PROVIDENT FINANCIAL HOLDINGS INC
Form 10-Q
May 11, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

[ü]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended March 31, 2015
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from ________________ to _________________

Commission File Number
000-28304

PROVIDENT FINANCIAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0704889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3756 Central Avenue, Riverside, California 92506
(Address of principal executive offices and zip code)

(951) 686-6060
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer [ ]	Accelerated filer [ü]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

Yes No ü .

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Title of class:	As of May 4, 2015
Common stock, $ 0.01 par value, per share	8,718,929 shares

PROVIDENT FINANCIAL HOLDINGS, INC.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Financial Condition
In Thousands, Except Share Information

	(Unaudited) March 31, 2015	June 30, 2014
Assets		
Cash and cash equivalents	$30,675	$118,937
Investment securities – held to maturity (fair value $800 and $800, respectively)	800	800
Investment securities – available for sale, at fair value	14,986	16,347
Loans held for investment, net of allowance for loan losses of $8,712 and $9,744, respectively	819,636	772,141
Loans held for sale, at fair value	307,054	158,883
Accrued interest receivable	2,855	2,483
Real estate owned, net	3,190	2,467
Federal Home Loan Bank (“FHLB”) – San Francisco stock	7,732	7,056
Premises and equipment, net	5,617	6,369
Prepaid expenses and other assets	21,246	20,146
Total assets	$1,213,791	$1,105,629
Liabilities and Stockholders’ Equity		
Liabilities:		
Non interest-bearing deposits	$62,824	$58,654
Interest-bearing deposits	855,076	839,216
Total deposits	917,900	897,870
Borrowings	131,384	41,431
Accounts payable, accrued interest and other liabilities	22,649	20,466
Total liabilities	1,071,933	959,767
Commitments and Contingencies		
Stockholders’ equity:		
Preferred stock, $.01 par value (2,000,000 shares authorized; none issued and outstanding)	—	—
Common stock, $.01 par value (40,000,000 shares authorized; 17,718,365 and 17,714,365 shares issued; 8,718,929 and 9,312,269 shares outstanding, respectively)	177	177
Additional paid-in capital	87,552	88,259
Retained earnings	186,762	182,458
Treasury stock at cost (8,999,436 and 8,402,096 shares, respectively)	(133,030)	(125,418)
Accumulated other comprehensive income, net of tax	397	386
Total stockholders’ equity	141,858	145,862

Total liabilities and stockholders’ equity	$1,213,791	$1,105,629

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
In Thousands, Except Per Share Information

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest income:				
Loans receivable, net	$9,689	$8,731	$28,260	$27,522
Investment securities	70	82	218	260
FHLB – San Francisco stock	126	203	402	615
Interest-earning deposits	52	142	222	390
Total interest income	9,937	9,158	29,102	28,787
Interest expense:				
Checking and money market deposits	101	94	315	292
Savings deposits	160	153	477	452
Time deposits	910	1,058	2,826	3,492
Borrowings	388	403	1,059	1,485
Total interest expense	1,559	1,708	4,677	5,721
Net interest income	8,378	7,450	24,425	23,066
Recovery from the allowance for loan losses	(111)	(849)	(1,283)	(2,689)
Net interest income, after recovery from the allowance for loan losses	8,489	8,299	25,708	25,755
Non-interest income:				
Loan servicing and other fees	264	252	823	778
Gain on sale of loans, net	9,754	5,291	25,448	17,777
Deposit account fees	607	628	1,837	1,868
Gain (loss) on sale and operations of real estate owned acquired in the settlement of loans, net	58	45	(12)	15
Card and processing fees	338	336	1,030	997
Other	248	239	750	683
Total non-interest income	11,269	6,791	29,876	22,118
Non-interest expense:				
Salaries and employee benefits	10,950	8,811	30,481	28,175
Premises and occupancy	1,106	1,099	3,604	3,362
Equipment	420	435	1,306	1,389
Professional expenses	671	383	1,628	1,314
Sales and marketing expenses	458	418	1,188	1,224
Deposit insurance premiums and regulatory assessments	227	251	738	694
Other	1,336	1,156	3,874	3,796
Total non-interest expense	15,168	12,553	42,819	39,954
Income before income taxes	4,590	2,537	12,765	7,919
Provision for income taxes	1,990	1,138	5,447	3,404
Net income	$2,600	$1,399	$7,318	$4,515

