TFS Financial CORP
Form 10-K
November 23, 2016

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, 2016
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	
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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 or a smaller reporting company. See the definition of “large accelerated filer", "accelerated filer” and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company 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, 2016, as reported by the NASDAQ Global Select Market, was approximately $1.03 billion.
At November 21, 2016, there were 283,469,415 shares of the Registrant’s common stock, par value $0.01 per share, outstanding, of which 227,119,132 shares, or 80.12% 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 (to the Extent Indicated Herein)
Portions of the registrant’s Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

TFS Financial Corporation
INDEX

Part I

Item 1.	Business	4
Item 1A.	Risk Factors	44
Item 1B.	Unresolved Staff Comments	48
Item 2.	Properties	48
Item 3.	Legal Proceedings	48
Item 4.	Mine Safety Disclosures	48

Part II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	49
Item 6.	Selected Financial Data	51
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operation	55
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	73
Item 8.	Financial Statements and Supplementary Data	77
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	77
Item 9A.	Controls and Procedures	77
Item 9B.	Other Information	80

Part III

Item 10.	Directors, Executive Officers and Corporate Governance	80
Item 11.	Executive Compensation	81
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	81
Item 13.	Certain Relationships and Related Transactions, and Director Independence	81
Item 14.	Principal Accounting Fees and Services	81

Part IV

Item 15. Exhibits and Financial Statement Schedules 82

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.

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

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 impact of the governmental effort to restructure the U.S. financial and regulatory system, including the extensive reforms enacted in the DFA and the continuing impact of our coming under the jurisdiction of new federal regulators;
- the inability of third-party providers to perform their obligations to us;
- a slowing or failure of the moderate economic recovery;
- the adoption of implementing regulations by a number of different regulatory bodies under the DFA, and uncertainty in the exact nature, extent and timing of such regulations and the impact they will have on us;
- the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and its impact on the credit quality of our loans and other assets, and
- the ability of the U.S. Government to manage federal debt limits.

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

information, future developments or otherwise, except as may be required by law. Please see 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 on April 20, 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, 2016, Third Capital, Inc. had consolidated assets of $80.4 million, and for the fiscal year ended September 30, 2016, Third Capital, Inc. had consolidated net income of $0.7 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 including minority investments in private equity funds. As of September 30, 2016, the book basis of the private equity funds was zero. The following is a description of the entities, other than the private equity funds, 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 $0.2 million during the fiscal year ended September 30, 2016.

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, primarily to customers of the Association. For the fiscal year ended September 30, 2016, Third Cap Associates, Inc. recorded net income of $0.7 million.

Third Capital Mortgage Insurance Company. This Vermont corporation, which reinsured private mortgage insurance on residential loans originated by the Association, was fully dissolved as of December 31, 2015. For the three month period ending December 31, 2015, Third Capital Mortgage Insurance Company recorded a net loss of $5 thousand.

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 May 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

5

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.

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 September 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 a 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. 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. While the economies and housing markets in Ohio and Florida were negatively impacted by the 2008 financial crisis and its aftermath, more recently, such markets have improved and are reflected in improving credit metrics (delinquencies, charge-offs). During the past year, the trend in employment has been stable in Ohio and positive in Florida and the trend in housing prices has also generally been increasing in both regions. However, the strength and sustainability of the recovery is not assured and the economy's fragility persists.

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 to purchase homes as well as home 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 and selected counties in Kentucky 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, 2016 (the latest date for which information is publicly available), the Association had $4.7 billion of deposits in

Cuyahoga County, and ranked fourth among all financial institutions with offices in the county in terms of deposits, with a market share of 9.52%. 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 1.13%. As of June 30, 2016, the Association had $2.4 billion of deposits in the State of Florida, and ranked 31st among all financial institutions in terms of deposits, with a market share of 0.44%. This market share data excludes deposits held by credit unions, whose deposits are not insured by the FDIC.

