TFS Financial CORP
Form 10-K
November 27, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2018
or
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For transition period from to
Commission File Number 001-33390

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

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| | |
|---|---|
| United States of America | 52-2054948 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 7007 Broadway Avenue | |
| Cleveland, Ohio | 44105 |
| (Address of Principal Executive Offices) | (Zip Code) |

(216) 441-6000
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value $0.01 per share
(Title of class)
The NASDAQ Stock Market, LLC
(Name of exchange on which registered)
Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer",

"accelerated filer," "smaller reporting company," and "emerging growth company" Rule 12b-2 of the Exchange Act:

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Emerging growth company o

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on March 31, 2018, as reported by the NASDAQ Global Select Market, was approximately $767.9 million.

At November 23, 2018, there were 280,206,257 shares of the Registrant's common stock, par value $0.01 per share, outstanding, of which 227,119,132 shares, or 81.05% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference in Part III hereof to the extent indicated therein.

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GLOSSARY OF TERMS

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

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

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# PART I

## Item 1. Business

### Forward Looking Statements

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

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

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

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

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

information, future developments or otherwise, except as may be required by law. Please see Item 1A. Risk Factors for a discussion of certain risks related to our business.

TFS FINANCIAL CORPORATION

TFS Financial Corporation ("we," "us," or "our") was organized in 1997 as the mid-tier stock holding company for the Association. We completed our initial public stock offering in 2007 and issued 100,199,618 shares of common stock, or 30.16% of our post-offering outstanding common stock, to subscribers in the offering. Additionally, at the time of the public offering, 5,000,000 shares of our common stock, or 1.50% of our outstanding shares, were issued to the newly formed charitable foundation, Third Federal Foundation. Third Federal Savings, MHC, our mutual holding company parent, holds the remainder of our outstanding common stock (227,119,132 shares). Net proceeds from our initial public stock offering were approximately $886 million and reflected the costs we incurred in completing the offering as well as a $106.5 million loan to the ESOP related to its acquisition of shares in the initial public stock offering.

Our ownership of the Association remains our primary business activity.

We also operate Third Capital, Inc. as a wholly-owned subsidiary. See Third Capital, Inc. below.

As the holding company of the Association, we are authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which include making equity investments and the acquisition of banking and financial services companies.

Our cash flow depends primarily on earnings from the investment of the portion of the net offering proceeds we retained, and any dividends we receive from the Association and Third Capital, Inc. All of our officers are also officers of the Association. In addition, we use the services of the support staff of the Association from time to time. We may hire additional employees, as needed, to the extent we expand our business in the future.

THIRD CAPITAL, INC.

Third Capital, Inc. is a Delaware corporation that was organized in 1998 as our wholly-owned subsidiary. At September 30, 2018, Third Capital, Inc. had consolidated assets of $83.4 million, and for the fiscal year ended September 30, 2018, Third Capital, Inc. had consolidated net income of $1.9 million. Third Capital, Inc. has no separate operations other than as the holding company for its operating subsidiaries, and as a minority investor or partner in other entities. The following is a description of the entities in which Third Capital, Inc. is the owner, an investor or a partner.

Hazelmere Investment Group I, Ltd. This Ohio limited liability company engages in net lease transactions of commercial buildings in targeted markets. Third Capital, Inc. is a partner of this entity, receives a priority return on amounts contributed to acquire investment properties and has a 70% ownership interest in remaining earnings. Hazelmere Investment Group I, Ltd.recorded net income of $0.7 million during the fiscal year ended September 30, 2018.

Third Cap Associates, Inc. This Ohio corporation owns 49% and 60% of two title agencies that provide escrow and settlement services in the State of Ohio and Florida, primarily to customers of the Association. For the fiscal year ended September 30, 2018, Third Cap Associates, Inc. recorded net income of $0.8 million.

THIRD FEDERAL SAVINGS AND LOAN ASSOCIATION OF CLEVELAND

General

The Association is a federally chartered savings and loan association headquartered in Cleveland, Ohio, that was organized in 1938. In 1997 the Association reorganized into its current two-tier mutual holding company structure. The Association's principal business consists of originating and servicing residential real estate mortgage loans and attracting retail savings deposits.

The Association's business strategy is to originate mortgage loans with interest rates that are competitive with those of similar products offered by other financial institutions in its markets. Similarly, the Association offers high-yield checking accounts and high-yield savings accounts and certificate of deposit accounts, each bearing interest rates that are competitive with similar products offered by other financial institutions in its markets. The Association expects to continue to pursue this business philosophy. While this strategy does not enable the Association to earn the highest rates of interest on loans that it offers or to pay the lowest rates on its deposit accounts, the Association believes that this strategy is the primary reason for its successful growth in the past and will continue to be a successful strategy in

the future.



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The Association attracts retail deposits from the general public in the areas surrounding its main office and its branch offices. It also utilizes its internet website, direct mail solicitation and its customer service call center to generate loan applications and attract retail deposits. Since 2013, brokered CDs and more extensive use of longer-term advances from the FHLB of Cincinnati as well as shorter-term advances from the FHLB of Cincinnati, hedged to longer effective durations by interest rate exchange contracts, have also been used as cost effective funding alternatives. In addition to residential real estate mortgage loans, the Association originates residential construction loans to individuals for the construction of their personal residences by a qualified builder. The Association also offers home equity loans and lines of credit subject to certain property and credit performance conditions. The Association retains in its portfolio a large portion of the loans that it originates. Since 2013, loans that the Association sells consist primarily of long-term, fixed-rate residential real estate mortgage loans. The Association retains the servicing rights on all loans that it sells. The Association's revenues are derived primarily from interest on loans and, to a lesser extent, interest on interest-earning deposits in other financial institutions, deposits maintained at the FRS, federal funds sold, and investment securities, including mortgage-backed securities and dividends from FHLB of Cincinnati stock. The Association also generates revenues from fees and service charges. The Association's primary sources of funds are deposits, borrowings, principal and interest payments on loans and securities and proceeds from loan sales.

The Association's website address is www.thirdfederal.com. Filings of the Company made with the SEC are available, without charge, on the Association's website. Information on that website is not and should not be considered a part of this document.

Market Area

The Association conducts its operations from its main office in Cleveland, Ohio, and from 38 additional, full-service branches and eight loan production offices located throughout the states of Ohio and Florida. In Ohio, the Association maintains 21 full-service offices located in the northeast Ohio counties of Cuyahoga, Lake, Lorain, Medina and Summit, four loan production offices located in the central Ohio counties of Franklin and Delaware (Columbus, Ohio) and four loan production offices located in the southern Ohio counties of Butler and Hamilton (Cincinnati, Ohio). In Florida, the Association maintains 17 full-service branches located in the counties of Pasco, Pinellas, Hillsborough, Sarasota, Lee, Collier, Palm Beach and Broward.

The Association also provides savings products in all 50 states and first mortgage refinance loans and home equity lines of credit in 21 states and the District of Columbia. First mortgage loans and bridge loans to purchase homes are provided in 13 states while other equity loan products are provided in eight states. These products are provided through its branch network for customers in its core markets of Ohio, Florida, Kentucky and selected counties in Indiana as well as its customer service call center and its internet site for all customers not served by its branch network.

Competition

The Association faces intense competition in its market areas both in making loans and attracting deposits. Its market areas have a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions, and it faces additional competition for deposits from money market funds, brokerage firms, mutual funds and insurance companies. Some of its competitors offer products and services that the Association currently does not offer, such as commercial business loans, trust services and private banking.

The majority of the Association's deposits are held in its offices located in Cuyahoga County, Ohio. As of June 30, 2018 (the latest date for which information is publicly available), the Association had $4.7 billion of deposits in Cuyahoga County, and ranked fifth among all financial institutions with offices in the county in terms of deposits, with a market share of 8.74%. As of that date, the Association had $6.1 billion of deposits in the State of Ohio, and ranked ninth among all financial institutions in the state in terms of deposits, with a market share of 1.78%. As of June 30, 2018, the Association had $2.4 billion of deposits in the State of Florida, and ranked 32rd among all financial institutions in terms of deposits, with a market share of 0.41%. This market share data excludes deposits held by credit unions, whose deposits are not insured by the FDIC.

Many financial institutions, including institutions that compete in our markets, have targeted retail deposit gathering as a more attractive funding source than borrowings, and have become more active and more competitive in their deposit product pricing. The combination of reduced demand for borrowed funds, more competition with respect to

rates paid to depositors, and low savings rates that lead to reduced appeal for investors that have traditionally allocated a portion of their portfolios to insured savings accounts, has created an increasingly difficult marketplace for attracting deposits, which could adversely affect future operating results.

From October 2017 through September 30, 2018, per data furnished by MarketTrac®, the Association had the largest market share of conventional purchase mortgage loans originated in Cuyahoga County, Ohio. For the same period, it also had the largest market share of conventional purchase mortgage loans originated in the seven northeast Ohio counties which

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comprise the Cleveland and Akron metropolitan statistical areas. In addition, based on the same statistics, the Association has consistently been one of the ten largest lenders in both Franklin County (Columbus, Ohio) and Hamilton County (Cincinnati, Ohio) since it entered those markets in 1999.

The Association’s primary strategy for increasing and retaining its customer base is to offer competitive deposit and loan rates and other product features, delivered with exceptional customer service, in each of the markets it serves. We rely on the reputation that has been built during the Association’s over 80-year history of serving its customers and the communities in which it operates, the Association’s high capital levels, and the Association's extensive liquidity alternatives which, in combination, serve to maintain and nurture customer and marketplace confidence. The Company’s high capital ratio continues to reflect the beneficial impact of our 2007 initial public offering, which raised net proceeds of $886 million. At September 30, 2018, our ratio of shareholders’ equity to total assets was 12.4%. Our liquidity alternatives include management and monitoring of the level of liquid assets held in our portfolio as well as the maintenance of alternative wholesale funding sources. For the year ended September 30, 2018, our liquidity ratio averaged 5.57% (which we compute as the sum of cash and cash equivalents plus unpledged investment securities for which ready markets exist, divided by total assets) and, through the Association, we had the ability to immediately borrow an additional $129.0 million from the FHLB of Cincinnati under existing credit arrangements along with $55.6 million from the Federal Reserve Bank of Cleveland. From the perspective of collateral value securing FHLB of Cincinnati advances, our capacity limit for additional borrowings beyond the immediately available limit at September 30, 2018 was $4.78 billion, subject to satisfaction of the FHLB of Cincinnati's common stock ownership requirement. To satisfy the common stock ownership requirement we would have to increase our ownership of FHLB of Cincinnati common stock by an additional $95.5 million. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources.”

