

CARVER BANCORP INC  
Form 10-Q  
February 14, 2012  
Table of Contents

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, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13007

CARVER BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

13-3904174

(I.R.S. Employer Identification No.)

75 West 125th Street, New York, New York

(Address of Principal Executive Offices)

10027

(Zip Code)

Registrant's telephone number, including area code: (718) 230-2900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Common Stock, par value \$0.01

3,697,264

Class

Outstanding at December 31, 2011

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Statements of Financial Condition as of December 31, 2011 (unaudited) and March 31, 2011</u>	<u>1</u>
<u>Consolidated Statements of Operations for the Three and Nine Months Ended December 31, 2011 and 2010 (unaudited)</u>	<u>2</u>
<u>Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income (Loss) for the Nine Months Ended December 31, 2011 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2011 and 2010 (unaudited)</u>	<u>4</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>48</u>
<u>Item 4. Controls and Procedures</u>	<u>48</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>50</u>
<u>Item 1A. Risk Factors</u>	<u>50</u>
<u>Item 2. Issuer Purchases of Equity Securities</u>	<u>52</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>52</u>
<u>Item 4. Reserved</u>	<u>52</u>
<u>Item 5. Other Information</u>	<u>52</u>
<u>Item 6. Exhibits</u>	<u>52</u>
<u>SIGNATURES</u>	<u>54</u>
Exhibit 11	
Exhibit 31.1	

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

Exhibits 101

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Table of Contents

## PART I. FINANCIAL INFORMATION

CARVER BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except per share data)

	December 31, 2011 (unaudited)	March 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$104,854	\$36,725
Money market investments	1,821	7,352
Total cash and cash equivalents	106,675	44,077
Restricted cash	6,415	—
Investment securities:		
Available-for-sale, at fair value	55,712	53,551
Held-to-maturity, at amortized cost (fair value of \$12,203 and \$18,124 at December 31, 2011 and March 31, 2011, respectively)	11,509	17,697
Total investments	67,221	71,248
Loans held-for-sale (“HFS”)	22,490	9,205
Loans receivable:		
Real estate mortgage loans	410,848	525,894
Commercial business loans	46,077	53,060
Consumer loans	1,252	1,349
Loans, net	458,177	580,303
Allowance for loan losses	(20,411)	(23,147)
Total loans receivable, net	437,766	557,156
Premises and equipment, net	9,878	11,040
Federal Home Loan Bank of New York (“FHLB-NY”) stock, at cost	3,969	3,353
Accrued interest receivable	2,354	2,854
Other assets	13,970	10,282
Total assets	\$670,738	\$709,215
<b>LIABILITIES AND STOCKHOLDERS’ EQUITY</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Savings	\$101,447	\$106,906
Non-Interest Bearing Checking	74,871	123,706
NOW	27,174	27,297
Money Market	85,077	74,329
Certificates of Deposit	196,626	228,460
Total deposits	485,195	560,698
Advances from the FHLB-NY and other borrowed money	113,437	112,641
Other liabilities	9,206	8,159
Total liabilities	607,838	681,498

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Stockholders' equity:

Preferred stock, (par value \$0.01, per share), 45,118 Series D shares, with a liquidation preference of \$1,000 per share, issued and outstanding	45,118	—	
Preferred stock (par value \$0.01 per share, 2,000,000 shares authorized; 18,980 Series B shares, with a liquidation preference of \$1,000 per share, issued and outstanding.	—	18,980	
*Common stock (par value \$0.01 per share: 10,000,000 shares authorized; 3,697,264 and 168,312 shares issued; 3,697,264 and 165,618 shares outstanding at December 31, 2011 and March 31, 2011, respectively)	61	25	
Additional paid-in capital	53,896	27,026	
Accumulated deficit	(37,944	) (21,464	)
Non-controlling interest	2,237	4,038	
Treasury stock, at cost (2,090 shares at December, 2011 and 2,695 and March 31, 2011, respectively)	(447	) (569	)
Accumulated other comprehensive income (loss)	(21	) (319	)
Total stockholders' equity	62,900	27,717	
Total liabilities and stockholders equity	\$670,738	\$709,215	

See accompanying notes to consolidated financial statements

(\*) Common stock shares for all periods presented reflects a 1 for 15 reverse stock split which was effective on October 27, 2011

Table of ContentsCARVER BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2011	2010	2011	2010
<b>Interest Income:</b>				
Loans	\$6,416	\$8,021	\$20,076	\$25,656
Mortgage-backed securities	279	460	1,018	1,572
Investment securities	114	105	340	263
Money market investments	102	19	151	77
Total interest income	6,911	8,605	21,585	27,568
<b>Interest expense:</b>				
Deposits	1,069	1,366	3,012	4,386
Advances and other borrowed money	785	960	2,560	2,984
Total interest expense	1,854	2,326	5,572	7,370
Net interest income	5,057	6,279	16,013	20,198
Provision for loan losses	113	6,242	12,290	20,318
Net interest income after provision for loan losses	4,944	37	3,723	(120 )
<b>Non-interest income:</b>				
Depository fees and charges	740	725	2,212	2,224
Loan fees and service charges	203	183	689	618
Gain on sale of securities, net	—	1	—	764
Gain on sales of loans, net	19	(1 )	154	7
New Market Tax Credit (“NMTC”) fees	—	473	—	1,654
Lower of cost or market adjustment on loans held for sale	(530 )	—	(905 )	—
Other	121	349	323	569
Total non-interest income	553	1,730	2,473	5,836
<b>Non-interest expense:</b>				
Employee compensation and benefits	3,006	2,664	9,188	8,771
Net occupancy expense	903	928	2,805	2,880
Equipment, net	545	587	1,625	1,672
Consulting fees	165	498	370	1,043
Federal deposit insurance premiums	368	502	1,177	1,253
Other	2,789	2,459	7,531	7,120
Total non-interest expense	7,776	7,638	22,696	22,739
Loss before income taxes	(2,279 )	(5,871 )	(16,500 )	(17,023 )
Income tax (benefit)/expense	(1,004 )	2,317	(927 )	17,018
Non Controlling interest, net of taxes <sup>(1)</sup>	(595 )	—	687	—
Net loss	\$(680 )	\$(8,188 )	\$(16,260 )	\$(34,041 )
<b>Loss per common share:</b>				
Basic <sup>(*)</sup>	\$(0.26 )	\$(49.58 )	\$(16.81 )	\$(207.67 )

