

TFS Financial CORP
Form 10-Q
February 07, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended December 31, 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

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

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

7007 Broadway Avenue	44105
Cleveland, Ohio	
(Address of Principal Executive Offices)	(Zip Code)
(216) 441-6000	

Registrant's telephone number, including area code:
Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

Emerging Growth Company

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.

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

As of February 5, 2019, there were 280,083,345 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 81.1% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

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GLOSSARY OF TERMS

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

ACT: Tax Cuts and Jobs Act	FRB-Cleveland: Federal Reserve Bank of Cleveland
AOCI: Accumulated Other Comprehensive Income	Freddie Mac: Federal Home Loan Mortgage Corporation
ARM: Adjustable Rate Mortgage	FRS: Board of Governors of the Federal Reserve System
ASC: Accounting Standards Codification	GAAP: Generally Accepted Accounting Principles
ASU: Accounting Standards Update	Ginnie Mae: Government National Mortgage Association
Association: Third Federal Savings and Loan Association of Cleveland	GVA: General Valuation Allowances
BOLI: Bank Owned Life Insurance	HARP: Home Affordable Refinance Program
CDs: Certificates of Deposit	HPI: Home Price Index
CFPB: Consumer Financial Protection Bureau	IRR: Interest Rate Risk
CLTV: Combined Loan-to-Value	IRS: Internal Revenue Service
Company: TFS Financial Corporation and its subsidiaries	IVA: Individual Valuation Allowance
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act	LIHTC: Low Income Housing Tax Credit
EaR: Earnings at Risk	LIP: Loans-in-Process
EPS: Earnings per Share	LTV: Loan-to-Value
ESOP: Third Federal Employee (Associate) Stock Ownership Plan	MGIC: Mortgage Guaranty Insurance Corporation
EVE: Economic Value of Equity	OCC: Office of the Comptroller of the Currency
Fannie Mae: Federal National Mortgage Association	OCI: Other Comprehensive Income
FASB: Financial Accounting Standards Board	OTS: Office of Thrift Supervision
FDIC: Federal Deposit Insurance Corporation	PMI: Private Mortgage Insurance
FHFA: Federal Housing Finance Agency	PMIC: PMI Mortgage Insurance Co.
FHLB: Federal Home Loan Bank	QTL: Qualified Thrift Lender
FICO: Financing Corporation	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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Item 1. Financial Statements

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

	December 31, 2018	September 30, 2018
ASSETS		
Cash and due from banks	\$42,528	\$29,056
Interest-earning cash equivalents	244,091	240,719
Cash and cash equivalents	286,619	269,775
Investment securities available for sale (amortized cost \$575,273 and \$549,211, respectively)	564,479	531,965
Mortgage loans held for sale, at lower of cost or market (none measured at fair value)	755	659
Loans held for investment, net:		
Mortgage loans	12,918,938	12,872,125
Other consumer loans	3,000	3,021
Deferred loan expenses, net	39,526	38,566
Allowance for loan losses	(41,938)	(42,418)
Loans, net	12,919,526	12,871,294
Mortgage loan servicing rights, net	8,643	8,840
Federal Home Loan Bank stock, at cost	93,544	93,544
Real estate owned	2,888	2,794
Premises, equipment, and software, net	62,829	63,399
Accrued interest receivable	39,446	38,696
Bank owned life insurance contracts	213,568	212,021
Other assets	46,381	44,344
TOTAL ASSETS	\$14,238,678	\$14,137,331
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$8,597,179	\$8,491,583
Borrowed funds	3,734,329	3,721,699
Borrowers' advances for insurance and taxes	96,451	103,005
Principal, interest, and related escrow owed on loans serviced	30,577	31,490
Accrued expenses and other liabilities	36,362	31,150
Total liabilities	12,494,898	12,378,927
Commitments and contingent liabilities		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 280,135,164 and 280,311,070 outstanding at December 31, 2018 and September 30, 2018, respectively	3,323	3,323
Paid-in capital	1,727,909	1,726,992
Treasury stock, at cost; 52,183,586 and 52,007,680 shares at December 31, 2018 and September 30, 2018, respectively	(757,464)	(754,272)
Unallocated ESOP shares	(47,667)	(48,751)
Retained earnings—substantially restricted	815,918	807,890
Accumulated other comprehensive income	1,761	23,222
Total shareholders' equity	1,743,780	1,758,404
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$14,238,678	\$14,137,331

See accompanying notes to unaudited interim consolidated financial statements.