We continue to utilize a multi-faceted approach to support our efforts to instill customer and marketplace confidence. First, we provide thorough and timely information to all of our associates so as to prepare them for their day-to-day interactions with customers and other individuals who are not part of the Company. We believe that it is important that our customers and others sense the comfort level and confidence of our associates throughout their dealings. Second, we encourage our management team to maintain a presence and to be available in our branches and other areas of customer contact, so as to provide more opportunities for informal contact and interaction with our customers and community members. Third, our CEO remains accessible to both local and national media, as a spokesman for our institution as well as an observer and interpreter of financial marketplace situations and events. Fourth, we periodically include advertisements in local newspapers that display our strong capital levels and history of service. We also continue to emphasize our traditional tagline—“STRONG * STABLE * SAFE”—in our advertisements and branch displays. Finally, for customers who adhere to the old adage of trust but verify, we refer them to the safety/security rankings of a nationally recognized, independent rating organization that specializes in the evaluation of financial institutions, which has awarded the Association its highest rating for more than one hundred consecutive quarters.

Lending Activities

The Association’s principal lending activity is the origination of fixed-rate and adjustable-rate, first mortgage loans to purchase or refinance residential real estate in its core markets in Ohio, Florida and Kentucky. Adjustable-rate and 10-year fixed rate first mortgage loans to refinance real estate are offered in a total of 21 states, including its core markets, and the District of Columbia. Also, the Association offers adjustable-rate and 10-year fixed rate first mortgage loans to purchase real estate in a total of 13 states including its core markets. Further, the Association originates residential construction loans to individuals (for the construction of their personal residences by a qualified builder) in Ohio and Florida. The Association also offers home equity lines of credit in a total of 21 states, including its core markets, and the District of Columbia and home equity loans in a total of eight states including its core markets. Between 2010 and 2015, the Association, in various steps, modified its home equity lending products and the markets they were offered in response to the 2008 financial crisis. Refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation - Monitoring and Limiting Our Credit Risk for additional information regarding home equity loans and lines of credit. At September 30, 2018, residential real estate, fixed-rate and adjustable-rate, first mortgage loans totaled $11.03 billion, or 85.4% of our loan portfolio, home equity loans and lines of credit totaled $1.82 billion, or 14.1% of our loan portfolio, and residential construction loans totaled $64.0

million, or 0.5% of our loan portfolio. At September 30, 2018, adjustable-rate, residential real estate, first mortgage loans totaled $5.17 billion and comprised 40.0% of our loan portfolio.

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

| | September 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Perc |
| | (Dollars in thousands) | | | | | | | | | |
| Real estate loans: | | | | | | | | | | |
| Residential Core (1) | | | | | | | | | | |
| Ohio | $6,052,208 | | $6,061,515 | | $5,937,114 | | $5,903,051 | | $5,986,801 | |
| Florida | 1,758,762 | | 1,739,098 | | 1,678,798 | | 1,621,763 | | 1,570,087 | |
| Other | 3,119,841 | | 2,945,591 | | 2,453,740 | | 1,938,125 | | 1,271,951 | |
| Total | 10,930,811 | 84.7 % | 10,746,204 | 86.2 % | 10,069,652 | 85.5 % | 9,462,939 | 83.9 % | 8,828,839 | 82. |
| Residential Home Today (1) | | | | | | | | | | |
| Ohio | 90,604 | | 103,803 | | 116,253 | | 129,416 | | 146,974 | |
| Florida | 4,150 | | 4,924 | | 5,414 | | 6,050 | | 6,909 | |
| Other | 179 | | 237 | | 271 | | 280 | | 313 | |
| Total | 94,933 | 0.7 | 108,964 | 0.9 | 121,938 | 1.0 | 135,746 | 1.2 | 154,196 | 1.5 |
| Home equity loans and lines of credit | | | | | | | | | | |
| Ohio | 652,271 | | 606,301 | | 597,735 | | 641,321 | | 675,911 | |
| Florida | 369,252 | | 340,530 | | 370,111 | | 421,904 | | 475,375 | |
| California | 268,230 | | 205,157 | | 210,004 | | 216,233 | | 213,309 | |
| Other | 529,165 | | 400,327 | | 353,432 | | 345,781 | | 332,334 | |
| Total | 1,818,918 | 14.1 | 1,552,315 | 12.4 | 1,531,282 | 13.0 | 1,625,239 | 14.4 | 1,696,929 | 15. |
| Construction | 64,012 | 0.5 | 60,956 | 0.5 | 61,382 | 0.5 | 55,421 | 0.5 | 57,104 | 0.5 |
| Other consumer loans | 3,021 | — | 3,050 | — | 3,116 | — | 3,468 | — | 4,721 | — |
| Total loans receivable | 12,911,695 | 100.0% | 12,471,489 | 100.0% | 11,787,370 | 100.0% | 11,282,813 | 100.0% | 10,741,789 | 100 |
| Deferred loan expenses (fees), net | 38,566 | | 30,865 | | 19,384 | | 10,112 | | (1,155) | |
| Loans in process | (36,549) | | (34,100) | | (36,155) | | (33,788) | | (28,585) | |
| Allowance for loan losses | (42,418) | | (48,948) | | (61,795) | | (71,554) | | (81,362) | |
| Total loans receivable, | $12,871,294 | | $12,419,306 | | $11,708,804 | | $11,187,583 | | $10,630,687 | |

net

(1) Residential Core and Home Today loans are primarily one- to four-family residential mortgage loans. See the Residential Real Estate Mortgage Loans section which follows for a further description of Home Today and Core loans.

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Loan Portfolio Yield. The following tables set forth the interest yield as of September 30, 2018 for the portfolio of loans held for investment, by type of loan, structure and geographic location.

| | September 30, 2018 | | |
|---|---|---|---|
| | Balance | Percent | Yield |
| | (Dollars in thousands) | | |
| Real Estate Loans: | | | |
| Fixed Rate | | | |
| Terms less than or equal to 10 years | $1,822,918 | 14.1 % | 2.91% |
| Terms greater than 10 years | 4,036,544 | 31.3 % | 4.08% |
| Total Fixed-Rate loans | 5,859,462 | 45.4 % | 3.71% |
| ARMs | 5,166,282 | 40.0 % | 3.03% |
| Home Equity Loans and Lines of Credit | 1,818,918 | 14.1 % | 4.30% |
| Construction and Consumer | 67,033 | 0.5 % | 3.63% |
| Total Loans Receivable, net | $12,911,695 | 100.0% | 3.52% |

| | September 30, 2018 | | | |
|---|---|---|---|---|
| | Balance | Fixed Rate Balance | Percent | Yield |
| | (Dollars in thousands) | | | |
| Residential Mortgage Loans | | | | |
| Ohio | $6,142,813 | $4,194,107 | 47.6 % | 3.62% |
| Florida | 1,762,912 | 703,899 | 13.6 % | 3.35% |
| Other | 3,120,019 | 961,456 | 24.2 % | 2.96% |
| Total Residential Mortgage Loans | $11,025,744 | $5,859,462 | 85.4 % | 3.39% |

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of the loan portfolio at September 30, 2018, according to each loan's final due date. Demand loans, loans having no stated repayment schedule or maturity, are reported as being due in the fiscal year ending September 30, 2019. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

| Due During the Years Ending September 30, | Residential Real Estate | | Home Equity Loans and Lines of Credit | Construction Loans | Other Consumer Loans | Total |
|---|---|---|---|---|---|---|
| | Core | Home Today | | | | |
| | (In thousands) | | | | | |
| 2019 | $2,005 | $28 | $20,180 | $ — | $ 3,021 | $25,234 |
| 2020 | 6,842 | 62 | 8,280 | — | — | 15,184 |
| 2021 | 13,329 | 27 | 2,597 | — | — | 15,953 |
| 2022 to 2023 | 264,754 | 402 | 18,521 | — | — | 283,677 |
| 2024 to 2028 | 2,109,398 | 800 | 295,175 | — | — | 2,405,373 |
| 2029 to 2033 | 742,042 | 16,072 | 123,714 | 5,026 | — | 886,854 |
| 2034 and beyond | 7,792,441 | 77,542 | 1,350,451 | 58,986 | — | 9,279,420 |
| Total | $10,930,811 | $94,933 | $1,818,918 | $ 64,012 | $ 3,021 | $12,911,695 |

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The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2018 that are contractually due after September 30, 2019.

| | Due After September 30, 2019 | | |
|---|---|---|---|
| | Fixed | Adjustable | Total |
| | (In thousands) | | |
| Real estate loans: | | | |
| Residential Core | $5,763,431 | $5,165,375 | $10,928,806 |
| Residential Home Today | 94,820 | 85 | 94,905 |
| Home Equity Loans and Lines of Credit | 115,170 | 1,683,568 | 1,798,738 |
| Construction | 64,012 | — | 64,012 |
| Total | $6,037,433 | $6,849,028 | $12,886,461 |

Residential Real Estate Mortgage Loans. The Association's primary lending activity is the origination of residential real estate mortgage loans. A comparison of 2018 data to the corresponding 2017 data can be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation." The Association currently offers fixed-rate conventional mortgage loans with terms of 30 years or less that are fully amortizing with monthly loan payments, and adjustable-rate mortgage loans that amortize over a period of up to 30 years, provide an initial fixed interest rate for three or five years and then adjust annually, subject to rate reset options as discussed later in this section. At September 30, 2018, there were no "interest only" residential real estate mortgage loans held in the Association's portfolio.

The Association generally originates both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the FHFA, which is currently $453,100 and $679,650, respectively, for single-family homes in most of our lending markets. The Association also originates loans in amounts that exceed the lending limit for conforming loans, which the Association refers to as "jumbo loans." The Association generally underwrites jumbo loans in a manner similar to conforming loans. Jumbo loans are not uncommon in the Association's market areas.

The Association has always considered the promotion of home ownership a primary goal. In that regard, it has historically offered affordable housing programs in all of its market areas. These programs are targeted toward low- and moderate-income home buyers. During the latter portion of fiscal 2016, the Association began to market its HomeReady mortgage loan product for low- and moderate-income homeowners. Third Federal's HomeReady product is designed to be saleable to Fannie Mae under its HomeReady program. Previously, the Association's primary program was referred to as "Home Today" and is described in detail below. The vast majority of loans originated under the Home Today program had higher risk characteristics. Borrowers in our Home Today program were not charged higher fees or interest rates than our Core (non-Home Today) borrowers. Home Today loans were not "interest only" or negative amortizing and contain no low initial payment features or adjustable interest rates. While the credit risk profiles of the Association's borrowers in the Home Today program were generally higher risk than the credit risk profiles of its Core borrowers, the Association attempted to mitigate that higher risk through the use of private mortgage insurance and continued pre- and post-purchase counseling. The Association's philosophy has been to provide borrowers the opportunity for home ownership within their financial means.