(1) The Company has adjusted the non-controlling interest, net of taxes in the Consolidated Statements of Operations for the three and nine months ended December 31, 2011 to adjust for an overstatement of non-controlling interest, net of taxes in the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, resulting in an overstatement of the net loss. The non-controlling interest, net of taxes reported for each of these periods was overstated by approximately \$238 thousand.

(\*) Common stock shares for all periods presented reflects a 1 for 15 reverse stock split which was effective on October 27, 2011

See accompanying notes to consolidated financial statements

2

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Table of Contents

## CARVER BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

For the Nine months ended December 31, 2011

(In thousands)

(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Non-controlling interest	Accumulated deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance—March 31, 2011	\$ 18,980	\$ 25	\$ 27,026	\$(569 )	\$ 4,038	\$ (21,464 )	\$ (319 )	\$ 27,717
Net loss	—	—	—	—	—	(16,260 )	—	(16,260 )
Minimum pension liability adjustment	—	—	—	—	—	—	—	—
Reclassification of gains included net of taxes	—	—	—	—	—	—	—	—
Change in net unrealized gain on available-for-sale securities, net of taxes	—	—	—	—	—	—	298	298
Comprehensive income (loss), net of taxes:	—	—	—	—	—	(16,260 )	298	(15,962 )
Transfer between Non Controlling and Controlling Interest	—	—	1,801	—	(1,801 )	—	—	—
Accrued Preferred Dividends Paid	—	—	—	—	—	(364 )	—	(364 )
Accrued Preferred Dividends	—	—	(144 )	—	—	144	—	—
Conversion of Series B preferred stock to common stock	(18,980 )	24	18,956	—	—	—	—	—
Conversions of Series C preferred stock to Series D preferred stock	45,118	12	6,298	—	—	—	—	51,428
Treasury stock activity	—	—	(41 )	122	—	—	—	81
Balance—December 31, 2011	\$ 45,118	\$ 61	\$ 53,896	\$(447 )	\$ 2,237	\$ (37,944 )	\$ (21 )	\$ 62,900

See accompanying notes to consolidated financial statements.



Table of Contents

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

	Nine Months Ended December 31,	
	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net loss before attribution of noncontrolling interests	\$(15,573	) \$(34,041
Noncontrolling interest	687	—
Net loss	(16,260	) (34,041
Adjustments to reconcile net loss to net cash from operating activities:		
Provision for loan losses	12,290	20,318
Deferred Tax Asset and related valuation allowance	—	14,461
Provision for REO losses	—	38
Stock based compensation expense	54	57
Depreciation and amortization expense	1,060	1,146
Amortization of intangibles	76	114
Loss from sale of real estate owned	216	20
Gain on sale of securities, net	—	(764
Gain on sale of loans, net	(154	) (7
Market adjustment on held for sale loans	905	—
Originations of loans held-for-sale	—	(2,413
Proceeds from sale of loans held-for-sale	26,102	2,413
Decrease in accrued interest receivable	500	766
Increase in loan premiums and discounts and deferred charges	(210	) (510
Decrease (increase) in premiums and discounts — securities	327	(695
Increase in other assets	(432	) (1,833
Increase in other liabilities	1,047	222
Net cash provided by/(used in) operating activities	25,521	(708
<b>INVESTING ACTIVITIES</b>		
Purchases of securities: Available-for-sale	(19,625	) (77,106
Purchases of securities: Held-to-maturity	—	(7,994
Proceeds from principal payments, maturities, calls and sales of securities: Available-for-sale	17,675	68,444
Proceeds from principal payments, maturities, calls and sales of securities: Held-to-maturity	6,074	1,407
Originations of loans held-for-investment	(19,343	) (18,680
Principal collections on loans	80,285	75,246
Proceeds on sale of loans	2,258	900
Increase in restricted cash	(6,415	) —
(Purchase)/redemption of FHLB-NY stock	(616	) 754
Purchase of premises and equipment	(140	) (498
Proceeds from sale of real estate owned	563	7
Net cash provided by investing activities	60,716	42,480
<b>FINANCING ACTIVITIES</b>		

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Net decrease in deposits	(75,503	) (14,340	)
Net change in FHLB-NY advances and other borrowings	796	(19,022	)
Increase in capital	51,432	6,655	
Dividends paid	(364	) (712	)
Net cash used in financing activities	(23,639	) (27,419	)
Net increase in cash and cash equivalents	62,598	14,353	
Cash and cash equivalents at beginning of period	44,077	38,347	
Cash and cash equivalents at end of period	\$106,675	\$52,700	
Supplemental information:			
Noncash Transfers-			
Change in unrealized loss on valuation of available-for-sale investments, net	\$349	\$(672	)
Transfers from loans held-for-investment to loans held-for-sale	\$40,222	\$2,600	
Cash paid for-			