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

	For the Three Months Ended December 31,	
	2018	2017
INTEREST AND DIVIDEND INCOME:		
Loans, including fees	\$ 112,491	\$ 102,626
Investment securities available for sale	3,124	2,589
Other interest and dividend earning assets	2,673	2,014
Total interest and dividend income	118,288	107,229
INTEREST EXPENSE:		
Deposits	32,762	22,994
Borrowed funds	17,714	14,247
Total interest expense	50,476	37,241
NET INTEREST INCOME	67,812	69,988
PROVISION (CREDIT) FOR LOAN LOSSES	(2,000)	(3,000)
NET INTEREST INCOME AFTER PROVISION (CREDIT) FOR LOAN LOSSES	69,812	72,988
NON-INTEREST INCOME:		
Fees and service charges, net of amortization	1,776	1,760
Net gain on the sale of loans	111	478
Increase in and death benefits from bank owned life insurance contracts	1,547	1,554
Other	1,242	1,052
Total non-interest income	4,676	4,844
NON-INTEREST EXPENSE:		
Salaries and employee benefits	25,364	23,253
Marketing services	4,797	5,038
Office property, equipment and software	6,986	6,651
Federal insurance premium and assessments	2,766	2,718
State franchise tax	1,262	1,126
Other expenses	6,805	6,990
Total non-interest expense	47,980	45,776
INCOME BEFORE INCOME TAXES	26,508	32,056
INCOME TAX EXPENSE	6,175	12,443
NET INCOME	\$20,333	\$ 19,613
Earnings per share - basic and diluted	\$0.07	\$ 0.07
Weighted average shares outstanding		
Basic	275,376,254	275,816,329
Diluted	277,073,317	277,624,291

See accompanying notes to unaudited interim consolidated financial statements.

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

	For the Three Months Ended December 31,	
	2018	2017
Net income	\$20,333	\$19,613
Other comprehensive income (loss), net of tax:		
Net change in unrealized loss on securities available for sale	5,097	(4,270)
Net change in cash flow hedges	(26,822)	12,585
Change in pension obligation	264	(2,817)
Total other comprehensive income (loss)	(21,461)	5,498
Total comprehensive income (loss)	\$(1,128)	\$25,111
See accompanying notes to unaudited interim consolidated financial statements.		

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

	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2017	\$ 3,323	\$ 1,722,672	\$ (735,530)	\$ (53,084)	\$ 760,070	\$ (7,492)	\$ 1,689,959
Net income	—	—	—	—	19,613	—	19,613
Other comprehensive income, net of tax	—	—	—	—	42	5,498	5,540
ESOP shares allocated or committed to be released	—	567	—	1,083	—	—	1,650
Compensation costs for stock-based plans	—	878	—	—	—	—	878
Purchase of treasury stock (492,000 shares)	—	—	(7,542)	—	—	—	(7,542)
Treasury stock allocated to restricted stock plan	—	(3,050)	2,038	—	—	—	(1,012)
Dividends paid to common shareholders (\$0.17 per common share)	—	—	—	—	(8,408)	—	(8,408)
Balance at December 31, 2017	\$ 3,323	\$ 1,721,067	\$ (741,034)	\$ (52,001)	\$ 771,317	\$ (1,994)	\$ 1,700,678
Balance at September 30, 2018	\$ 3,323	\$ 1,726,992	\$ (754,272)	\$ (48,751)	\$ 807,890	\$ 23,222	\$ 1,758,404
Net income	—	—	—	—	20,333	—	20,333
Other comprehensive income (loss), net of tax	—	—	—	—	—	(21,461)	(21,461)
ESOP shares allocated or committed to be released	—	581	—	1,084	—	—	1,665
Compensation costs for stock-based plans	—	1,081	—	—	—	—	1,081
Purchase of treasury stock (242,500 shares)	—	—	(3,776)	—	—	—	(3,776)
Treasury stock allocated to restricted stock plan	—	(745)	584	—	—	—	(161)
Dividends paid to common shareholders (\$0.25 per common share)	—	—	—	—	(12,305)	—	(12,305)
Balance at December 31, 2018	\$ 3,323	\$ 1,727,909	\$ (757,464)	\$ (47,667)	\$ 815,918	\$ 1,761	\$ 1,743,780