Coinciding with the Association's marketing of the HomeReady mortgage loan product in 2016, the Association no longer originates loans under its Home Today program. As of September 30, 2018, the Association had $94.9 million of loans outstanding that were originated through its Home Today program, most of which were originated prior to March 2009 and were originated with its standard terms, but to borrowers who might not have otherwise qualified for such loans. The Association originated loans with a LTV ratio of up to 97% through its Home Today program, provided that any loan originated through this program with a LTV ratio in excess of 80% must have met the underwriting criteria mandated by the Association's private mortgage insurance carrier. Because the Association previously applied less stringent underwriting and credit standards to these loans, the majority of loans originated under the Home Today program generally have greater credit risk than our Core residential real estate mortgage loans. Effective October 2007, the private mortgage insurance carrier that provides coverage for the Home Today loans with LTV ratios in excess of 80% imposed more restrictive lending requirements that decreased the volume of Home

Today lending. At September 30, 2018, of the loans that were originated under the Home Today program, 8.8% were delinquent 30 days or more compared to 0.2% for the portfolio of Core loans as of that date. At September 30, 2018, $3.8 million, or 4.0%, of loans originated under the Home Today program were delinquent 90 days and over and $14.6 million of Home Today loans were non-accruing loans, representing 18.8% of total non-accruing loans as of that date. See "Non-performing Assets and Restructured Loans—Delinquent Loans" for a discussion of the asset quality of this portion of the Association's loan portfolio.

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Prior to November 2008, the Association also originated loans under its high LTV program. These loans had initial LTV ratios of 90% or greater and could be as high as 95%. To qualify for this program, the loan applicant was required to satisfy more stringent underwriting criteria (credit score, income qualification, and other criteria). Borrowers did not obtain private mortgage insurance with respect to these loans. High LTV loans were originated with higher interest rates than the Association's other residential real estate loans. The Association believes that the higher credit quality of this portion of the portfolio offsets the risk of not requiring private mortgage insurance. While these loans were not initially covered by private mortgage insurance, the Association had negotiated with a private mortgage insurance carrier a contract under which, at the Association's option, a pre-determined dollar amount of qualifying loans could be grouped and submitted to the carrier for pooled private mortgage insurance coverage. As of September 30, 2018, the Association had $45.1 million of loans outstanding that were originated through its High LTV program, $38.7 million of which the Association has insured through the private mortgage insurance carrier. The High LTV program was suspended in November 2008.

For loans with LTV ratios in excess of 85% but equal to or less than 95%, the Association requires private mortgage insurance. LTV ratios in excess of 80% are not available for refinance transactions except for adjustable-rate, first mortgage loans and HomeReady loans. The HomeReady product requires private mortgage insurance on purchase transactions in excess of 80% to 97% LTV and refinance transactions in excess of 80% to 95% LTV.

The Association actively monitors its interest rate risk position to determine its desired level of investment in fixed-rate mortgages. While the sales of first mortgage loans remain strategically important for us, since fiscal 2010, they have played a lesser role in our management of interest rate risk.

The Association currently retains the servicing rights on all loans sold in order to generate fee income and reinforce its commitment to customer service. One- to four-family residential mortgage real estate loans that have been sold were underwritten generally to Fannie Mae guidelines and comply with applicable federal, state and local laws. At the time of the closing of these loans the Association owned the loans and subsequently sold them to Fannie Mae and others providing normal and customary representations and warranties, including representations and warranties related to compliance, generally with Fannie Mae underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed by the Association which, with other underwriting documents, were subsequently assigned and delivered to Fannie Mae and others. During each of the fiscal years ended September 30, 2018 and 2017, the Association recognized servicing fees, net of amortization, related to these servicing rights of $4.3 million. As of September 30, 2018 and 2017, the principal balance of loans serviced for others totaled $1.93 billion and $1.85 billion, respectively. In November 2013, the Association entered into a resolution agreement with Fannie Mae, pursuant to which the Association remitted $3.1 million to Fannie Mae. The remittance amount included $0.4 million related to outstanding mortgage insurance claim payments on 42 loans. Under the terms of the resolution agreement, Fannie Mae withdrew all outstanding repurchase and make-whole demands and generally waived its right to enforce future repurchase obligations with respect to all mortgage loans (approximately 23,400 active loans or loans with a remaining balance) that were originated by the Association between 2000 and 2008 and delivered to Fannie Mae prior to 2009. At September 30, 2018, substantially all of the loans serviced for Fannie Mae and others were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans. However, at September 30, 2018 an accrual for $0.6 million has been maintained for potential repurchase or loss reimbursement requests.

The Association currently offers "Smart Rate" adjustable-rate mortgage loan products secured by residential properties with interest rates that are fixed for an initial period of three or five years, after which the interest rate generally resets every year based upon a contractual spread or margin linked to the Prime Rate as published in the Wall Street Journal. As part of a loan retention program, these adjustable-rate loans provide the borrower with an attractive rate reset option, which allow the borrower to re-lock the rate an unlimited number of times at the Association's then current lending rates, for another three or five years (which must be the same as the original lock period). Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans primarily because the underlying debt service payments of the borrowers increase as interest rates increase, thereby increasing the potential for default. Prior to 2010, the Association's adjustable-rate mortgage loan products secured by residential properties offered interest rates that were fixed for an initial period ranging from one year to five years, after which the interest rate

generally reset every year based upon a contractual spread or margin above the average yield on U.S. Treasury securities, adjusted to a constant maturity of one year, as published weekly by the FRS ("Traditional ARM"). All of the Association's adjustable-rate mortgage loans are subject to periodic and lifetime limitations on interest rate changes. All adjustable-rate mortgage loans with initial fixed-rate periods of three or five years have initial and periodic caps of two percentage points on interest rate changes, with a cap of six percentage points for the life of the loan for Traditional ARM and five or six percentage points for the life of Smart Rate loans. Previously, the Association also offered Traditional ARM loans with an initial fixed-rate period of seven years. Loans originated under that program, which was discontinued in 2007, had a cap of five percentage points on the initial change in interest rate, with a two percentage point cap on subsequent changes and a cap of five percentage points for the life of the loan. Many of the borrowers who select adjustable-rate mortgage loans have shorter-

term credit needs than those who select long-term, fixed-rate mortgage loans. The Association will permit borrowers to convert Traditional ARMs into fixed-rate mortgage loans at no cost to the borrower. The Association has never offered “Option ARM” loans, where borrowers can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan. At September 30, 2018, "Smart Rate" adjustable-rate mortgage loans totaled $5.09 billion, or 98.5% of the adjustable-rate mortgage loan portfolio and Traditional ARMs totaled $75.5 million, or 1.5% of the adjustable-rate mortgage loan portfolio.

The Association requires title insurance on all of its residential real estate mortgage loans. The Association also requires that borrowers maintain fire and extended coverage casualty insurance (and, if appropriate, flood insurance up to $250 thousand) in an amount at least equal to the lesser of the loan balance or the replacement cost of the improvements. A majority of its residential real estate mortgage loans have a mortgage escrow account from which disbursements are made for real estate taxes and to a lesser extent for hazard insurance and flood insurance. The Association does not conduct environmental testing on residential real estate mortgage loans unless specific concerns for hazards are identified by the appraiser used in connection with the origination of the loan.

Home Equity Loans and Home Equity Lines of Credit. The Association offers home equity loans and home equity lines of credit, which are primarily secured by a second mortgage on residences. Home equity products offered by the Association varied significantly between 2010 and 2015. Prior to June 2010, the Association offered home equity loans and home equity lines of credit. The Association also offered a home equity lending product that was secured by a third mortgage, although the Association only originated this loan to borrowers where the Association also held the second mortgage. Between June 2010 and March 2012, we suspended the acceptance of new home equity credit applications with the exception of bridge loans (loans where borrowers can utilize the existing equity in their current home to fund the purchase of a new home before they have sold their current home) and, in accordance with a directive from our primary federal banking regulator, actively pursued strategies to decrease the outstanding balance of our home equity lending portfolio as well as our exposure to undrawn home equity lines of credit. Beginning March 2012, we again offered new home equity lines of credit to qualifying existing home equity customers. In 2013, we further modified the product design and we extended the offer to both existing home equity customers and new consumers in Ohio, Florida, and selected counties in Kentucky. Over the course of the fiscal year ended September 30, 2014, we expanded the home equity product offering to include 21 states and the District of Columbia. Home equity lines of credit originated since 2013 contain a provision for amortizing loan payments during the draw period. These offers were, and are, subject to certain property and credit performance conditions which, among other items, related to CLTV, geography, borrower income verification, minimum credit scores and draw period duration. At September 30, 2018 and 2017, home equity loans totaled $440.8 million, or 3.4%, and $307.5 million, or 2.5%, respectively, of total loans receivable (which included $305.1 million and $217.8 million, respectively, of home equity lines of credit which were in the amortization period and no longer eligible to be drawn upon and $27.8 million and $17.3 million of bridge loans), and home equity lines of credit totaled $1.38 billion, or 10.7%, and $1.24 billion, or 10.0%, respectively, of total loans receivable. A bridge loan permits a borrower to utilize the existing equity in their current home to fund the purchase of a new home before the current home is sold. Bridge loans are originated for a one-year term, with no prepayment penalties. These loans have fixed interest rates, and are currently limited to a combined 80% LTV ratio (first and second mortgage liens). The Association charges a closing fee with respect to bridge loans. Additionally, at September 30, 2018 and 2017, the unadvanced amounts of home equity lines of credit totaled $1.77 billion and $1.43 billion, respectively.

Prior to June 28, 2010, the underwriting standards for home equity loans and home equity lines of credit were less restrictive than current underwriting standards, which impacted acceptable LTV ratios, minimum credit scores, income and employment verification and line amounts. Generally, the least restrictive qualifications and the most attractive product features from a borrower’s perspective were in place during portions of fiscal 2006 and 2007. Between 2007 and 2010 the home equity lending parameters became increasingly restrictive. The Association originated its home equity loans and home equity lines of credit without application fees (except for bridge loans) or borrower-paid closing costs. Home equity loans were offered with fixed interest rates, were fully amortizing and had terms of up to 15 years. The Association’s home equity lines of credit were offered with adjustable rates of interest indexed to the Prime Rate, as reported in The Wall Street Journal.

