

Home Federal Bancorp, Inc.  
Form 10-QT  
February 09, 2012  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QT

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

For the quarterly period ended \_\_\_\_\_

or

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

For the transition period from October 1, 2011 to December 31, 2011

Commission File Number: 001-33795

HOME FEDERAL BANCORP, INC.

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(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation  
or organization)

68-0666697  
(I.R.S. Employer  
Identification Number)

500 12th Avenue South, Nampa, Idaho  
(Address of principal executive offices)

83651  
(Zip Code)

Registrant's telephone number, including area code: (208) 466-4634

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

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company” in Rule 12b-2 of the Exchange Act.

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

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, \$.01 par value per share, 15,664,706 shares outstanding as of February 1, 2012.

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HOME FEDERAL BANCORP, INC.  
FORM 10-QT  
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## Item 1. Financial Statements

HOME FEDERAL BANCORP, INC. AND  
SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data) (unaudited)

	December 31, 2011	September 30, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 144,293	\$ 190,734
Investments available-for-sale, at fair value	399,877	380,847
Loans held for sale	--	2,088
Loans and leases receivable, net of allowance for loan and lease losses of \$14,171 and \$14,365	449,908	468,213
Accrued interest receivable	2,857	2,800
FDIC indemnification receivable, net	23,676	33,863
Bank owned life insurance	15,450	12,848
Real estate owned and other repossessed assets	19,827	23,438
Federal Home Loan Bank ("FHLB") stock, at cost	17,717	17,717
Property and equipment, net	31,522	32,743
Core deposit intangible	3,086	3,246
Other assets	8,221	8,691
<b>TOTAL ASSETS</b>	<b>\$ 1,116,434</b>	<b>\$ 1,177,228</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposit accounts:		
Noninterest-bearing demand	\$ 127,553	\$ 141,040
Interest-bearing demand	249,215	251,347
Money market	178,377	177,183
Savings	78,492	79,640
Certificates	272,462	310,299
Total deposit accounts	906,099	959,509
Advances by borrowers for taxes and insurance	358	1,333
Accrued interest payable	219	249
Repurchase agreements	4,913	4,892
Deferred compensation	5,871	5,797
Other liabilities	7,704	10,794
Total liabilities	925,164	982,574
<b>STOCKHOLDERS' EQUITY</b>		
Serial preferred stock, \$.01 par value; 10,000,000 authorized; issued and outstanding: none	--	--
Common stock, \$.01 par value; 90,000,000 authorized; issued and outstanding:	157	161
Dec. 31, 2011 - 17,512,197 issued; 15,664,706 outstanding		

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Sep. 30, 2011 - 17,512,197 issued; 16,057,434 outstanding		
Additional paid-in capital	143,280	147,057
Retained earnings	49,443	48,886
Unearned shares issued to employee stock ownership plan	(7,581 )	(7,615 )
Accumulated other comprehensive income	5,971	6,165
Total stockholders' equity	191,270	194,654
<b>TOTAL LIABILITIES AND STOCKHOLDERS'</b>		
<b>EQUITY</b>	<b>\$ 1,116,434</b>	<b>\$ 1,177,228</b>

See accompanying notes.

HOME FEDERAL BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share and per share data) (unaudited)