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (in thousands)

	For the Three Months Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$20,333	\$19,613
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	2,746	2,528
Depreciation and amortization	5,406	5,394
Deferred income taxes	434	4,785
Provision (credit) for loan losses	(2,000)	(3,000)
Net gain on the sale of loans	(111)	(478)
Other net losses (gains)	(293)	69
Principal repayments on and proceeds from sales of loans held for sale	7,068	3,654
Loans originated for sale	(7,287)	(4,523)
Increase in bank owned life insurance contracts	(1,551)	(1,543)
Cash collateral received from (provided to) derivative counterparties	(35,319)	16,850
Net decrease in interest receivable and other assets	6,097	4,092
Net increase in accrued expenses and other liabilities	3,582	50,577
Net cash (used in) provided by operating activities	(895)	98,018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans originated	(647,400)	(780,652)
Principal repayments on loans	583,980	603,929
Proceeds from principal repayments and maturities of:		
Securities available for sale	31,998	35,452
Proceeds from sale of:		
Loans	13,393	26,268
Real estate owned	1,423	2,547
Purchases of:		
FHLB stock	—	(2,121)
Securities available for sale	(59,052)	(42,786)
Premises and equipment	(917)	(3,802)
Other	(310)	(11)
Net cash used in investing activities	(76,885)	(161,176)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	105,596	55,726
Net decrease in borrowers' advances for insurance and taxes	(6,554)	(5,048)
Net decrease in principal and interest owed on loans serviced	(913)	(2,859)
Net increase in short-term borrowed funds	110,031	165,337
Proceeds from long-term borrowed funds	—	88
Repayment of long-term borrowed funds	(97,401)	(77,947)
Purchase of treasury shares	(3,669)	(7,372)
Acquisition of treasury shares through net settlement of stock benefit plans compensation	(161)	(1,012)
Dividends paid to common shareholders	(12,305)	(8,408)
Net cash provided by financing activities	94,624	118,505
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,844	55,347

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CASH AND CASH EQUIVALENTS—Beginning of period	269,775	268,218
CASH AND CASH EQUIVALENTS—End of period	\$286,619	\$323,565
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest on deposits	\$32,368	\$22,268
Cash paid for interest on borrowed funds	16,450	12,726
Cash paid for income taxes	42	287
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned	1,295	1,293
Transfer of loans from held for investment to held for sale	13,382	26,141
Treasury stock issued for stock benefit plans	746	3,050
See accompanying notes to unaudited interim consolidated financial statements.		

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

1. BASIS OF PRESENTATION

TFS Financial Corporation, a federally chartered stock holding company, conducts its principal activities through its wholly owned subsidiaries. The principal line of business of the Company is retail consumer banking, including mortgage lending, deposit gathering, and, to a much lesser extent, other financial services. As of December 31, 2018, approximately 81% of the Company's outstanding shares were owned by a federally chartered mutual holding company, Third Federal Savings and Loan Association of Cleveland, MHC. The thrift subsidiary of TFS Financial Corporation is Third Federal Savings and Loan Association of Cleveland.

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

The unaudited interim consolidated financial statements were prepared without an audit and reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial condition of the Company at December 31, 2018, and its results of operations and cash flows for the periods presented. Such adjustments are the only adjustments reflected in the unaudited interim financial statements.