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The following table sets forth credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of September 30, 2018. Home equity lines of credit in the draw period are reported according to geographical distribution.

| | Credit Exposure | Principal Balance | Percent Delinquent 90 days or More | Mean CLTV Percent at Origination(2) | Current Mean CLTV Percent(3) |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Home equity lines of credit in draw period (by state): | | | | | |
| Ohio | $1,265,587 | $494,079 | 0.07 % | 59 % | 52 % |
| Florida | 482,350 | 233,745 | 0.05 % | 57 % | 51 % |
| California | 412,594 | 189,234 | 0.03 % | 63 % | 57 % |
| Other (1) | 990,529 | 461,055 | 0.09 % | 64 % | 60 % |
| Total home equity lines of credit in draw period | 3,151,060 | 1,378,113 | 0.07 % | 61 % | 54 % |
| Home equity lines in repayment, home equity loans and bridge loans | 440,805 | 440,805 | 1.14 % | 67 % | 50 % |
| Total | $3,591,865 | $1,818,918 | 0.33 % | 61 % | 53 % |

(1) No individual other state has a committed or drawn balance greater than 10% of total loans and 5% of equity products.

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

(3) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2018. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

At September 30, 2018, 40.4% of our home equity lending portfolio was either in first lien position (22.6%) or was in a subordinate (second) lien position behind a first lien that we held (13.9%) or behind a first lien that was held by a loan that we originated, sold and now service for others (3.9%). At September 30, 2018, 14.6% of our home equity line of credit portfolio in the draw period was making only the minimum payment on their outstanding line balance.

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The following table sets forth by calendar origination year, the credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of September 30, 2018. Home equity lines of credit in the draw period are included in the year originated:

| | Credit Exposure | Principal Balance | Percent Delinquent 90 Days or More | Mean CLTV Percent at Origination(1) | Current Mean CLTV Percent(2) |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Home equity lines of credit in draw period: | | | | | |
| 2008 and Prior | $164,240 | $62,944 | 0.63 % | 61 % | 49 % |
| 2009 | 141,061 | 49,473 | 0.82 % | 55 % | 48 % |
| 2010 | 13,874 | 4,529 | — % | 58 % | 44 % |
| 2011 | — | — | — % | — % | — % |
| 2012 | 155 | 51 | — % | 44 % | 64 % |
| 2013 | 12,983 | 3,907 | — % | 60 % | 42 % |
| 2014 | 168,245 | 60,034 | 0.19 % | 60 % | 44 % |
| 2015 | 245,723 | 102,806 | — % | 60 % | 47 % |
| 2016 | 448,110 | 198,292 | — % | 62 % | 53 % |
| 2017 | 963,443 | 461,162 | — % | 61 % | 56 % |
| 2018 | 993,226 | 434,915 | — % | 61 % | 60 % |
| Total home equity lines of credit in draw period | 3,151,060 | 1,378,113 | 0.07 % | 61 % | 54 % |
| Home equity lines in repayment, home equity loans and bridge loans | 440,805 | 440,805 | 1.14 % | 67 % | 50 % |
| Total | $3,591,865 | $1,818,918 | 0.33 % | 61 % | 53 % |

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

(2) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2018. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

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

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The following table sets forth by fiscal year when the draw period expires, the principal balance of home equity lines of credit in the draw period as of September 30, 2018, segregated by the current combined LTV range.

| | Current CLTV Category | | | | | |
|---|---|---|---|---|---|---|
| Home equity lines of credit in draw period (by End of Draw Fiscal Year): | < 80% | 80 - 89.9% | 90 - 100% | >100% | Unknown (2) | Total |
| | (Dollars in thousands) | | | | | |
| 2019 (1) | $153,818 | $2,682 | $600 | $751 | $3,038 | $160,889 |
| 2020 (1) | 111,584 | 93 | 14 | 21 | 1,256 | 112,968 |
| 2021 (1) | 39,074 | — | — | — | 208 | 39,282 |
| 2022 | 79 | — | — | — | — | 79 |
| 2023 (1) | 19 | — | — | — | — | 19 |
| 2024 | — | — | — | 9 | 27 | 36 |
| Post 2024 | 1,046,964 | 6,874 | 394 | 129 | 10,479 | 1,064,840 |
| Total | $1,351,538 | $9,649 | $1,008 | $910 | $15,008 | $1,378,113 |

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(1) Home equity lines of credit whose draw period ends in fiscal years 2019, 2020 and 2021 include $56.5 million, $100.5 million and $39.2 million respectively, of lines where the customer has an amortizing payment during the draw period. All home equity lines of credit whose draw period ends in the fiscal years after 2021 have an amortizing payment during the draw period.

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

As shown in the origination by year table, which is the second preceding table above, the percentage of loans delinquent 90 days or more (seriously delinquent) originated during the years 2009 and earlier are comparatively higher than the years following 2009. Those years saw rapidly increasing housing prices, especially in our Florida market. As housing prices declined along with the general economic downturn and higher levels of unemployment that accompanied the 2008 financial crisis, we see that reflected in delinquencies for those years. Home equity lines of credit originated during those years also saw higher loan amounts, higher permitted LTV ratios, and lower credit scores. However, recent increases in home values have reversed the trend of the general decrease in housing values from the aftermath of the 2008 financial crisis, resulting in current mean CLTV percentages becoming lower than the mean CLTV percentages at origination, which was not the case for a number of years. Increased home values have also allowed customers to refinance their home equity lines of credit approaching the end of draw period. The combination of the principal balance of all home equity products no longer in the draw period, plus those lines originated in 2009 and earlier, is $553.2 million, a reduction of $230.9 million during the current fiscal year. In addition, as shown in the table below, the principal balance of home equity lines of credit in the draw period that have a current mean CLTV over 80% or unknown is $26.6 million at September 30, 2018, a reduction of $72.5 million during the current fiscal year.

While there have been recent improvements, the previous past weakness in the housing market and the uncertainty with respect to future employment levels and economic prospects, causes us to continue to conduct an expanded loan level evaluation of our home equity lines of credit which are delinquent 90 days or more.

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The following table sets forth the breakdown of current mean CLTV percentages for our home equity lines of credit in the draw period as of September 30, 2018.

| | Credit Exposure | Principal Balance | Percent of Total Principal Balance | | Percent Delinquent 90 days or More | | Mean CLTV Percent at Origination(2) | | Current Mean CLTV Percent(3) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | | | |
| Home equity lines of credit in draw period (by current mean CLTV): | | | | | | | | | | |
| < 80% | $3,094,250 | $1,351,538 | 98.1 | % | 0.06 | % | 61 | % | 54 | % |
| 80 - 89.9% | 20,457 | 9,649 | 0.7 | % | — | % | 79 | % | 82 | % |
| 90 - 100% | 1,522 | 1,008 | 0.1 | % | 7.44 | % | 78 | % | 93 | % |
| > 100% | 1,584 | 910 | 0.1 | % | 1.88 | % | 74 | % | 130 | % |
| Unknown (1) | 33,247 | 15,008 | 1.0 | % | — | % | 54 | % | (1 | ) |
| | $3,151,060 | $1,378,113 | 100.0 | % | 0.07 | % | 61 | % | 54 | % |

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

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

(3) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2018. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

Construction Loans. The Association originates construction loans to individuals for the construction of their personal single-family residence by a qualified builder (construction/permanent loans). The Association's construction/permanent loans generally provide for disbursements to the builder or sub-contractors during the construction phase as work progresses. During the construction phase, the borrower only pays interest on the drawn balance. Upon completion of construction, the loan converts to a permanent amortizing loan without the expense of a second closing. The Association offers construction/permanent loans with fixed or adjustable rates, and a current maximum loan-to-completed-appraised value ratio of 85%. At September 30, 2018, construction loans totaled $64.0 million, or 0.5% of total loans receivable. At September 30, 2018, the unadvanced portion of these construction loans totaled $36.5 million.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Association may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. This is more likely to occur when home prices are falling.

Loan Originations, Purchases, Sales, Participations and Servicing. Lending activities are conducted by the Association's loan personnel (all of whom are non-commissioned associates) operating at our main and branch office locations and at our loan production offices. All loans that the Association originates are underwritten pursuant to its policies and procedures, which, for real estate loans, are consistent with the ability to repay guidance provided by the CFPB. A small number of loans originated with the intent to sell and certain other long-term, fixed-rate loans, as described below, are originated using Fannie Mae processing and underwriting guidelines. The majority of loans however, are originated using guidelines that are similar, but not identical to Fannie Mae processing and underwriting guidelines. The Association originates both adjustable-rate and fixed-rate loans and advertises extensively throughout its market area. Its ability to originate fixed- or adjustable-rate loans is dependent upon the relative consumer demand

for such loans, which is affected by current market interest rates as well as anticipated future market interest rates. The Association’s loan origination and sales activity may be adversely affected by a rising interest rate environment or economic recession, which typically results in decreased loan demand. The Association’s residential real estate mortgage loan originations are generated by its in-house loan representatives, by direct mail solicitations, by referrals from existing or past customers, by referrals from local builders and real estate brokers, from calls to its telephone call center and from the internet.

Except for loans originated in accordance with the guidelines of Fannie Mae's HARP II and HomeReady programs, which loans are originated with the intent to sell, the Association decides whether to retain, sell or securitize the loans that it originates,

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after evaluating current and projected market interest rates, its interest rate risk objectives, its liquidity needs and other factors. During the fiscal year ended September 30, 2018, the Association sold to Fannie Mae, in either whole loan or security form, $122.7 million of long-term, fixed-rate residential real estate mortgage loans, and to a private investor, $277.4 million of long-term, fixed-rate residential real estate mortgage loans, all on a servicing retained basis. In addition to sales of long-term, fixed-rate residential real estate mortgage loans, the Association has also previously sold to private parties, non-agency eligible, adjustable-rate loans on a servicing retained basis. Those sales evidenced the saleability of our loans that are not originated in accordance with agency specified procedures, including adjustable-rate loans. As described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Controlling Our Interest Rate Risk Exposure, the Association implemented loan origination changes in fiscal 2014 with respect to a small portion of our loan originations, which allow that portion of our first mortgage loan originations that were processed using the revised procedures to be eligible for securitization and sale in Fannie Mae mortgage backed security form. The balance of loans held for sale was $0.7 million at September 30, 2018, which were originated pursuant to the guidelines of Fannie Mae's HARP II and HomeReady programs.
Historically, the Association has retained the servicing rights on all residential real estate mortgage loans that it has sold, and intends to continue this practice into the future. At September 30, 2018, the Association serviced loans owned by others with a principal balance of $1.93 billion, including $2.7 million of loans sold to Fannie Mae subject to recourse. All recourse sales occurred prior to the year 2000. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. The Association retains a portion of the interest paid by the borrower on the loans it services as consideration for its servicing activities. The Association did not enter into any loan participations during the fiscal year ended September 30, 2018 and does not expect to do so in the near future.
Loan Approval Procedures and Authority. The Association's lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by its Board of Directors. The loan approval process is intended to assess the borrower's ability to repay the loan and the value of the property that will secure the loan. To assess the borrower's ability to repay, the Association reviews the borrower's employment and credit history and information on the historical and projected income and expenses of the borrower.
The Association's policies and loan approval limits are established by its Board of Directors. The Association's Board of Directors has delegated authority to its Executive Committee (consisting of the Association's Chief Executive Officer and two directors) to review and assign lending authorities to certain individuals of the Association to consider and approve loans within their designated authority. Residential real estate mortgage loans and construction loans require the approval of one individual with designated underwriting authority.
The Association requires independent third-party valuations of real property. Appraisals are performed by independent licensed appraisers.