The DFA, which was signed into law in July 2010, required that the FDIC amend its regulations on assessing insured institutions in order to fund the DIF. The resulting change effectively eliminated the funding cost advantage that borrowed funds generally had when compared to the funding cost associated with deposits. As a result, 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 2015 through September 30, 2016, 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 second largest market share of conventional purchase mortgage loans originated in the seven northeast Ohio counties which 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 almost 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 April 2007 initial public offering, which raised net proceeds of $886 million. At September 30, 2016, our ratio of shareholders’ equity to total assets was 12.9%. 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, 2016, our liquidity ratio averaged 5.53% (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 $32.5 million from the FHLB of Cincinnati under existing credit arrangements along with $90.5 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, 2016 was $5.52 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 $110.3 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 selected counties in Kentucky.

Adjustable-rate and 10-year fixed rate first mortgage loans to refinance real estate are offered in 18 additional states plus the District of Columbia. Also, the Association offers adjustable-rate and 10-year fixed rate first mortgage loans to purchase real estate in five states outside of core markets. Further, the Association originates residential construction loans to individuals (for the construction of their personal residences by a qualified builder) and originates home equity loans and lines of credit in Ohio and Florida. We offer home equity lines of credit in 19 additional states and home equity loans in six additional states. Between June 28, 2010 and March 20, 2012 the Association suspended the acceptance of new home equity line of credit applications. Effective March 20, 2012, the Association began offering new home equity lines of credit to qualifying existing home equity customers. In

February 2013, we modified the product design and offered the product to all customers in Ohio, Florida and selected counties in Kentucky and in April 2013 we extended the offer to both existing 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 product offering to include 21 states and the District of Columbia. 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, 2016, residential real estate, fixed-rate and adjustable-rate, first mortgage loans totaled $10.19 billion, or 86.5% of our loan portfolio, home equity loans and lines of credit totaled $1.53 billion, or 13% of our loan portfolio, and residential construction loans totaled $61.4 million, or 0.5% of our loan portfolio. At September 30, 2016, adjustable-rate, residential real estate, first mortgage loans totaled $4.26 billion and comprised 36.1% of our loan portfolio.

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,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Per
	(Dollars in thousands)									
Real estate loans:										
Residential Core (1)										
Ohio	$5,937,114		$5,903,051		$5,986,801		$5,947,791		$6,088,264	
Florida	1,678,798		1,621,763		1,570,087		1,465,907		1,396,612	
Other	2,453,740		1,938,125		1,271,951		704,813		458,289	
Total	10,069,652	85.5 %	9,462,939	83.9 %	8,828,839	82.2 %	8,118,511	79.4 %	7,943,165	76.
Residential Home Today (1)										
Ohio	116,253		129,416		146,974		170,206		199,456	
Florida	5,414		6,050		6,909		7,826		8,540	
Other	271		280		313		321		329	
Total	121,938	1.0	135,746	1.2	154,196	1.5	178,353	1.7	208,325	2.0
Home equity loans and lines of credit										
Ohio	597,735		641,321		675,911		721,890		838,492	
Florida	370,111		421,904		475,375		539,152		628,554	
California	210,004		216,233		213,309		227,841		256,900	
Other	353,432		345,781		332,334		369,515		431,550	
Total	1,531,282	13.0	1,625,239	14.4	1,696,929	15.8	1,858,398	18.2	2,155,496	20.
Construction	61,382	0.5	55,421	0.5	57,104	0.5	72,430	0.7	69,152	0.7
Other consumer loans	3,116	—	3,468	—	4,721	—	4,100	—	4,612	—
Total loans receivable	11,787,370	100.0%	11,282,813	100.0%	10,741,789	100.0%	10,231,792	100.0%	10,380,750	100
Deferred loan expenses (fees), net	19,384		10,112		(1,155)		(13,171)		(18,561)	
Loans in process	(36,155)		(33,788)		(28,585)		(42,018)		(36,736)	
Allowance for loan losses	(61,795)		(71,554)		(81,362)		(92,537)		(100,464)	
Total loans receivable,	$11,708,804		$11,187,583		$10,630,687		$10,084,066		$10,224,989	

net

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(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.

