of the loss measurement processes as described above, represents the total targeted balance for the Company s allowance for loan losses at the end of a fiscal period. As noted earlier, the Company establishes all additional valuation allowances in the fiscal period during which additional individually identified loan impairments and additional estimated losses on loans collectively evaluated for impairment are identified. The Company adjusts its balance of valuation allowances through the provision for loan losses as required to ensure that the balance of the allowance for loan losses reflects all probable and estimable loans losses at the close of the fiscal period. Notwithstanding calculation methodology and the noted distinction between valuation allowances established on loans collectively versus individually evaluated for impairment, the Company s entire allowance for loan losses is available to cover all charge-offs that arise from the loan portfolio.

Although the Company s allowance for loans losses is established in accordance with management s best estimate, actual losses are dependent upon future events and, as such, further additions to the level of loan loss allowances may be necessary.

The following tables present the balance of the allowance for loan losses at September 30, 2014 and June 30, 2014 based upon the calculation methodology described above. The tables identify the valuation allowances attributable to specifically identified impairments on individually evaluated loans, including those acquired with deteriorated credit quality, as well as valuation allowances for impairments on loans evaluated collectively. The tables include the underlying balance of loans receivable applicable to each category as of those dates as well as the activity in the allowance for loan losses for the three months ended September 30, 2014 and 2013. Unless otherwise noted, the balance of loans reported in the tables below excludes yield adjustments and the allowance for loan loss.

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Allowance for Loan Losses and Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Balance of allowance for loan losses:								
Originated and purchased loans								
Loans individually evaluated for impairment	$ 553	$ 396	$	$	$ 20	$	$	$ 969
Loans collectively evaluated for impairment	1,997	7,012	27	461	238	36	22	9,793
Allowance for loan losses on originated and purchased loans	2,550	7,408	27	461	258	36	22	10,762
Loans acquired at fair value								
Loans acquired with deteriorated credit quality				99				99
Other acquired loans individually evaluated for impairment		153		291	56			500
Loans collectively evaluated for impairment	25	381	31	511	48	48	1	1,045
Allowance for loan losses on loans acquired at fair value	25	534	31	901	104	48	1	1,644
Total allowance for loan losses	$ 2,575	$ 7,942	$ 58	$ 1,362	$ 362	$ 84	$ 23	$ 12,406

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Allowance for Loan Losses and Loans Receivable

at September 30, 2014 (continued)

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the three months ended September 30, 2014:								
At June 30, 2014:								
Allocated	$ 2,729	$ 7,737	$ 67	$ 1,284	$ 460	$ 88	$ 22	$ 12,387
Unallocated								
Total allowance for loan losses	2,729	7,737	67	1,284	460	88	22	12,387
Total charge offs	(303)	(346)		(192)				(841)
Total recoveries				2				2
Total allocated provisions	149	551	(9)	268	(98)	(4)	1	858
Total unallocated provisions								
At September 30, 2014:								
Allocated	2,575	7,942	58	1,362	362	84	23	12,406
Unallocated								
Total allowance for loan losses	**$ 2,575**	**$ 7,942**	**$ 58**	**$ 1,362**	**$ 362**	**$ 84**	**$ 23**	**$ 12,406**

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Allowance for Loan Losses and Loans Receivable

at September 30, 2014 (continued)

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Changes in the allowance for loan losses for the three months ended September 30, 2013:								
At June 30, 2013:								
Allocated	$ 3,660	$ 5,359	$ 81	$ 1,218	$ 490	$ 76	$ 12	$ 10,896
Unallocated								
Total allowance for loan losses	3,660	5,359	81	1,218	490	76	12	10,896
Total charge offs	(230)	(34)		(408)	(34)		(1)	(707)
Total recoveries	18	28		2	1			49
Total allocated provisions	99	867	22	168	12			1,168
Total unallocated provisions								
At September 30, 2013:								
Allocated	3,547	6,220	103	980	469	76	11	11,406
Unallocated								
Total allowance for loan losses	**$ 3,547**	**$ 6,220**	**$ 103**	**$ 980**	**$ 469**	**$ 76**	**$ 11**	**$ 11,406**