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Delinquent Loans. The following tables set forth the number and recorded investment in loan delinquencies by type, segregated by geographic location and severity of delinquency at the dates indicated. The majority of our construction loan portfolio is secured by properties located in Ohio; therefore, it is not segregated by geography. There were no delinquencies in the construction loan portfolio for the fiscal years ended September 30, 2018, 2017 and 2016.

| | Loans Delinquent For | | | | | |
|---|---|---|---|---|---|---|
| | 30-89 Days | | 90 Days or Over | | Total | |
| | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | |
| September 30, 2018 | | | | | | |
| Real estate loans: | | | | | | |
| Residential Core | | | | | | |
| Ohio | 81 | $7,622 | 88 | $7,392 | 169 | $15,014 |
| Florida | 7 | 906 | 15 | 2,455 | 22 | 3,361 |
| Other | 7 | 1,346 | 5 | 960 | 12 | 2,306 |
| Total Residential Core | 95 | 9,874 | 108 | 10,807 | 203 | 20,681 |
| Residential Home Today | | | | | | |
| Ohio | 118 | 4,483 | 129 | 3,756 | 247 | 8,239 |
| Florida | 1 | 69 | 3 | 58 | 4 | 127 |
| Total Residential Home Today | 119 | 4,552 | 132 | 3,814 | 251 | 8,366 |
| Home equity loans and lines of credit | | | | | | |
| Ohio | 89 | 2,117 | 122 | 2,286 | 211 | 4,403 |
| Florida | 41 | 2,011 | 79 | 2,085 | 120 | 4,096 |
| California | 3 | 302 | 4 | 255 | 7 | 557 |
| Other | 37 | 2,037 | 54 | 1,307 | 91 | 3,344 |
| Total Home equity loans and lines of credit | 170 | 6,467 | 259 | 5,933 | 429 | 12,400 |
| Total | 384 | $20,893 | 499 | $20,554 | 883 | $41,447 |

| | Loans Delinquent For | | | | | |
|---|---|---|---|---|---|---|
| | 30-89 Days | | 90 Days or Over | | Total | |
| | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | |
| September 30, 2017 | | | | | | |
| Real estate loans: | | | | | | |
| Residential Core | | | | | | |
| Ohio | 82 | $6,850 | 114 | $8,756 | 196 | $15,606 |
| Florida | 12 | 1,671 | 26 | 2,507 | 38 | 4,178 |
| Other | 1 | 149 | 4 | 712 | 5 | 861 |
| Total Residential Core | 95 | 8,670 | 144 | 11,975 | 239 | 20,645 |
| Residential Home Today | | | | | | |
| Ohio | 123 | 5,244 | 193 | 6,678 | 316 | 11,922 |
| Florida | 4 | 319 | 5 | 173 | 9 | 492 |
| Total Residential Home Today | 127 | 5,563 | 198 | 6,851 | 325 | 12,414 |
| Home equity loans and lines of credit | | | | | | |
| Ohio | 117 | 3,037 | 133 | 2,134 | 250 | 5,171 |
| Florida | 48 | 1,884 | 99 | 2,345 | 147 | 4,229 |
| California | 7 | 590 | 9 | 354 | 16 | 944 |
| Other | 22 | 859 | 44 | 575 | 66 | 1,434 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Home equity loans and lines of credit | 194 | 6,370 | 285 | 5,408 | 479 | 11,778 |
| Total | 416 | $20,603 | 627 | $24,234 | 1,043 | $44,837 |

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| | Loans Delinquent For | | | | | |
|---|---|---|---|---|---|---|
| | 30-89 Days | | 90 Days or Over | | Total | |
| | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | |
| September 30, 2016 | | | | | | |
| Real estate loans: | | | | | | |
| Residential Core | | | | | | |
| Ohio | 93 | $8,901 | 155 | $10,957 | 248 | $19,858 |
| Florida | 5 | 790 | 39 | 4,055 | 44 | 4,845 |
| Other | 1 | 119 | 4 | 581 | 5 | 700 |
| Total Residential Core | 99 | 9,810 | 198 | 15,593 | 297 | 25,403 |
| Residential Home Today | | | | | | |
| Ohio | 133 | 7,456 | 203 | 6,954 | 336 | 14,410 |
| Florida | 5 | 398 | 10 | 378 | 15 | 776 |
| Kentucky | 1 | — | 1 | 24 | 2 | 24 |
| Total Residential Home Today | 139 | 7,854 | 214 | 7,356 | 353 | 15,210 |
| Home equity loans and lines of credit | | | | | | |
| Ohio | 94 | 2,507 | 172 | 2,216 | 266 | 4,723 |
| Florida | 34 | 2,134 | 122 | 2,257 | 156 | 4,391 |
| California | 8 | 562 | 5 | 130 | 13 | 692 |
| Other | 32 | 1,213 | 40 | 329 | 72 | 1,542 |
| Total Home equity loans and lines of credit | 168 | 6,416 | 339 | 4,932 | 507 | 11,348 |
| Total | 406 | $24,080 | 751 | $27,881 | 1,157 | $51,961 |

| | Loans Delinquent For | | | | | |
|---|---|---|---|---|---|---|
| | 30-89 Days | | 90 Days or Over | | Total | |
| | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | |
| September 30, 2015 | | | | | | |
| Real estate loans: | | | | | | |
| Residential Core | | | | | | |
| Ohio | 111 | $10,622 | 188 | $14,746 | 299 | $25,368 |
| Florida | 10 | 1,634 | 70 | 7,509 | 80 | 9,143 |
| Other | 2 | 309 | 8 | 1,051 | 10 | 1,360 |
| Total Residential Core | 123 | 12,565 | 266 | 23,306 | 389 | 35,871 |
| Residential Home Today | | | | | | |
| Ohio | 147 | 8,021 | 231 | 8,371 | 378 | 16,392 |
| Florida | 5 | 352 | 11 | 674 | 16 | 1,026 |
| Kentucky | — | — | 1 | 23 | 1 | 23 |
| Total Residential Home Today | 152 | 8,373 | 243 | 9,068 | 395 | 17,441 |
| Home equity loans and lines of credit | | | | | | |
| Ohio | 128 | 2,633 | 189 | 2,772 | 317 | 5,405 |
| Florida | 36 | 1,894 | 124 | 1,608 | 160 | 3,502 |
| California | 9 | 680 | 13 | 49 | 22 | 729 |
| Other | 30 | 967 | 48 | 1,146 | 78 | 2,113 |
| Total Home equity loans and lines of credit | 203 | 6,174 | 374 | 5,575 | 577 | 11,749 |
| Construction | — | — | 1 | 427 | 1 | 427 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | 478 | $27,112 | 884 | $38,376 | 1,362 | $65,488 |

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

Total loans seriously delinquent (i.e. delinquent 90 days or over) decreased three basis points to 0.16% of total net loans at September 30, 2018, from 0.19% at September 30, 2017. The percentage of seriously delinquent loans to total net loans decreased in the residential Core portfolio from 0.10% to 0.08%. Such loans in the residential Home Today portfolio decreased from 0.05% to 0.03%; and in the home equity loans and lines of credit portfolio increased from 0.04% to 0.05%. Although regional employment levels have improved, we expect some borrowers who are current on their loans at September 30, 2018 to experience payment problems in the future.

Non-performing Assets and Restructured Loans: Collection Procedures. Within 15 days of a borrower's delinquency, the Association attempts personal, direct contact with the borrower to determine the reason for the delinquency, to ensure that the borrower correctly understands the terms of the loan and to emphasize the importance of making payments on or before the due date. If necessary, subsequent late charges and delinquent notices are issued and the borrower's account will be monitored on a regular basis thereafter. The Association also mails system-generated reminder notices on a monthly basis. When a loan is more than 30 days past due, the Association attempts to contact the borrower and develop a plan of repayment. By the 90th day of delinquency, the Association may recommend foreclosure. The loan will be evaluated for impairment prior to the 180th day of delinquency. For further discussion on evaluating loans for impairment, see Note 5. LOANS AND ALLOWANCE FOR LOAN LOSSES of the Notes to Consolidated Financial Statements. A summary report of all loans 30 days or more past due is provided to the Association's Board of Directors.

Loans are placed in non-accrual status when they are contractually 90 days or more past due or if collection of principal or interest in full is in doubt. Loans restructured in TDRs that were in non-accrual status prior to the restructurings remain in non-accrual status for a minimum of six months. Home equity loans and lines of credit which are subordinate to a first mortgage lien where the customer is seriously delinquent, are placed in non-accrual status. Loans in Chapter 7 bankruptcy status where all borrowers have been discharged from their mortgage obligation or where all borrowers had filed, and had not reaffirmed or been dismissed, are placed in non-accrual status. For discussion on interest recognition, see Note 5. LOANS AND ALLOWANCE FOR LOAN LOSSES of the Notes to Consolidated Financial Statements.

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The table below sets forth the recorded investments and categories of our non-performing assets and TDRs at the dates indicated.

| | September 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (Dollars in thousands) | | | | |
| Non-accrual loans: | | | | | |
| Real estate loans: | | | | | |
| Residential Core | $41,628 | $43,797 | $51,304 | $62,293 | $79,388 |
| Residential Home Today | 14,641 | 18,109 | 19,451 | 22,556 | 29,960 |
| Home equity loans and lines of credit(1) | 21,483 | 17,185 | 19,206 | 21,514 | 26,189 |
| Construction | — | — | — | 427 | — |
| Total non-accrual loans(2)(3) | 77,752 | 79,091 | 89,961 | 106,790 | 135,537 |
| Real estate owned | 2,794 | 5,521 | 6,803 | 17,492 | 21,768 |
| Total non-performing assets | $80,546 | $84,612 | $96,764 | $124,282 | $157,305 |
| Ratios: | | | | | |
| Total non-accrual loans to total loans | 0.60 % | 0.63 % | 0.76 % | 0.95 % | 1.27 % |
| Total non-accrual loans to total assets | 0.55 % | 0.58 % | 0.70 % | 0.86 % | 1.15 % |
| Total non-performing assets to total assets | 0.57 % | 0.62 % | 0.75 % | 1.00 % | 1.33 % |
| TDRs (not included in non-accrual loans above): | | | | | |
| Real estate loans: | | | | | |
| Residential Core | $50,351 | $53,511 | $57,942 | $60,175 | $59,630 |
| Residential Home Today | 26,861 | 28,751 | 32,401 | 35,674 | 39,148 |
| Home equity loans and lines of credit | 25,604 | 20,864 | 16,528 | 11,904 | 8,117 |
| Total | $102,816 | $103,126 | $106,871 | $107,753 | $106,895 |

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(1) The totals at September 30, 2018, 2017, 2016, 2015 and 2014 include $0.5 million, $0.5 million, $1.3 million, $1.8 million and $2.5 million of performing home equity lines of credit, pursuant to regulatory guidance regarding senior lien delinquency issued in January 2012.