9

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of the loan portfolio at September 30, 2016, 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, 2017. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

	Residential Real Estate		Home Equity Loans and Lines of Credit			
Due During the Years Ending September 30,	Core	Home Today		Construction Loans	Other Consumer Loans	Total
	(In thousands)					
2017	$1,648	$6	$1,871	$ —	$ 3,116	$6,641
2018	11,361	207	1,161	—	—	12,729
2019	19,432	248	554	—	—	20,234
2020 to 2021	59,009	273	9,614	—	—	68,896
2022 to 2026	2,355,562	1,729	152,039	65	—	2,509,395
2027 to 2031	1,010,984	706	916,204	6,602	—	1,934,496
2032 and beyond	6,611,656	118,769	449,839	54,715	—	7,234,979
Total	$10,069,652	$121,938	$1,531,282	$ 61,382	$ 3,116	$11,787,370

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2016 that are contractually due after September 30, 2017.

	Due After September 30, 2017		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
Residential Core	$5,812,256	$4,255,747	$10,068,003
Residential Home Today	121,762	170	121,932
Home Equity Loans and Lines of Credit	18,439	1,510,973	1,529,412
Construction	41,865	19,517	61,382
Total	$5,994,322	$5,786,407	$11,780,729

Residential Real Estate Mortgage Loans. The Association’s primary lending activity is the origination of residential real estate mortgage loans. A comparison of 2016 data to the corresponding 2015 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. At September 30, 2016, 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 Office of Federal Housing Enterprise Oversight, which is currently $417,000 and $625,500 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 Fannie Mae's HomeReady mortgage loan product for low- and moderate-income homeowners. Previously, the Association’s primary program was referred to as "Home Today" and is described in detail below. Prior to March 27, 2009, loans originated under the Home Today program had higher risk characteristics. The Association did not classify Home

Today as a sub-prime lending program based on the exclusion provided to community development loans in the Expanded Guidance for Sub-prime Lending issued by the OTS and the OCC. In the aftermath of the 2008 financial crisis, a great deal of attention was focused on sub-prime lending and its negative effect on borrowers and financial markets. 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, which are features often associated with sub-prime lending. 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 Fannie Mae's HomeReady mortgage loan product in 2016, the Association no longer originates loans under its Home Today program. Between March 27, 2009 and 2016, borrowers under the Home Today program were subject to substantially the same underwriting requirements as Core borrowers and borrowers must have completed a financial management education program. Prior to March 27, 2009, through the Home Today program, the Association originated loans with its standard terms to borrowers who might not have otherwise qualified for such loans. To previously qualify for the Association’s Home Today program, a borrower must have completed financial management education and counseling and must have been referred to the Association by a sponsoring organization with which the Association had partnered as part of the program. Borrowers must have met a minimum credit score threshold. The Association originated loans with a LTV ratio of up to 90% 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. As of September 30, 2016, the Association had $121.9 million of loans outstanding that were originated through its Home Today program, most of which were originated prior to March 27, 2009. At September 30, 2016, of the loans that were originated under the Home Today program, 12.6% were delinquent 30 days or more compared to 0.3% for the portfolio of Core loans as of that date. At September 30, 2016, $7.4 million, or 6.1%, of loans originated under the Home Today program were delinquent 90 days and over and $19.5 million of Home Today loans were non-accruing loans, representing 21.6% 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.

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, 2016, the Association had $75.6 million of loans outstanding that were originated through its High LTV program, $66.1 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. The new HomeReady product will require 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. For the fiscal years ended September 30, 2016 and 2015, the Association recognized servicing fees, net of amortization, related to these servicing rights of $4.7 million and $5.4 million, respectively. As of September 30, 2016 and September 30, 2015, the principal balance of loans serviced for others totaled $1.96 billion and $2.18 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 January 1, 2000 and December 31, 2008 and delivered to Fannie Mae prior to January 1, 2009. At September 30, 2016, 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, an accrual for $0.9 million has been maintained for potential repurchase or loss reimbursement requests at September 30, 2016.