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Allowance for Loan Losses and Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Balance of loans receivable:								
Originated and purchased loans								
Loans individually evaluated for impairment	$ 12,291	$ 4,759	$	$ 1,259	$ 949	$ 46	$	$ 19,304
Loans collectively evaluated for impairment	496,771	906,758	3,134	38,884	64,184	10,889	4,781	1,525,401
Total originated and purchased loans	509,062	911,517	3,134	40,143	65,133	10,935	4,781	1,544,705
Loans acquired at fair value								
Loans acquired with deteriorated credit quality	740	1,079		8,216				10,035
Other acquired loans individually evaluated for impairment	368	2,347	1,424	2,131	618	957		7,845
Loans collectively evaluated for impairment	65,854	99,825	1,840	22,453	7,186	12,597	89	209,844
	66,962	103,251	3,264	32,800	7,804	13,554	89	227,724

Total loans acquired at fair value								
Total loans	**$ 576,024**	**$ 1,014,768**	**$ 6,398**	**$ 72,943**	**$ 72,937**	**$ 24,489**	**$ 4,870**	1,772,429
Unamortized yield adjustments								(1,432)
Loans receivable								**$ 1,770,997**

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Allowance for Loan Losses and Loans Receivable

at June 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Balance of allowance for loan losses:								
Originated and purchased loans								
Loans individually evaluated for impairment	$ 528	$ 404	$	$	$ 75	$	$	$ 1,007
Loans collectively evaluated for impairment	2,172	6,760	29	352	272	35	21	9,641
Allowance for loan losses on originated and purchased loans	2,700	7,164	29	352	347	35	21	10,648
Loans acquired at fair value								
Loans acquired with deteriorated credit quality				98				98
Other acquired loans individually evaluated for impairment		165		346	57			568
Loans collectively evaluated for impairment	29	408	38	488	56	53	1	1,073
Allowance for loan losses on loans acquired at fair value	29	573	38	932	113	53	1	1,739
Total allowance for loan losses	**$ 2,729**	**$ 7,737**	**$ 67**	**$ 1,284**	**$ 460**	**$ 88**	**$ 22**	**$ 12,387**

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Allowance for Loan Losses and Loans Receivable

at June 30, 2014 (continued)

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Balance of loans receivable:								
Originated and purchased loans								
Loans individually evaluated for impairment	$ 11,923	$ 5,403	$	$ 1,263	$ 1,010	$ 17	$	$ 19,616
Loans collectively evaluated for impairment	494,522	873,340	3,619	31,326	66,163	10,529	4,248	1,483,747
Total originated and purchased loans	506,445	878,743	3,619	32,589	67,173	10,546	4,248	1,503,363
Loans acquired at fair value								
Loans acquired with deteriorated credit quality	742	1,071		8,325				10,138
Other acquired loans individually evaluated for impairment		1,895	1,448	2,456	692	964		7,455
Loans collectively evaluated for impairment	73,425	102,046	2,214	23,891	7,746	12,500	90	221,912
Total loans acquired at fair value	74,167	105,012	3,662	34,672	8,438	13,464	90	239,505
Total loans	**$ 580,612**	**$ 983,755**	**$ 7,281**	**$ 67,261**	**$ 75,611**	**$ 24,010**	**$ 4,338**	1,742,868

Unamortized yield adjustments	(1,397)
Loans receivable	**$ 1,741,471**

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The following tables present key indicators of credit quality regarding the Company s loan portfolio based upon loan classification and contractual payment status at September 30, 2014 and June 30, 2014.