(2) At September 30, 2018, 2017, 2016, 2015 and 2014 the totals include $52.1 million, $47.0 million, $51.4 million, $55.5 million and $58.7 million respectively, in TDRs: which are less than 90 days past due but included with non-accrual loans for a minimum period of six months from the restructuring date due to their non-accrual status prior to restructuring; because they have been partially charged off; or because all borrowers have filed Chapter 7 bankruptcy, and had not reaffirmed or been dismissed.

(3) At September 30, 2018, 2017, 2016, 2015 and 2014 the totals include $10.5 million, $11.9 million, $12.4 million, $15.0 million and $20.9 million in TDRs that are 90 days or more past due respectively.

The gross interest income that would have been recorded during the year ended September 30, 2018 on non-accrual loans if they had been accruing during the entire period and TDRs if they had been current and performing in accordance with their original terms during the entire period was $9.4 million. The interest income recognized on those loans included in net income for the year ended September 30, 2018 was $8.4 million.

Impaired Loans. A loan is considered impaired when, based on current information and events, it is probable that the Association will be unable to collect the scheduled payments of principal and interest according to the contractual terms of the loan agreement. For discussion on impairment measurement, see Note 5. LOANS AND ALLOWANCE FOR LOAN LOSSES of the Notes to Consolidated Financial Statements.

The recorded investment of impaired loans includes accruing TDRs and loans that are returned to accrual status when contractual payments are less than 90 days past due. Also, the recorded investment of non-accrual loans includes loans that are not included in the recorded investment of impaired loans because they are included in loans collectively evaluated for impairment. The table below sets forth a reconciliation of the recorded investments and categories between non-accrual loans and impaired loans at the dates indicated.

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| | At or For the Years Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (Dollars in thousands) | | | | |
| Balance of Non-Accrual Loans | $77,752 | $79,091 | $89,961 | $106,790 | $135,537 |
| Accruing TDRs | 102,816 | 103,126 | 106,871 | 107,753 | 106,895 |
| Performing Impaired Loans | 3,982 | 3,607 | 4,022 | 5,276 | 5,389 |
| Less Loans Collectively Evaluated | (3,756 ) | (5,264 ) | (6,004 ) | (7,647 ) | (14,435 ) |
| Balance of Total Impaired loans | $180,794 | $180,560 | $194,850 | $212,172 | $233,386 |

The balance of total (accrual and non-accrual) TDRs was $165.4 million at September 30, 2018, a $3.4 million increase from September 30, 2017. Of the $165.4 million of TDRs recorded at September 30, 2018, $84.2 million is in the Residential Core portfolio, $40.4 million is in the Home Today portfolio and $40.8 million is in the Home equity loans and lines of credit portfolio.

Loan restructuring is a method used to help families keep their homes and preserve our neighborhoods. This involves making changes to the borrowers' loan terms through interest rate reductions, either for a specific period or for the remaining term of the loan; term extensions including those beyond that provided in the original agreement; principal forgiveness; capitalization of delinquent payments in special situations; or some combination of the above. Loans discharged through Chapter 7 bankruptcy are also reported as TDRs per OCC interpretive guidance. For discussion on impairment measurement, see Note 5. LOANS AND ALLOWANCE FOR LOAN LOSSES of the Notes to Consolidated Financial Statements.

The following table sets forth the recorded investments of accrual and non-accrual TDRs, by the types of concessions granted as of September 30, 2018.

| | Reduction in Interest Rates | Payment Extensions | Forbearance or Other Actions | Multiple Concessions | Multiple Restructurings | Bankruptcy | Total |
|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | |
| Accrual | | | | | | | |
| Residential Core | $8,392 | $ 299 | $ 6,090 | $ 15,439 | $ 12,672 | $ 7,459 | $50,351 |
| Residential Home Today | 3,426 | — | 3,390 | 8,625 | 10,530 | 890 | 26,861 |
| Home equity loans and lines of credit | 148 | 5,414 | 821 | 17,768 | 190 | 1,263 | 25,604 |
| Total | $11,966 | $ 5,713 | $ 10,301 | $ 41,832 | $ 23,392 | $ 9,612 | $102,816 |
| Non-Accrual, Performing | | | | | | | |
| Residential Core | $627 | $ 119 | $ 1,531 | $ 3,866 | $ 8,853 | $ 13,232 | $28,228 |
| Residential Home Today | 587 | 47 | 816 | 686 | 5,826 | 2,152 | 10,114 |
| Home equity loans and lines of credit | — | 431 | 597 | 7,551 | 2,141 | 3,045 | 13,765 |
| Total | $1,214 | $ 597 | $ 2,944 | $ 12,103 | $ 16,820 | $ 18,429 | $52,107 |
| Non-Accrual, Non-Performing | | | | | | | |
| Residential Core | $— | $ — | $ 2,582 | $ 320 | $ 1,591 | $ 1,141 | $5,634 |
| Residential Home Today | 38 | — | 465 | 163 | 2,127 | 641 | 3,434 |
| Home equity loans and lines of credit | — | 347 | 532 | 159 | 232 | 130 | 1,400 |
| Total | $38 | $ 347 | $ 3,579 | $ 642 | $ 3,950 | $ 1,912 | $10,468 |
| Total TDRs | | | | | | | |
| Residential Core | $9,019 | $ 418 | $ 10,203 | $ 19,625 | $ 23,116 | $ 21,832 | $84,213 |
| Residential Home Today | 4,051 | 47 | 4,671 | 9,474 | 18,483 | 3,683 | 40,409 |
| Home equity loans and lines of credit | 148 | 6,192 | 1,950 | 25,478 | 2,563 | 4,438 | 40,769 |
| Total | $13,218 | $ 6,657 | $ 16,824 | $ 54,577 | $ 44,162 | $ 29,953 | $165,391 |

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TDRs in accrual status are loans accruing interest and performing according to the terms of the restructuring. To be performing, a loan must be less than 90 days past due as of the report date. Non-accrual, performing status indicates that a loan was not accruing interest at the time of restructuring, continues to not accrue interest and is performing according to the terms of the restructuring, but has not been current for at least six consecutive months since its restructuring, has a partial charge-off, or is being classified as non-accrual per the OCC guidance on loans in Chapter 7 bankruptcy status, where all borrowers have filed and have not reaffirmed or been dismissed. Non-accrual, non-performing status includes loans that are not accruing interest because they are greater than 90 days past due and therefore not performing according to the terms of the restructuring.

Real Estate Owned. Real estate acquired as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until sold. When property is acquired, it is recorded at the estimated fair market value at the date of foreclosure less estimated costs to sell, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions. Subsequent to acquisition, real estate owned is carried at the lower of the cost basis or estimated fair market value less estimated costs to sell. Increases in the fair market value are recognized through income not exceeding the valuation allowance. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. At September 30, 2018, we had $2.8 million in real estate owned.

Classification of Assets. Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current payment capacity of the borrower or the collateral pledged has a defined weakness that jeopardizes the liquidation of the debt. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve management's attention and may result in further deterioration in their repayment prospects and/or the Association's credit position, are required to be designated as special mention.

When we classify assets as either substandard or doubtful, we allocate a portion of the related general loss allowances to such assets as we deem prudent. The allowance for loan losses is the amount estimated by management as necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. When we classify a problem asset as loss, we charge-off that portion of the asset that is uncollectible. Our determinations as to the classification of our assets and the amount of our loss allowances are subject to review by the Association's primary federal regulator, the OCC, which can require that we establish additional loss allowances. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of our review of assets at September 30, 2018, the recorded investment of classified assets consists of substandard assets of $91.7 million, including $2.8 million of real estate owned, and $4.2 million of assets designated special mention. As of September 30, 2018, there were no individual assets with balances exceeding $1 million that were classified as substandard. Substandard assets at September 30, 2018 include $20.5 million of loans 90 or more days past due and $68.4 million of loans less than 90 days past due displaying a weakness sufficient to warrant an adverse classification, the majority of which are TDRs.

Allowance for Loan Losses. We provide for loan losses based on the allowance method. Accordingly, all loan losses are charged to, and all recoveries are credited to, the related allowance. Additions to the allowance for loan losses are provided by charges to income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. We regularly review the loan portfolio and make provisions (or recapture credits) for loan losses in order to maintain the allowance for loan losses in accordance with U.S. GAAP. Our allowance for loan losses consists of two components:

(1) individual valuation allowances (IVAs) established for any impaired loans dependent on cash flows, such as performing TDRs, and IVAs related to a portion of the allowance on loans individually reviewed that represents

further deterioration in the fair value of the collateral not yet identified as uncollectible; and

(2) general valuation allowances (GVAs), which are comprised of quantitative GVAs, which are general allowances for loan losses for each loan type based on historical loan loss experience and qualitative GVAs, which are adjustments to the quantitative GVAs, maintained to cover uncertainties that affect our estimate of incurred probable losses for each loan type.

The qualitative GVAs expand our ability to identify and estimate probable losses and are based on our evaluation of the following factors, some of which are consistent with factors that impact the determination of quantitative GVAs. For example, delinquency statistics (both current and historical) are used in developing the quantitative GVAs while the trending of the delinquency statistics is considered and evaluated in the determination of the qualitative GVAs. Factors impacting the determination of qualitative GVAs include:

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- changes in lending policies and procedures including underwriting standards, collection, charge-off or recovery practices;
- changes in national, regional, and local economic and business conditions and trends including housing market factors and trends, such as the status of loans in foreclosure, real estate in judgment and real estate owned, and unemployment statistics and trends;
- changes in the nature and volume of the portfolios including home equity lines of credit nearing the end of the draw period and adjustable-rate mortgage loans nearing a rate reset;
- changes in the experience, ability or depth of lending management;
- changes in the volume or severity of past due loans, volume of nonaccrual loans, or the volume and severity of adversely classified loans including the trending of delinquency statistics (both current and historical), historical loan loss experience and trends, the frequency and magnitude of multiple restructurings of loans previously the subject of TDRs, and uncertainty surrounding borrowers' ability to recover from temporary hardships for which short-term loan restructurings are granted;
- changes in the quality of the loan review system;
- changes in the value of the underlying collateral including asset disposition loss statistics (both current and historical) and the trending of those statistics, and additional charge-offs on individually reviewed loans;
- existence of any concentrations of credit; and
- effect of other external factors such as competition, market interest rate changes or legal and regulatory requirements including market conditions and regulatory directives that impact the entire financial services industry.