	Three Months Ended December 31,	
	2011	2010
<b>Interest and dividend income:</b>		
Loans and leases	\$ 13,375	\$ 9,347
Investment securities	2,091	1,684
Other interest and dividends	101	213
<b>Total interest and dividend income</b>	<b>15,567</b>	<b>11,244</b>
<b>Interest expense:</b>		
Deposits	1,212	2,266
FHLB advances and other borrowings	21	664
<b>Total interest expense</b>	<b>1,233</b>	<b>2,930</b>
<b>Net interest income</b>	<b>14,334</b>	<b>8,314</b>
<b>Provision for loan losses</b>	<b>(474 )</b>	<b>3,000</b>
<b>Net interest income after provision for loan losses</b>	<b>14,808</b>	<b>5,314</b>
<b>Noninterest income:</b>		
Service charges and fees	2,246	2,459
Gain on sale of loans	181	348
Gain on sale of securities	590	--
Gain on sale of fixed assets and repossessed assets	328	274
<b>FDIC indemnification recovery</b>	<b>(515 )</b>	<b>1,996</b>
Accretion (impairment) of FDIC indemnification asset	(4,667 )	922
Other	206	304
<b>Total noninterest income</b>	<b>(1,631 )</b>	<b>6,303</b>
<b>Noninterest expense:</b>		
Compensation and benefits	5,866	7,094
Occupancy and equipment	1,476	1,845
Data processing	1,023	1,177
Advertising	145	213
Postage and supplies	287	254
Professional services	535	718
Insurance and taxes	707	1,049
Amortization of intangibles	160	195
Provision for REO	482	675
Other	335	599
<b>Total noninterest expense</b>	<b>11,016</b>	<b>13,819</b>
<b>Income (loss) before income taxes</b>	<b>2,161</b>	<b>(2,202 )</b>
<b>Income tax provision (benefit)</b>	<b>785</b>	<b>(871 )</b>

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Net income (loss)	\$	1,376	\$	(1,331 )
Earnings (loss) per common share:				
Basic	\$	0.09	\$	(0.08 )
Diluted		0.09		(0.08 )
Weighted average number of shares outstanding:				
Basic		14,991,807		15,663,436
Diluted		14,991,807		15,663,436
Dividends declared per share:	\$	0.055	\$	0.055

See accompanying notes.

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HOME FEDERAL BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME (LOSS) (In thousands) (unaudited)

	Three Months Ended December 31,	
	2011	2010
Net income (loss)	\$ 1,376	\$ (1,331 )
Other comprehensive income (loss):		
Change in unrealized holding gain (loss) on investments available for sale, net of taxes of \$106 and (\$1,344), respectively	166	(2,107 )
Adjustment for realized gains on sales of investments, net of taxes of (\$230) and \$0, respectively	(360 )	--
Other comprehensive loss	(194 )	(2,107 )
Comprehensive income (loss)	\$ 1,182	\$ (3,438 )

See accompanying notes.



HOME FEDERAL BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'  
EQUITY AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except share data) (Unaudited)

	Common Stock		Additional		Unearned	Accumulated	Total
	Shares	Amount	Capital	Earnings	Shares Issued to ESOP	Other Comprehensive Income (Loss)	
Balance at October 1, 2010	16,687,561	\$ 167	\$ 152,682	\$ 56,942	\$ (8,657 )	\$ 3,954	\$ 205,088
Restricted stock issued, net of forfeitures	26,169	--					--
ESOP shares committed to be released			190		1,042		1,232
Exercise of stock options	51,886	1	541				542
Share-based compensation			855				855
Stock repurchase	(708,182 )	(7 )	(7,413 )				(7,420 )
Dividends paid (\$0.220 per share)				(3,427 )			(3,427 )
Tax adjustments for equity comp. plans			202				202
Net loss				(4,629 )			(4,629 )
Other comprehensive income						2,211	2,211
Balance at September 30, 2011	16,057,434	161	147,057	48,886	(7,615 )	6,165	194,654
Restricted stock issued, net of forfeitures	(2,597 )						--
ESOP shares committed to be released			1		34		35
Share-based compensation			126				126
Stock repurchase	(390,131 )	(4 )	(3,905 )				(3,909 )
Dividends paid (\$0.055 per share)				(819 )			(819 )
Tax adjustments for equity comp. plans			1				1
Net income				1,376			1,376

Other comprehensive loss						(194 )	(194 )
Balance at December 31, 2011	15,664,706	\$ 157	\$ 143,280	\$ 49,443	\$ (7,581 )	\$ 5,971	\$ 191,270

See accompanying notes.