Credit-Rating Classification of Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Non-classified	$ 494,976	$ 905,343	$ 2,911	$ 38,766	$ 63,928	$ 10,645	$ 4,778	$ 1,521,347
Classified:								
Special mention	1,863	350	223	118	148	150	2	2,854
Substandard	12,223	5,544		1,259	1,057	140	1	20,224
Doubtful		280						280
Loss								
Total classified loans	14,086	6,174	223	1,377	1,205	290	3	23,358
Total originated and purchased loans	509,062	911,517	3,134	40,143	65,133	10,935	4,781	1,544,705
Loans acquired at fair value								
Non-classified	65,593	94,932		17,751	7,031	12,105	67	197,479
Classified:								
Special mention	261	4,471	353	7,253	80	244	19	12,681
Substandard	1,108	3,848	2,911	7,790	693	1,205	3	17,558
Doubtful				6				6
Loss								
Total classified loans	1,369	8,319	3,264	15,049	773	1,449	22	30,245
Total loans acquired at fair value	66,962	103,251	3,264	32,800	7,804	13,554	89	227,724

Total loans	**$ 576,024**	**$ 1,014,768**	**$ 6,398**	**$ 72,943**	**$ 72,937**	**$ 24,489**	**$ 4,870**	**$ 1,772,429**

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Credit-Rating Classification of Loans Receivable

at June 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Non-classified	$ 492,531	$ 872,063	$ 3,461	$ 31,301	$ 66,016	$ 10,352	$ 4,247	$ 1,479,971
Classified:								
Special mention	1,626	357	158	25	146	84	1	2,397
Substandard	12,288	6,039		1,263	1,011	110		20,711
Doubtful		284						284
Loss								
Total classified loans	13,914	6,680	158	1,288	1,157	194	1	23,392
Total originated and purchased loans	506,445	878,743	3,619	32,589	67,173	10,546	4,248	1,503,363
Loans acquired at fair value								
Non-classified	73,425	96,758		18,946	7,582	12,003	71	208,785
Classified:								
Special mention		4,600	353	4,602	45	245	16	9,861
Substandard	742	3,654	3,309	11,118	811	1,216	3	20,853
Doubtful				6				6
Loss								
Total classified loans	742	8,254	3,662	15,726	856	1,461	19	30,720
Total loans acquired at fair value	74,167	105,012	3,662	34,672	8,438	13,464	90	239,505
Total loans	**$ 580,612**	**$ 983,755**	**$ 7,281**	**$ 67,261**	**$ 75,611**	**$ 24,010**	**$ 4,338**	**$ 1,742,868**

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Contractual Payment Status of Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Current	$ 497,648	$ 908,987	$ 3,134	$ 38,766	$ 64,509	$ 10,763	$ 4,577	$ 1,528,384
Past due:								
30-59 days	3,315	254		25	71	125	203	3,993
60-89 days	181			93	86			360
90+ days	7,918	2,276		1,259	467	47	1	11,968
Total past due	11,414	2,530		1,377	624	172	204	16,321
Total originated and purchased loans	509,062	911,517	3,134	40,143	65,133	10,935	4,781	1,544,705
Loans acquired at fair value								
Current	65,593	99,885	2,429	29,644	7,306	12,502	87	217,446
Past due:								
30-59 days		649		840	90		2	1,581
60-89 days	261	833		263	80	95		1,532
90+ days	1,108	1,884	835	2,053	328	957		7,165
Total past due	1,369	3,366	835	3,156	498	1,052	2	10,278
Total loans acquired at fair value	66,962	103,251	3,264	32,800	7,804	13,554	89	227,724
Total loans	$ 576,024	$ 1,014,768	$ 6,398	$ 72,943	$ 72,937	$ 24,489	$ 4,870	$ 1,772,429

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Contractual Payment Status of Loans Receivable

at June 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Current	$ 495,330	$ 875,887	$ 3,619	$ 31,081	$ 66,548	$ 10,499	$ 4,034	$ 1,486,998
Past due:								
30-59 days	1,385			245	183		60	1,873
60-89 days	1,163				3	30	28	1,224
90+ days	8,567	2,856		1,263	439	17	126	13,268
Total past due	11,115	2,856		1,508	625	47	214	16,365
Total originated and purchased loans	506,445	878,743	3,619	32,589	67,173	10,546	4,248	1,503,363
Loans acquired at fair value								
Current	72,736	102,881	2,810	32,346	7,731	12,390	88	230,982
Past due:								
30-59 days	689	561			152			1,402
60-89 days		427			95	110	1	633
90+ days	742	1,143	852	2,326	460	964	1	6,488
Total past due	1,431	2,131	852	2,326	707	1,074	2	8,523
Total loans acquired at fair value	74,167	105,012	3,662	34,672	8,438	13,464	90	239,505
Total loans	**$ 580,612**	**$ 983,755**	**$ 7,281**	**$ 67,261**	**$ 75,611**	**$ 24,010**	**$ 4,338**	**$ 1,742,868**