When loan restructurings qualify as TDRs and the loans are performing according to the terms of the restructuring, we record an IVA based on the present value of expected future cash flows, which includes a factor for potential subsequent defaults, discounted at the effective interest rate of the original loan contract. Potential defaults are distinguished from multiple restructurings as borrowers who default are generally not eligible for subsequent restructurings. At September 30, 2018, the balance of such individual valuation allowances was $12.0 million. In instances when loans require multiple restructurings, additional valuation allowances may be required. The new valuation allowance on a loan that has multiple restructurings is calculated based on the present value of the expected cash flows, discounted at the effective interest rate of the original loan contract, considering the new terms of the restructured agreement. Due to the immaterial amount of this exposure to date, we continue to capture this exposure as a component of our qualitative GVA evaluation. The significance of this exposure will be monitored and, if warranted, we will enhance our loan loss methodology to include a new default factor (developed to reflect the estimated impact to the balance of the allowance for loan losses that will occur as a result of subsequent future restructurings) that will be assessed against all loans reviewed collectively. If new default factors are implemented, the qualitative GVA methodology will be adjusted to preclude duplicative loss consideration.

Home equity loans and lines of credit generally have higher credit risk than traditional residential mortgage loans. These loans and lines are usually in a second lien position and when combined with the first mortgage, result in generally higher overall loan-to-value ratios. In a stressed housing market with high delinquencies and decreasing housing prices, as arose beginning in 2008, these higher loan-to-value ratios represent a greater risk of loss to the Company. A borrower with more equity in the property has a vested interest in keeping the loan current when compared to a borrower with little or no equity in the property. In light of the past weakness in the housing market and uncertainty with respect to future employment levels and economic prospects, we conduct an expanded loan level evaluation of our home equity loans and lines of credit, including bridge loans, which are delinquent 90 days or more. This expanded evaluation is in addition to our traditional evaluation procedures. Our home equity loans and lines of credit portfolio continues to comprise a significant portion of our gross charge-offs. At September 30, 2018, we had a recorded investment of $1.84 billion in home equity loans and equity lines of credit outstanding, $5.9 million, or 0.3% of which were delinquent 90 days or more.

We evaluate the allowance for loan losses based upon the combined total of the quantitative and qualitative GVAs and IVAs. We periodically evaluate the carrying value of loans and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future additions to the allowance may be necessary based on

unforeseen changes in loan quality and economic conditions.

For more information regarding the allowance for loan losses, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”



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The following table sets forth activity in our allowance for loan losses segregated by geographic location for the periods indicated. The majority of our construction loan portfolio is secured by properties located in Ohio and the balances of other consumer loans are immaterial; therefore neither was segregated.

| | At or For the Years Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (Dollars in thousands) | | | | |
| Allowance balance (beginning of the year) | $48,948 | $61,795 | $71,554 | $81,362 | $92,537 |
| Charge-offs: | | | | | |
| Real estate loans: | | | | | |
| Residential Core | | | | | |
| Ohio | 874 | 1,728 | 3,214 | 4,522 | 8,406 |
| Florida | 58 | 1,272 | 981 | 1,703 | 7,782 |
| Other | 27 | 29 | 99 | 641 | 32 |
| Total Residential Core | 959 | 3,029 | 4,294 | 6,866 | 16,220 |
| Residential Home Today | | | | | |
| Ohio | 1,318 | 2,172 | 2,649 | 3,277 | 7,336 |
| Florida | 45 | 83 | 112 | 175 | 286 |
| Other | — | 21 | — | — | — |
| Total Residential Home Today | 1,363 | 2,276 | 2,761 | 3,452 | 7,622 |
| Home equity loans and lines of credit | | | | | |
| Ohio | 2,751 | 2,707 | 3,095 | 5,241 | 4,879 |
| Florida | 2,381 | 2,560 | 2,885 | 4,017 | 8,004 |
| California | — | 199 | 76 | 498 | 1,021 |
| Other | 700 | 707 | 1,790 | 1,278 | 2,039 |
| Total Home equity loans and lines of credit | 5,832 | 6,173 | 7,846 | 11,034 | 15,943 |
| Construction | — | — | — | — | 192 |
| Total charge-offs | 8,154 | 11,478 | 14,901 | 21,352 | 39,977 |
| Recoveries: | | | | | |
| Real estate loans: | | | | | |
| Residential Core | 2,601 | 5,458 | 3,708 | 5,369 | 2,742 |
| Residential Home Today | 1,957 | 1,311 | 1,433 | 1,533 | 1,909 |
| Home equity loans and lines of credit | 8,066 | 8,862 | 7,969 | 7,468 | 4,918 |
| Construction | — | — | 32 | 174 | 233 |
| Total recoveries | 12,624 | 15,631 | 13,142 | 14,544 | 9,802 |
| Net recoveries (charge-offs) | 4,470 | 4,153 | (1,759 ) | (6,808 ) | (30,175 ) |
| Provision (credit) for loan losses | (11,000 ) | (17,000 ) | (8,000 ) | (3,000 ) | 19,000 |
| Allowance balance (end of the year) | $42,418 | $48,948 | $61,795 | $71,554 | $81,362 |
| Ratios: | | | | | |
| Net charge-offs (recoveries) to average loans outstanding | (0.04 )% | (0.03 )% | 0.02 % | 0.06 % | 0.29 % |
| Allowance for loan losses to non-accrual loans at end of the year | 54.56 % | 61.89 % | 68.69 % | 67.00 % | 60.03 % |
| Allowance for loan losses to the total recorded investment in loans at end of the year | 0.33 % | 0.39 % | 0.52 % | 0.64 % | 0.76 % |

Charge-offs decreased during the year ended September 30, 2018 in all portfolios when compared to the year ended September 30, 2017, reflecting the improving market conditions. We continue to evaluate loans becoming delinquent for potential losses and record provisions for the estimate of those losses. We expect a moderate level of charge-offs to continue as delinquent loans are resolved in the future and uncollected balances are charged against the allowance.

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Allocation of Allowance for Loan Losses. The following tables set forth the allowance for loan losses allocated by loan category, the percent of allowance in each category to the total allowance, and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

| | At September 30, | | | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | | | | | |
| | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Category to Total Loans | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Category to Total Loans | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Category to Total Loans |
| | (Dollars in thousands) | | | | | | | | |
| Real estate loans: | | | | | | | | | |
| Residential Core | $18,288 | 43.1 % | 84.7 % | $14,186 | 29.0 % | 86.2 % | $15,068 | 24.4 % | 85.5 % |
| Residential Home Today | 3,204 | 7.6 | 0.7 | 4,508 | 9.2 | 0.9 | 7,416 | 12.0 | 1.0 |
| Home equity loans and lines of credit | 20,921 | 49.3 | 14.1 | 30,249 | 61.8 | 12.4 | 39,304 | 63.6 | 13.0 |
| Construction | 5 | — | 0.5 | 5 | — | 0.5 | 7 | — | 0.5 |
| Total allowance | $42,418 | 100.0 % | 100.0 % | $48,948 | 100.0 % | 100.0 % | $61,795 | 100.0 % | 100.0 % |

| | At September 30, | | | 2014 | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Category to Total Loans | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Category to Total Loans |
| | (Dollars in thousands) | | | | | |
| Real estate loans: | | | | | | |
| Residential Core | $22,596 | 31.6 % | 83.9 % | $31,080 | 38.2 % | 82.2 % |
| Residential Home Today | 9,997 | 14.0 | 1.2 | 16,424 | 20.2 | 1.5 |
| Home equity loans and lines of credit | 38,926 | 54.4 | 14.4 | 33,831 | 41.6 | 15.8 |
| Construction | 35 | — | 0.5 | 27 | — | 0.5 |
| Total allowance | $71,554 | 100.0 % | 100.0 % | $81,362 | 100.0 % | 100.0 % |

During the year ended September 30, 2018, the total allowance for loan losses decreased $6.5 million, to $42.4 million from $48.9 million at September 30, 2017, as we recorded an $11.0 million credit for loan losses, while recoveries exceeded loan charge-offs by $4.5 million for the year. The allowance for loan losses related to loans evaluated collectively decreased by $7.6 million during the year ended September 30, 2018, and the allowance for loan losses related to loans evaluated individually increased by $1.0 million. Refer to the "Activity in the Allowance for Loan Losses" and "Analysis of the Allowance for Loan Losses" tables in Note 5 of the Notes to Consolidated Financial Statements for more information. Other than the less significant construction and other consumer loans segments, changes during the year ended September 30, 2018 in the balances of the GVAs, excluding changes in IVAs, related to the significant loan segments are described as follows:

- Residential Core – The recorded investment of this segment of the loan portfolio increased 1.7% or $185.9 million, while the total allowance for loan losses for this segment increased 28.9% or $4.1 million. The portion of this loan segment's allowance for loan losses that was determined by evaluating groups of loans collectively (i.e. those loans that were not individually evaluated), increased $4.5 million, or 65.8%, from $6.9 million at September 30, 2017 to

$11.4 million at September 30, 2018. The ratio of this portion of the allowance for loan losses to the total balance of loans in this loan segment that were evaluated collectively, increased 0.04% to 0.10% at September 30, 2018 from 0.06% at September 30, 2017. The increases in the balance and ratio of the allowance for loan losses reflected the overall increase in the loan portfolio balance as well as the increased potential risk related to market interest rate increases. The portfolio contains adjustable rate loans with fixed interest rates over an initial period of mainly three to five years, followed by annual resets, with various re-lock features that provide options to borrowers. The allowance increased to address the risk prompted by recent increases in the prime rate, the index at which these loans are scheduled to reset. Helping to temper the increase in the allowance were the relatively low levels of loan delinquencies and the reduction in the amount of gross charge-offs during the current year when compared to prior periods. Total

delinquencies increased 0.2% to $20.7 million at September 30, 2018 from $20.6 million at September 30, 2017. Loans 90 or more days delinquent decreased 9.8% to $10.8 million at September 30, 2018 from $12.0 million at September 30, 2017. Net recoveries during the current year were less at $1.6 million as compared to $2.4 million during the year ended September 30, 2017. The credit profile of this portfolio segment remained strong during the fiscal year due to the addition of high credit quality, residential first mortgage loans.