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 above the Prime Rate as published in the Wall Street Journal. These adjustable-rate loans provide the borrower with an attractive rate reset option, based on the Association’s then current lending rates. 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 July 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 one, 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 August 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 non-“Smart Rate” adjustable-rate mortgage loans 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, 2016, "Smart Rate" adjustable-rate mortgage loans totaled $4.15 billion, or 96.9% of the adjustable-rate mortgage loan portfolio and Traditional ARMs totaled $130.9 million, or 3.1% 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. The array of home equity products offered by the Association varied significantly between June 28, 2010 and September 30, 2016. Prior to June 28, 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 28, 2010 and March 19, 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 reduction plan that was accepted by our primary federal banking

regulator in December 2010, we 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. During the quarter ended June 30, 2011, we achieved the balance and exposure reduction targets included in the home equity lending reduction plan. Beginning March 20, 2012, we again offered new home equity lines of credit to qualifying existing home equity customers. In February 2013, we further modified the product design and in April 2013 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. 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, 2016 and 2015, home equity loans totaled $223.6 million, or 1.9%, and $169.0 million, or 1.5%, respectively, of total loans receivable (which included $182.6 million and $146.8 million respectively, of home equity lines of credit which were in the amortization period and no

longer eligible to be drawn upon and $2.0 million and $2.1 million of bridge loans), and home equity lines of credit totaled $1.31 billion, or 11.1%, and $1.46 billion, or 12.9%, 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, 2016 and 2015, the unadvanced amounts of home equity lines of credit totaled $1.25 billion and $1.20 billion, respectively.
Prior to June 28, 2010, the underwriting standards for home equity loans and home equity lines of credit included an evaluation of the applicant's credit history, an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan and the value of the collateral securing the loan. In addition, prior to June 28, 2010, through a series of modifications and program adjustments, the home equity lending parameters became increasingly restrictive and included the additional evaluation of the applicant's employment and income verification. From a geographic perspective, product offerings peaked in 2008 when offers were extended (primarily via direct mail) to targeted borrowers in 18 states. 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, when combined LTV ratios of up to 89.99% were permitted, minimum credit scores were reduced to 620, maximum line amounts reached $250,000 and pricing for lines of credit reached Prime minus 1.01% when drawn balances exceeded $50,000. 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.

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, 2016. 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	$1,139,258	$482,496	0.17	%	60	%	55	%
Florida	471,638	299,080	0.44	%	61	%	58	%
California	331,803	199,064	0.07	%	65	%	57	%
Other (1)	611,574	327,009	0.06	%	63	%	61	%
Total home equity lines of credit in draw period	2,554,273	1,307,649	0.19	%	61	%	57	%
Home equity lines in repayment, home equity loans and bridge loans	223,633	223,633	1.11	%	67	%	52	%
Total	$2,777,906	$1,531,282	0.32	%	62	%	56	%

(1) No individual other state has a committed or drawn balance greater than 10% of total loans and 5% of equities.
(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, 2016. 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, 2016, 43.6% of our home equity lending portfolio was either in first lien position (25.6%) or was in a subordinate (second) lien position behind a first lien that we held (11.3%) or behind a first lien that was held by a loan that we originated, sold and now service for others (6.7%). At September 30, 2016, 15.0% of our home equity line of credit portfolio in the draw period was making only the minimum payment on their outstanding line balance.

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, 2016. 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:								
2006 and Prior	$390,950	$201,023	0.39	%	60	%	55	%
2007	284,737	185,978	0.49	%	66	%	66	%
2008	635,973	376,415	0.13	%	63	%	59	%
2009	253,982	119,243	0.21	%	55	%	52	%
2010	20,609	8,719	0.23	%	57	%	49	%
2011	150	150	—	%	—	%	—	%
2012	21,559	7,811	—	%	50	%	42	%
2013	66,872	30,408	—	%	59	%	47	%
2014	231,967	100,133	—	%	60	%	52	%
2015	324,116	149,785	—	%	61	%	56	%
2016	323,358	127,984	—	%	63	%	62	%
Total home equity lines of credit in draw period	2,554,273	1,307,649	0.19	%	61	%	57	%
Home equity lines in repayment, home equity loans and bridge loans	223,633	223,633	1.11	%	67	%	52	%
Total	$2,777,906	$1,531,282	0.32	%	62	%	56	%

(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, 2016. 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.

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, 2016, segregated by the current combined LTV range.