HOME FEDERAL BANCORP, INC. AND  
SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands) (unaudited)

	Three Months Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,376	\$ (1,331 )
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	767	636
Amortization of core deposit intangible	160	195
Impairment (accretion) of FDIC indemnification receivable	4,667	(922 )
Net amortization of premiums and discounts on investments	1,916	1,337
Gain on sale of loans, net	(181 )	(348 )
Gain on sale of securities available-for-sale, net	(590 )	--
Gain on sale of fixed assets and repossessed assets, net	(328 )	(274 )
ESOP shares committed to be released	35	336
Share based compensation expense	126	196
Provision for loan losses	(474 )	3,000
Valuation provision on real estate and other property owned	482	675
Accrued deferred compensation expense, net	74	73
Net deferred loan fees	(11 )	(250 )
Proceeds from sale of loans held for sale	4,930	13,356
Originations of loans held for sale	(2,662 )	(11,136 )
Net increase in cash surrender value of bank owned life insurance	(102 )	(105 )
Change in assets and liabilities:		
Interest receivable	(57 )	(211 )
Other assets	470	(3,380 )
Interest payable	(30 )	(53 )
Other liabilities	(3,089 )	(1,926 )
Net cash provided from (used by) operating activities	7,479	(132 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Principal repayments, maturities and calls of securities available for sale	44,905	31,059
Proceeds from sales of securities available for sale	27,423	--
Purchase of securities available for sale	(93,002 )	(186,860 )
Reimbursement of loan losses under loss share agreement	5,063	--
Net decrease in loans	14,974	41,301
Proceeds from sales of fixed assets and repossessed assets	8,488	7,446
Purchases of property and equipment	(179 )	(887 )
Purchase of bank-owned life insurance	(2,500 )	--
Net cash provided from (used by) investing activities	5,172	(107,941 )

<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net decrease in deposits	(53,410 )	(84,050 )
Net decrease in advances by borrowers for taxes and insurance	(975 )	(4,119 )
Repayment of FHLB borrowings	--	(6,604 )
Net increase (decrease) in securities sold under obligation to repurchase	21	(650 )
Proceeds from exercise of stock options	--	186
Repurchases of common stock	(3,909 )	--
Dividends paid	(819 )	(870 )
Net cash used by financing activities	(59,092 )	(96,107 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(46,441 )</b>	<b>(204,180 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>190,734</b>	<b>416,426</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 144,293</b>	<b>\$ 212,246</b>

(Continued)

See accompanying notes.

HOME FEDERAL BANCORP, INC. AND  
 SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (continued)  
 (In thousands) (unaudited)

	Three Months Ended December 31,	
	2011	2010
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 1,263	\$ 2,983
Taxes	3,800	(49 )
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Acquisition of real estate owned and other assets in settlement of loans	\$ 3,881	\$ 4,667
Fair value adjustment to securities available-for-sale, net of taxes	(194 )	(2,107 )

See accompanying notes.

HOME FEDERAL BANCORP, INC. AND SUBSIDIARY  
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

Note 1 - Basis of Presentation

The consolidated financial statements presented in this transition report include the accounts of Home Federal Bancorp, Inc., a Maryland corporation (the “Company”), and its wholly-owned subsidiary, Home Federal Bank (the “Bank”), which is a state-chartered commercial bank headquartered in Nampa, Idaho. As used throughout this report, the term the “Company” refers to Home Federal Bancorp and its consolidated subsidiary, unless the context otherwise requires.

The consolidated financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and are unaudited. All significant intercompany transactions and balances have been eliminated. In the opinion of the Company’s management, all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the financial condition and results of operations for the interim periods included herein have been made. Operating results for the three month period ended December 31, 2011, are not necessarily indicative of the results that may be expected for future periods.

On January 24, 2012, the Company reported its decision to change its fiscal year end to December 31 from a fiscal year ending on September 30. This change in fiscal year end makes the Company’s and the Bank’s year-end coincide with the regulatory reporting periods now effective with the Company’s reorganization to a bank holding company and the Bank’s conversion to a commercial bank that occurred on May 31, 2011. As a result of the change in fiscal year, the Company is filing this transition report on Form 10-QT covering the transition period from October 1, 2011 to December 31, 2011. The reader should assume any reference the Company makes to a particular year (for example, 2010) in this report applies to the Company’s fiscal year and not the calendar year.