In accordance with SEC Regulation S-X for interim financial information, these statements do not include certain information and footnote disclosures required for complete audited financial statements. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018 contains audited consolidated financial statements and related notes, which should be read in conjunction with the accompanying interim consolidated financial statements. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2019 or for any other period.

2. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. For purposes of computing earnings per share amounts, outstanding shares include shares held by the public, shares held by the ESOP that have been allocated to participants or committed to be released for allocation to participants, the 227,119,132 shares held by Third Federal Savings, MHC, and, for purposes of computing dilutive earnings per share, stock options and restricted and performance stock units with a dilutive impact. Unvested shares awarded pursuant to the Company's restricted stock plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. At December 31, 2018 and 2017, respectively, the ESOP held 4,766,736 and 5,200,076 shares, respectively, that were neither allocated to participants nor committed to be released to participants.

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

	For the Three Months Ended December 31,					
	2018			2017		
	Income	Shares	Per share amount	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)					
Net income	\$20,333			\$19,613		
Less: income allocated to restricted stock units	372			244		
Basic earnings per share:						
Income available to common shareholders	\$19,961	275,376,254	\$ 0.07	\$19,369	275,816,329	\$ 0.07
Diluted earnings per share:						
Effect of dilutive potential common shares		1,697,063			1,807,962	
Income available to common shareholders	\$19,961	277,073,317	\$ 0.07	\$19,369	277,624,291	\$ 0.07

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

	For the Three Months Ended December 31,	
	2018	2017
Options to purchase shares	1,885,600	1,104,640
Restricted and performance stock units	131,500	—

3. INVESTMENT SECURITIES

Investments available for sale are summarized as follows:

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
REMICs	\$563,554	\$500	\$(11,445)	\$552,609
Fannie Mae certificates	7,736	235	(80)	7,891
U.S. government and agency obligations	3,983	—	(4)	3,979
Total	\$575,273	\$735	\$(11,529)	\$564,479
	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
REMICs	\$537,330	\$7	\$(17,338)	\$519,999
Fannie Mae certificates	7,906	237	(145)	7,998
U.S. government and agency obligations	3,975	—	(7)	3,968
Total	\$549,211	\$244	\$(17,490)	\$531,965

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Gross unrealized losses on available for sale securities and the estimated fair value of the related securities, aggregated by the length of time the securities have been in a continuous loss position, at December 31, 2018 and September 30, 2018, were as follows:

	December 31, 2018					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	\$53,829	\$ 172	\$410,322	\$ 11,273	\$464,151	\$ 11,445
Fannie Mae certificates	—	—	4,369	80	4,369	80
U.S. government and agency obligations	3,979	4	—	—	3,979	4
Total	\$57,808	\$ 176	\$414,691	\$ 11,353	\$472,499	\$ 11,529
	September 30, 2018					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	\$113,111	\$ 1,799	\$400,558	\$ 15,539	\$513,669	\$ 17,338
Fannie Mae certificates	—	—	4,337	145	4,337	145
U.S. government and agency obligations	3,968	7	—	—	3,968	7
Total	\$117,079	\$ 1,806	\$404,895	\$ 15,684	\$521,974	\$ 17,490

We believe the unrealized losses on investment securities were attributable to interest rate increases. The contractual terms of U.S. government and agency obligations do not permit the issuer to settle the security at a price less than the par value of the investment. The contractual cash flows of mortgage-backed securities are guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. REMICs are issued by or backed by securities issued by these governmental agencies. It is expected that the securities would not be settled at a price substantially less than the amortized cost of the investment. The U.S. Treasury Department established financing agreements in 2008 to ensure Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed. Since the decline in value is attributable to changes in interest rates and not credit quality and because the Company has neither the intent to sell the securities nor is it more likely than not the Company will be required to sell the securities for the time periods necessary to recover the amortized cost, these investments are not considered other-than-temporarily impaired. At December 31, 2018, the amortized cost and fair value of U.S. government obligations, categorized as due in more than one year but less than five years, are \$3,983 and \$3,979, respectively.