Home equity lines of credit in draw period (by End of Draw Fiscal Year):	Current CLTV Category					
	< 80%	80 - 89.9%	90 - 100%	>100%	Unknown (2)	Total
	(Dollars in thousands)					
2017 (1)	$123,127	$25,013	$20,686	$20,272	$3,216	$192,314
2018 (1)	360,681	56,515	22,560	18,947	6,408	465,111
2019 (1)	294,586	16,745	3,205	1,745	5,021	321,302
2020 (1)	172,733	791	11	214	1,841	175,590
2021 (1)	54,135	228	—	—	244	54,607
2022	63	39	—	—	—	102
Post 2022	95,256	2,988	—	23	356	98,623
Total	$1,100,583	$102,319	$46,462	$41,201	$17,086	$1,307,649

(1) Home equity lines of credit whose draw period ends in fiscal years 2017, 2018, 2019, 2020 and 2021, include $4.8 million, $15.6 million, $79.8 million, $150.9 million and $54.6 million respectively, of lines where the customer has an amortizing payment during the draw period.
(2) Market data necessary for stratification is not readily available.

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

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

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, 2016.

	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%	$2,269,744	$1,100,583	84.1 %	0.16 %	59 %	53 %
80 - 89.9%	151,180	102,319	7.8 %	0.46 %	79 %	84 %
90 - 100%	55,740	46,462	3.6 %	0.19 %	82 %	94 %
> 100%	45,492	41,201	3.2 %	0.07 %	80 %	119 %
Unknown (1)	32,117	17,084	1.3 %	0.81 %	57 %	(1)
	$2,554,273	$1,307,649	100.0 %	0.19 %	61 %	57 %

(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. Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2016.
(3) Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in

15

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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, 2016, construction loans totaled $61.4 million, or 0.5% of total loans receivable. At September 30, 2016, the unadvanced portion of these construction loans totaled $36.2 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 primarily 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 generally consistent with Fannie Mae underwriting guidelines, subject to the discussion below. 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.

The Association decides whether to retain the loans that it originates, sell loans in the secondary market or securitize loans 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, 2016, the Association sold to Fannie Mae, in either whole loan or security form, $170.3 million of long-term, fixed-rate residential real estate mortgage loans and to the FHLB of Cincinnati, $30.0 million of long-term, fixed-rate residential real estate mortgage loans, all on a servicing retained basis. In addition to sales to Fannie Mae, during the fiscal year ended September 30, 2013, as a demonstration of our ability to do so, the Association also sold to private parties, non-agency eligible, long-term fixed-rate and adjustable-rate loans on a servicing retained basis. As described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Controlling Our Interest Rate Risk Exposure, effective July 1, 2010, Fannie Mae, historically the Association's primary loan investor, implemented certain loan origination requirement changes affecting loan eligibility that, prior to May 2013, we had not adopted. In May 2013, we implemented loan origination changes with respect to a portion of our loan originations, which were approved by Fannie Mae on November 15, 2013, 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 $4.7 million at September 30, 2016 which was originated pursuant to the guidelines of Fannie Mae's HARP II.

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, 2016, the Association serviced loans

owned by others with a principal balance of $1.96 billion, including $4.2 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, 2016 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 in amounts above $625,000 require the approval of two individuals with designated underwriting authority. Loans in amounts below $625,000 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.
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 was not segregated by geography.

	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
Construction	—	—	—	—	—	—
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

	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

	Loans Delinquent For					
	30-89 Days		90 Days or Over		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
September 30, 2013						
Real estate loans:						
Residential Core						
Ohio	165	$17,064	340	$31,498	505	$48,562
Florida	17	2,743	200	24,405	217	27,148
Other	3	465	3	581	6	1,046
Total Residential Core	185	20,272	543	56,484	728	76,756
Residential Home Today						
Ohio	213	14,213	377	17,748	590	31,961
Florida	6	373	16	593	22	966
Total Residential Home Today	219	14,586	393	18,341	612	32,927
Home equity loans and lines of credit						
Ohio	151	5,304	200	5,132	351	10,436
Florida	56	4,228	170	3,589	226	7,817
California	9	749	27	1,479	36	2,228
Other	30	1,990	49	1,842	79	3,832
Total Home equity loans and lines of credit	246	12,271	446	12,042	692	24,313
Construction	—	—	2	41	2	41
Total	650	$47,129	1,384	$86,908	2,034	$134,037

	Loans Delinquent For					
	30-89 Days		90 Days or Over		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
September 30, 2012						
Real estate loans:						
Residential Core						
Ohio	181	$19,301	436	$43,871	617	