On July 30, 2010, the Bank entered into a purchase and assumption agreement with the FDIC to assume all of the deposits and acquire certain assets of LibertyBank, headquartered in Eugene, Oregon (the “LibertyBank Acquisition”). In August 2009, the Bank entered into a purchase and assumption agreement with the FDIC to assume all of the deposits and certain assets of Community First Bank, headquartered in Prineville, Oregon (the “CFB Acquisition”). All of the loans purchased in the CFB Acquisition and the majority of loans and leases purchased in the LibertyBank Acquisition are included under the loss sharing agreements with the FDIC and are referred to as “covered loans.” All real estate owned and repossessed assets (“REO”) acquired in the CFB Acquisition and the LibertyBank Acquisition are also included in the loss sharing agreements and are referred to as “covered REO.” The covered loans and covered REO are collectively referred to as “covered assets.” Loans and foreclosed and repossessed assets not subject to loss sharing agreements with the FDIC are referred to as “noncovered loans” or “noncovered assets.”

Certain information and note disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted. Therefore, these consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (“2011 Form 10-K”), filed with the Securities and Exchange Commission (“SEC”) on December 14, 2011.

Certain reclassifications have been made to prior year’s financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported net income (loss) or equity.

Note 2 - Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-12, Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income

on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-12 is effective for annual and interim periods beginning after December 15, 2011 and is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment (Topic 350). ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011. Early adoption is permitted. The Company did not early adopt this standard, which is not expected to have a material effect on the Company's Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income (Topic 220). ASU 2011-05 attempts to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The effective date of ASU 2011-05 will be the first interim or fiscal period beginning after December 15, 2011; however, certain provisions related to the presentation of reclassification adjustments have been deferred by ASU 2011-12, Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, as discussed above. The Company adopted this standard effective September 30, 2011, and presented the Consolidated Statements of Comprehensive Income (Loss) as a separate statement rather than part of the Consolidated Statements of Stockholders' Equity.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (International Financial Reporting Standards). This guidance is effective for the first interim or annual period beginning on or after December 15, 2011, and will be applied prospectively beginning in the period of adoption. The amendments change the wording used to describe requirements for measuring fair value under U.S. GAAP to be more consistent with IFRSs. The adoption of this guidance is not expected to have a material effect on the Company's Consolidated Financial Statements.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements (Topic 860). ASU 2011-03 attempts to improve the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before maturity. The effective date of ASU 2011-03 will be the first interim or annual period beginning after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The Company is evaluating the impact this ASU will have on its financial condition and results of operations.

In April 2011, FASB issued ASU 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. ASU 2011-02 clarifies when a loan modification or restructuring is considered a troubled debt restructuring. This guidance became effective for the first interim or annual period beginning on or after June 15, 2011, and was adopted by the Company effective October 1, 2011. The adoption of this guidance did not have a material effect on the Company's Consolidated Financial Statements.



## Note 3 - Earnings (Loss) Per Share

The Company has granted stock compensation awards with non-forfeitable dividend rights, which are considered participating securities. Accordingly, earnings (loss) per share ("EPS") is computed using the two-class method as required by ASC 260-10-45. Basic EPS is computed by dividing net income (or loss) allocated to common stock by the weighted average number of common shares outstanding during the period which excludes the participating securities. Diluted EPS includes the dilutive effect of additional potential common shares from stock compensation awards, but excludes awards considered participating securities. ESOP shares are not considered outstanding for EPS until they are committed to be released. The following table presents the computation of basic and diluted EPS for the periods indicated (in thousands, except share and per share data):

	Three Months Ended	
	December 31,	
	2011	2010
Net income (loss)	\$ 1,376	\$ (1,331 )
Allocated to participating securities	(11 )	(14 )
Net income (loss) allocated to common shareholders	\$ 1,365	\$ (1,317 )
Weighted average common shares outstanding, including		
shares considered participating securities	15,116,327	15,830,261
Less: Average participating securities	(124,520 )	(166,825 )
Weighted average shares	14,991,807	15,663,436
Net effect of dilutive restricted stock	--	--
Weighted average shares and common stock equivalents	14,991,807	15,663,436
Income (loss) per common share:		
Basic	\$ 0.09	\$ (0.08 )
Diluted	0.09	(0.08 )
Options excluded from the calculation due to their anti-dilutive effect on EPS	895,529	886,381