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The following tables present information relating to the Company s nonperforming and impaired loans at September 30, 2014 and June 30, 2014. Loans reported as 90+ days past due accruing in the table immediately below are also reported in the preceding contractual payment status table under the heading 90+ days past due .

Performance Status of Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Performing	$ 499,450	$ 906,836	$ 3,134	$ 38,884	$ 64,651	$ 10,888	$ 4,780	$ 1,528,623
Nonperforming:								
90+ days past due accruing								
Nonaccrual	9,612	4,681		1,259	482	47	1	16,082
Total nonperforming	9,612	4,681		1,259	482	47	1	16,082
Total originated and purchased loans	509,062	911,517	3,134	40,143	65,133	10,935	4,781	1,544,705
Loans acquired at fair value								
Performing	65,854	101,367	1,840	29,471	7,367	12,597	89	218,585
Nonperforming:								
90+ days past due accruing								
Nonaccrual	1,108	1,884	1,424	3,329	437	957		9,139
Total nonperforming	1,108	1,884	1,424	3,329	437	957		9,139
Total loans acquired at fair value	66,962	103,251	3,264	32,800	7,804	13,554	89	227,724

Total loans	**$ 576,024**	**$ 1,014,768**	**$ 6,398**	**$ 72,943**	**$ 72,937**	**$ 24,489**	**$ 4,870**	**$ 1,772,429**

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Performance Status of Loans Receivable

at June 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Originated and purchased loans								
Performing	$ 497,243	$ 873,421	$ 3,619	$ 31,326	$ 66,734	$ 10,529	$ 4,122	$ 1,486,994
Nonperforming:								
90+ days past due accruing							125	125
Nonaccrual	9,202	5,322		1,263	439	17	1	16,244
Total nonperforming	9,202	5,322		1,263	439	17	126	16,369
Total originated and purchased loans	506,445	878,743	3,619	32,589	67,173	10,546	4,248	1,503,363
Loans acquired at fair value								
Performing	73,425	103,399	2,214	31,016	7,928	12,500	89	230,571
Nonperforming:								
90+ days past due accruing								
Nonaccrual	742	1,613	1,448	3,656	510	964	1	8,934
Total nonperforming	742	1,613	1,448	3,656	510	964	1	8,934
Total loans acquired at fair value	74,167	105,012	3,662	34,672	8,438	13,464	90	239,505
Total loans	**$ 580,612**	**$ 983,755**	**$ 7,281**	**$ 67,261**	**$ 75,611**	**$ 24,010**	**$ 4,338**	**$ 1,742,868**

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Impairment Status of Loans Receivable

at September 30, 2014

	Residential Mortgage	Commercial Mortgage	Construction	Commercial Business	Home Equity Loans	Home Equity Lines of Credit	Other Consumer	Total
				(In Thousands)				
Carrying value of impaired loans:								
Originated and purchased loans								
Non-impaired loans	$ 496,771	$ 906,758	$ 3,134	$ 38,884	$ 64,184	$ 10,889	$ 4,781	$ 1,525,401
Impaired loans:								
Impaired loans with no allowance for impairment	10,137	4,401		1,259	854	46		16,697
Impaired loans with allowance for impairment:								
Recorded investment	2,154	358			95			2,607
Allowance for impairment	(553)	(396)			(20)			(969)
Balance of impaired loans net of allowance for impairment	1,601	(38)			75			1,638
Total impaired loans, excluding allowance	12,291	4,759		1,259	949	46		19,304
Total originated and purchased loans	509,062	911,517	3,134	40,143	65,133	10,935	4,781	1,544,705
Loans acquired at								

fair value					
Non-impaired loans	65,854	99,825	1,840	22,453	