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4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans held for investment consist of the following:

	December 31, 2018	September 30, 2018
Real estate loans:		
Residential Core	\$ 10,903,831	\$ 10,930,811
Residential Home Today	92,570	94,933
Home equity loans and lines of credit	1,898,185	1,818,918
Construction	59,185	64,012
Real estate loans	12,953,771	12,908,674
Other consumer loans	3,000	3,021
Add (deduct):		
Deferred loan expenses, net	39,526	38,566
Loans in process ("LIP")	(34,833)	(36,549)
Allowance for loan losses	(41,938)	(42,418)
Loans held for investment, net	\$ 12,919,526	\$ 12,871,294

At December 31, 2018 and September 30, 2018, respectively, \$755 and \$659 of loans were classified as mortgage loans held for sale.

A large concentration of the Company's lending is in Ohio and Florida. As of December 31, 2018 and September 30, 2018, the percentage of aggregate Residential Core, Home Today and Construction loans held in Ohio was 56% as of both dates and the percentage held in Florida was 16% as of both dates. As of December 31, 2018 and September 30, 2018, home equity loans and lines of credit were concentrated in Ohio (35% and 36%), Florida (20% as of both dates), and California (15% as of both dates).

Home Today was an affordable housing program targeted to benefit low- and moderate-income home buyers and most loans under the program were originated prior to 2009. No new loans were originated under the Home Today program after September 30, 2016. Through this program the Association provided the majority of loans to borrowers who would not otherwise qualify for the Association's loan products, generally because of low credit scores. Although the credit profiles of borrowers in the Home Today program might be described as sub-prime, Home Today loans generally contained the same features as loans offered to our Residential Core borrowers. Borrowers with a Home Today loan completed financial management education and counseling and were referred to the Association by a sponsoring organization with which the Association partnered as part of the program. Because the Association applied less stringent underwriting and credit standards to the majority of Home Today loans, loans originated under the program have greater credit risk than its traditional residential real estate mortgage loans in the Residential Core portfolio. As of December 31, 2018 and September 30, 2018, the principal balance of Home Today loans originated prior to March 27, 2009 was \$89,417 and \$91,805, respectively. Since loans are no longer originated under the Home Today program, the Home Today portfolio will continue to decline in balance due to contractual amortization. To supplant the Home Today product and to continue to meet the credit needs of customers and the communities served, since fiscal 2016 the Association has offered Fannie Mae eligible, Home Ready loans. These loans are originated in accordance with Fannie Mae's underwriting standards. While the Association retains the servicing to these loans, the loans, along with the credit risk associated therewith, are securitized/sold to Fannie Mae. The Association does not offer, and has not offered, loan products frequently considered to be designed to target sub-prime borrowers containing features such as higher fees or higher rates, negative amortization, a LTV ratio greater than 100%, or pay-option adjustable-rate mortgages.

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An age analysis of the recorded investment in loan receivables that are past due at December 31, 2018 and September 30, 2018 is summarized in the following tables. When a loan is more than one month past due on its scheduled payments, the loan is considered 30 days or more past due. Balances are adjusted for deferred loan fees, expenses and any applicable loans-in-process.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
December 31, 2018						
Real estate loans:						
Residential Core	\$8,701	\$2,124	\$10,814	\$21,639	\$10,898,316	\$10,919,955
Residential Home Today	3,980	1,495	4,234	9,709	82,611	92,320
Home equity loans and lines of credit	3,575	2,001	6,758	12,334	1,909,874	1,922,208
Construction	—	—	—	—	23,981	23,981
Total real estate loans	16,256	5,620	21,806	43,682	12,914,782	12,958,464
Other consumer loans	—	—	—	—	3,000	3,000
Total	\$16,256	\$5,620	\$21,806	\$43,682	\$12,917,782	\$12,961,464

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
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September 30, 2018

Real estate loans:

Residential Core	\$7,539	\$2,335	\$10,807	\$20,681	\$10,926,294	\$10,946,975
Residential Home Today	2,787	1,765				