## Note 4 - Investment securities

Investment securities available-for-sale consisted of the following at the dates indicated (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total
December 31, 2011	\$65,345	\$650	\$(11 )	\$65,984	16.5 %

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Obligations of U.S. Government-sponsored enterprises (“GSE”)

Obligations of states and political subdivisions	20,850	992	(33 )	21,809	5.4
Corporate note, FDIC-guaranteed	1,005	2	--	1,007	0.3
Mortgage-backed securities, GSE-issued	302,539	8,480	(253 )	310,766	77.7
Mortgage-backed securities, private label	357	--	(46 )	311	0.1
<b>Total</b>	<b>\$390,096</b>	<b>\$10,124</b>	<b>\$(343 )</b>	<b>\$399,877</b>	<b>100.0 %</b>

September 30, 2011

Obligations of U.S. GSE	\$81,751	\$581	\$(29 )	\$82,303	21.6 %
Obligations of states and political subdivisions	14,855	750	--	15,605	4.1
Corporate note, FDIC-guaranteed	1,008	3	--	1,011	0.3
Mortgage-backed securities, GSE-issued	272,765	8,908	(70 )	281,603	73.9
Mortgage-backed securities, private label	369	--	(44 )	325	0.1
<b>Total</b>	<b>\$370,748</b>	<b>\$10,242</b>	<b>\$(143 )</b>	<b>\$380,847</b>	<b>100.0 %</b>

For the quarter ended December 31, 2011, proceeds from sales of securities available-for-sale amounted to \$27.4 million. Gross realized gains on these sales totaled \$573,000, while gross realized losses totaled \$0. Additionally, we had \$8.0 million of securities called at a gain of \$17,000. We did not sell any securities during the quarter ended December 31, 2010.

The fair value of impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed for the periods indicated were as follows (in thousands):

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2011</b>						
Obligations of U.S. GSE	\$1,739	\$(11 )	\$--	\$--	\$1,739	\$(11 )
Obligations of states and political subdivisions	2,802	(33 )	--	--	2,802	(33 )
Mortgage-backed securities, GSE-issued	38,732	(245 )	4,010	(8 )	42,742	(253 )
Mortgage-backed securities, private label	--	--	311	(46 )	311	(46 )
<b>Total</b>	<b>\$43,273</b>	<b>\$(289 )</b>	<b>\$4,321</b>	<b>\$(54 )</b>	<b>\$47,594</b>	<b>\$(343 )</b>
<b>September 30, 2011</b>						
Obligations of U.S. GSE	\$8,159	\$(22 )	\$2,454	\$(7 )	\$10,613	\$(29 )
Mortgage-backed securities, GSE-issued	13,654	(70 )	10	--	13,664	(70 )
Mortgage-backed securities, private label	--	--	325	(44 )	325	(44 )
<b>Total</b>	<b>\$21,813</b>	<b>\$(92 )</b>	<b>\$2,789</b>	<b>\$(51 )</b>	<b>\$24,602</b>	<b>\$(143 )</b>

Management has evaluated these securities and has determined that the decline in fair value is not other than temporary. These securities have contractual maturity dates and management believes it is reasonably probable that principal and interest balances on these securities will be collected based on the performance, underwriting, credit support and vintage of the loans underlying the securities. However, continued deteriorating economic conditions may result in degradation in the performance of the loans underlying these securities in the future. The Company has the ability and intent to hold these securities for a reasonable period of time for a forecasted recovery of the amortized cost. The Company does not intend to sell these securities and it is not likely that the Company would be required to sell securities in an unrealized loss position before recovery of its cost basis.

The contractual maturities of investment securities available-for-sale are shown below (in thousands). Expected maturities may differ from the contractual maturities of such securities because borrowers have the right to prepay obligations without prepayment penalties.