- Residential Home Today – The recorded investment of this segment of the loan portfolio decreased 12.0% or $12.9 million, as we are no longer originating loans under the Home Today program. The total allowance for loan losses for this segment decreased by $1.3 million or 28.9%. The portion of this loan segment’s allowance for loan losses that was determined by evaluating groups of loans collectively (i.e. those loans that were not individually evaluated), decreased by 52.8% from $2.3 million at September 30, 2017 to $1.1 million at September 30, 2018. Similarly, the ratio of this portion of the allowance to the total balance of loans in this loan segment that were evaluated collectively, decreased 1.7% to 2.0% at September 30, 2018 from 3.7% at September 30, 2017. Total delinquencies decreased from $12.4 million at September 30, 2017 to $8.4 million at September 30, 2018. Delinquencies greater than 90 days decreased from $6.9 million to $3.8 million during the same period. There were net recoveries of $0.6 million during the current year as compared to $1.0 million of net charge-offs during the year ended September 30, 2017. The allowance for this portfolio fluctuates based on not only the generally declining portfolio balance, but also on the credit profile trends in this portfolio. This portfolio's allowance decreased this year based on the decrease in the Home Today balance, yet risk remains based on the generally less stringent credit requirements that were in place at the time that these borrowers qualified for their loans and the continued depressed home values that remain in this portfolio.
- Home Equity Loans and Lines of Credit – The recorded investment of this segment of the loan portfolio increased 17.3% or $271.8 million from $1.57 billion at September 30, 2017 to $1.84 billion at September 30, 2018. The total allowance for loan losses for this segment decreased 30.8% to $20.9 million from $30.2 million at September 30, 2017. The portion of this loan segment's allowance for loan losses that was determined by evaluating groups of loans collectively (i.e. those loans that were not individually evaluated) decreased by $10.9 million, or 37.8%, from $28.8 million to $17.9 million during the year ended September 30, 2018. The ratio of this portion of the allowance to the total balance of loans in this loan segment that were evaluated collectively also decreased to 1.0% at September 30, 2018 from 1.9% at September 30, 2017. Net recoveries for this loan segment during the current year were less at $2.2 million for the current year as compared to $2.7 million for the year ended September 30, 2017. Total delinquencies for this portfolio segment increased 5.3% to $12.4 million at September 30, 2018 as compared to $11.8 million at September 30, 2017. Delinquencies greater than 90 days increased 9.7% to $5.9 million at September 30, 2018 from $5.4 million at September 30, 2017. The credit metrics of this loan segment were mixed as recoveries exceeded charge-offs, while total delinquencies slightly increased during the current year, but the overall downward shift of risk level in the portfolio led to the reduction of the total allowance. The reduction in the allowance is mainly supported by a reduction of the principal balance of home equity lines of credit coming to the end of the draw period. In recent years, a large portion of the overall allowance has been allocated to the home equity loans and lines of credit portfolio to address exposure from customers whose lines of credit were originated without amortizing payments during the draw period and who could face potential increased payment shock at the end of the draw period. In general, home equity lines of credit originated prior to June 2010 were characterized by a ten-year draw period, with interest only payments, followed by a ten-year repayment period. However, a large number of those lines of credit approaching the end of draw period have been paid off or refinanced without significant loss. The principal balance of home equity lines of credit originated prior to 2010 without amortizing payments during the draw period that are coming to the end of the draw period through fiscal 2020 is $116.9 million at September 30, 2018, compared to $482.4 million at September 30, 2017. As this exposure decreases without incurring significant loss, the portion of the overall allowance allocated to the home equity loans and lines of credit category can be decreased. Generally, there were minimal home equity lines of credit originated between June 2010 and February 2013 and those originated after February 2013 require an amortizing payment during the draw period and do not face the same end-of-draw increased payment shock risk.

While the portfolio performance has improved, loan losses on home equity loans and lines of credit continued to comprise a large component of our gross charge-offs for 2018 and are expected to continue to represent a large portion

of our charge-offs for the foreseeable future until non-performing loan balances begin to decrease by more than the charge-offs.

Our analysis for evaluating the adequacy of and the appropriateness of our loan loss provision and allowance for loan losses is continually refined as new information becomes available and actual loss experience is acquired. During the years ended September 30, 2018, 2017, 2016, 2015 and 2014 no material changes were made to the allowance methodology.

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Investments

The Association’s Board of Directors is responsible for establishing and overseeing the Association’s investment policy. The investment policy is reviewed at least annually by management and any changes to the policy are recommended to the Board of Directors, or a committee thereof, and are subject to its approval. This policy dictates that investment decisions be made based on the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, and consistency with our interest rate risk management strategy. The Association’s Investment Committee, which consists of its chief operating officer, chief financial officer and other members of management, oversees its investing activities and strategies. The portfolio manager is responsible for making securities portfolio decisions in accordance with established policies. The portfolio manager has the authority to purchase and sell securities within specific guidelines established in the investment policy, but historically the portfolio manager has executed purchases only after extensive discussions with other Investment Committee members. All transactions are formally reviewed by the Investment Committee at least quarterly. Any investment which, subsequent to its purchase, fails to meet the guidelines of the policy is reported to the Investment Committee, which decides whether to hold or sell the investment.

The Association’s investment policy requires that it invest primarily in debt securities issued by the U.S. Government, agencies of the U.S. Government, and government-sponsored entities, which include Fannie Mae and Freddie Mac. The policy also permits investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae as well as collateralized mortgage obligations and real estate mortgage investment conduits issued or backed by securities issued by these governmental agencies and government-sponsored entities. The investment policy also permits investments in asset-backed securities, banker’s acceptances, money market funds, term federal funds, repurchase agreements and reverse repurchase agreements.

The Association’s investment policy does not permit investment in municipal bonds, corporate debt obligations, preferred or common stock of government agencies or equity securities other than its required investment in the common stock of the FHLB of Cincinnati. As of September 30, 2018, we held no asset-backed securities or securities with sub-prime credit risk exposure, nor did we hold any banker’s acceptances, term federal funds, repurchase agreements or reverse repurchase agreements. As a federal savings association, the Association is not permitted to invest in equity securities. This general restriction does not apply to the Company. The Association’s investment policy permits the use of interest rate agreements (caps, floors and collars) and interest rate exchange contracts (swaps) in managing our interest rate risk exposure. The use of financial futures, however, is prohibited without specific approval from its Board of Directors.

FASB ASC 320, “Investments-Debt and Equity Securities,” requires that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities designated as available-for-sale are reported at fair value, while securities designated as held to maturity are reported at amortized cost. As a result of previous guidance from the Company's primary regulator that indicated that the Company's reported balance of liquid assets could not include any investment security not classified as available for sale, all investment securities held by the Company are classified as available for sale. We do not have a trading portfolio.

The fair value of our investment portfolio at September 30, 2018 consisted of $8.0 million in primarily fixed-rate securities guaranteed by Fannie Mae, $520.0 million of REMICs collateralized only by securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, and $4.0 million of U.S. Government and agency obligations.

U.S. Government and Federal Agency Obligations. While U.S. Government and federal agency securities generally provide lower yields than other investment options authorized in the Association's and Company's investment policies, we maintain these investments, to the extent appropriate, for liquidity purposes, as collateral for borrowings and as an interest rate risk hedge in the event of significant mortgage loan prepayments.

Mortgage-Backed Securities. We purchase mortgage-backed securities insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. We invest in mortgage-backed securities to achieve positive interest rate spreads with minimal administrative expense, and to lower our credit risk as a result of the guarantees provided by Freddie Mac, Fannie Mae or Ginnie Mae. The U.S. Treasury Department has established financing agreements to ensure that Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Mortgage-backed securities are created by the pooling of mortgages and the issuance of a security with an interest rate that is less than the interest rate on the underlying mortgages. Mortgage-backed securities typically represent a participation interest in a pool of single-family or multi-family mortgages, although we invest primarily in mortgage-backed securities backed by one- to four-family mortgages. The issuers of such securities (generally Ginnie Mae, Fannie Mae and Freddie Mac) pool and resell the participation interests in the form of securities to investors such as the Association, and guarantee the payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are more

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liquid than individual mortgage loans since there is an active trading market for such securities. While there has been significant disruption in the demand for private issuer mortgage-backed securities, the U.S. Treasury support for Fannie Mae and Freddie Mac guarantees has maintained an orderly market for the mortgage-backed securities the Company typically purchases. In addition, mortgage-backed securities may be used to collateralize our specific liabilities and obligations. Investments in mortgage-backed securities involve a risk that the timing of actual payments will be earlier or later than the timing estimated when the mortgage-backed security was purchased, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. We periodically review current prepayment speeds to determine whether prepayment estimates require modifications that could cause amortization or accretion adjustments.

REMICs are types of debt securities issued by a special-purpose entity that aggregates pools of mortgages and mortgage-backed securities and creates different classes of securities with varying maturities and amortization schedules, as well as a residual interest, with each class possessing different risk characteristics. The cash flows from the underlying collateral are generally divided into “tranches” or classes that have descending priorities with respect to the distribution of principal and interest cash flows, while cash flows on pass-through mortgage-backed securities are distributed pro rata to all security holders.

The following table sets forth the amortized cost and fair value of our securities portfolio (excluding FHLB of Cincinnati common stock) at the dates indicated.

| | At September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2016 | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (Dollars in thousands) | | | | | |
| Investments available for sale: | | | | | | |
| U.S. Government and agency obligations | 3,975 | 3,968 | $— | $— | $— | $— |
| REMICs | 537,330 | 519,999 | 533,427 | 528,536 | 508,044 | 507,997 |
| Fannie Mae certificates | 7,906 | 7,998 | 8,537 | 8,943 | 9,184 | 9,869 |
| Total investment securities available for sale | $549,211 | $531,965 | $541,964 | $537,479 | $517,228 | $517,866 |

Portfolio Maturities and Yields. The composition and maturities of our securities portfolio at September 30, 2018 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. All of our securities at September 30, 2018 were taxable securities.

| | One Year or Less | | More than One Year Through Five years | | More than Five Years Through Ten Years | | More than Ten Years | | Total Securities | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Fair Value | Weighted Average Yield |
| | | | (Dollars in thousands) | | | | | | | | |
| Investments available-for-sale: | | | | | | | | | | | |
| U.S. Government and agency obligations | $3,975 | 2.38 % | $— | — % | $— | — % | $— | — % | $3,975 | $3,968 | 2.38 % |
| REMICs | — | — % | 1,381 | 1.62 % | 87,510 | 1.91 % | 448,439 | 2.15 % | 537,330 | 519,999 | 2.11 % |
| Fannie Mae certificates | — | — % | 5,183 | 2.28 % | 1,601 | 6.99 % | 1,122 | 5.67 % | 7,906 | 7,998 | 3.72 % |
| | $3,975 | 2.38 % | $6,564 | 2.14 % | $89,111 | 2.00 % | $449,561 | 2.16 % | $549,211 | $531,965 | |

Total investment securities available-for-sale