	December 31, 2011		September 30, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 13,418	\$ 13,455	\$ 8,401	\$ 8,421

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Due after one year through five years	23,982	24,175	53,779	54,058
Due after five years through ten years	12,457	13,046	8,827	9,229
Due after ten years	37,343	38,124	26,607	27,211
Mortgage-backed securities	302,896	311,077	273,134	281,928
Total	\$ 390,096	\$ 399,877	\$ 370,748	\$ 380,847

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As of December 31, and September 30, 2011, the Bank pledged investment securities for the following obligations (in thousands):

	December 31, 2011		September 30, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
FHLB borrowing line of credit	\$ 33,782	\$ 36,460	\$ 36,752	\$ 39,838
Federal Reserve Bank	1,787	1,874	1,986	2,128
Repurchase agreements	7,458	7,858	8,218	8,604
Deposits of municipalities and public units	15,499	16,513	17,329	18,191
Total	\$ 58,526	\$ 62,705	\$ 64,285	\$ 68,761

Note 5 - Loans Receivable and Allowance for Loan Losses

Loans receivable are summarized by collateral type as follows (dollars in thousands):

	December 31, 2011		September 30, 2011	
	Amount	Percent of Gross	Amount	Percent of Gross
<b>Real estate:</b>				
One-to-four family residential	\$ 118,867	25.6 %	\$ 125,640	26.0 %
Multifamily residential	17,572	3.8	18,418	3.8
Commercial	206,215	44.3	205,929	42.6
Total real estate	342,654	73.7	349,987	72.4
<b>Real estate construction:</b>				
One-to-four family residential	9,355	2.0	9,054	1.9
Multifamily residential	--	--	111	--
Commercial and land development	16,928	3.6	16,174	3.3
Total real estate construction	26,283	5.6	25,339	5.2
<b>Consumer:</b>				
Home equity	47,192	10.2	48,901	10.1
Automobile	946	0.2	980	0.2
Other consumer	4,580	1.0	5,473	1.2
Total consumer	52,718	11.4	55,354	11.5
Commercial business	40,953	8.8	49,777	10.3
Leases	2,159	0.5	2,821	0.6
Gross loans	464,767	100.0 %	483,278	100.0 %
Deferred loan fees	(688 )		(700 )	
	(14,171 )		(14,365 )	

Allowance for loan  
losses

Loans receivable, net	\$ 449,908	\$ 468,213
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The following tables present loans at their recorded investment; therefore, the balances in the tables below may differ from the loan portfolio table above. Recorded investment includes the unpaid principal balance or the carrying amount of loans plus accrued interest less charge offs and net deferred loan fees. Accrued interest on loans was \$1.3 million and \$1.2 million as of December 31, 2011 and September 30, 2011, respectively.

Delinquent and nonaccrual loans. The following tables present the recorded investment in nonperforming loans and an aging of performing loans by class as of December 31, 2011 and September 30, 2011 (in thousands):

December 31, 2011							
Nonperforming Loans				Loans	Loans		
	Nonaccrual	Past Due 90 or More Days, Still Accruing	Total	Delinquent 30-59 Days	Delinquent 60-89 Days	Loans Not Past Due	Total Loans
<b>Noncovered loans</b>							
Real estate:							
One-to-four family residential							
	\$ 5,446	\$ --	\$ 5,446	\$ 1,435	\$ 149	\$ 96,307	\$ 103,337
Multifamily residential	--	--	--	--	--	13,184	13,184
Commercial real estate	7,601	--	7,601	--	--	137,480	145,081
Total real estate	13,047	--	13,047	1,435	149	246,971	261,602
Real estate construction:							
One-to-four family residential							
	415	--	415	--	--	7,921	8,336
Multifamily residential	--	--	--	--	--	--	--
Commercial real estate	1,132	--	1,132	--	--	8,778	9,910
Total real estate construction	1,547	--	1,547	--	--	16,699	18,246
Consumer:							
Home equity							
	676	--	676	55	114	33,894	34,739
Automobile	--	--	--	--	--	665	665
Other consumer	2	--	2	6	8	3,620	3,636
Total consumer	678	--	678	61	122	38,179	39,040
Commercial business	422	--	422	--	--	5,796	6,218
Leases	--	--	--	--	--	257	257
Total noncovered loans	15,694	--	15,694	1,496	271	307,902	325,363
<b>Covered loans</b>							
Real estate:							
One-to-four family residential							
	753	--	753	--	--	14,880	15,633
Multifamily residential							