Basic earnings per share	$0.29	$0.14	$0.80	$0.45
Diluted earnings per share	$0.29	$0.14	$0.79	$0.44
Cash dividends per share	$0.11	$0.10	$0.33	$0.30

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
In Thousands

	For the Quarters Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
Net income	$2,600	$1,399	$7,318	$4,515
Change in unrealized holding (loss) gain on securities available for sale	(60)	17	19	(148)
Reclassification of (gains) losses to net income	—	—	—	—
Other comprehensive (loss) income, before income taxes	(60)	17	19	(148)
Income tax (benefit) expense	(25)	7	8	(62)
Other comprehensive (loss) income	(35)	10	11	(86)
Total comprehensive income	$2,565	$1,409	$7,329	$4,429

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
In Thousands, Except Share Information

For the Quarters and Nine Months Ended March 31, 2015 and 2014:

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
Balance at December 31, 2014	8,995,149	$177	$87,153	$185,148	$(128,560)	$432	$144,350
Net income				2,600			2,600
Other comprehensive loss						(35)	(35)
Purchase of treasury stock	(278,220)				(4,457)		(4,457)
Exercise of stock options	2,000	—	14				14
Amortization of restricted stock			177				177
Forfeiture of restricted stock			13		(13)		—
Stock options expense			190				190
Tax effect from stock based compensation			5				5
Cash dividends				(986)			(986)
Balance at March 31, 2015	8,718,929	$177	$87,552	$186,762	$(133,030)	$397	$141,858

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income, Net of Tax	Total
Balance at December 31, 2013	9,851,765	$177	$88,358	$180,897	$(117,440)	$458	$152,450
Net income				1,399			1,399
Other comprehensive income						10	10
Purchase of treasury stock	(194,888)				(2,983)		(2,983)
Exercise of stock options	9,000	—	66				66
Amortization of restricted stock			50				50
Awards of restricted stock			(130)		130		—
Stock options expense			76				76
Tax effect from stock based compensation			(130)				(130)
Cash dividends				(981)			(981)
Balance at March 31, 2014	9,665,877	$177	$88,290	$181,315	$(120,293)	$468	$149,957

The accompanying notes are an integral part of these condensed consolidated financial statements.

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income, Net of Tax	Total
Balance at June 30, 2014	9,312,269	$177	$88,259	$182,458	$(125,418)	$386	$145,862
Net income				7,318			7,318
Other comprehensive income						11	11
Purchase of treasury stock	(597,340)				(9,240)		(9,240)
Exercise of stock options	4,000	—	28				28
Amortization of restricted stock			418				418
Awards of restricted stock			(1,641)		1,641		—
Forfeitures of restricted stock			13		(13)		—
Stock options expense			486				486
Tax effect from stock based compensation			(11)				(11)
Cash dividends				(3,014)			(3,014)
Balance at March 31, 2015	8,718,929	$177	$87,552	$186,762	$(133,030)	$397	$141,858

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
Balance at June 30, 2013	10,386,399	$177	$87,742	$179,816	$(108,315)	$554	$159,974
Net income				4,515			4,515
Other comprehensive loss						(86)	(86)
Purchase of treasury stock	(770,022)				(12,057)		(12,057)
Exercise of stock options	49,500	—	362				362
Amortization of restricted stock			152				152
Awards of restricted stock			(130)		130		—
Forfeitures of restricted stock			51		(51)		—
Stock options expense			235				235
Tax effect from stock based compensation			(122)				(122)
Cash dividends				(3,016)			(3,016)
Balance at March 31, 2014	9,665,877	$177	$88,290	$181,315	$(120,293)	$468	$149,957

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited - In Thousands)

	Nine Months Ended March 31, 2015	2014
Cash flows from operating activities:		
Net income	$7,318	$4,515
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation and amortization	1,479	1,217
Recovery from the allowance for loan losses	(1,283)	(2,689)
Recovery from the allowance for losses on real estate owned	(10)	(20)
Gain on sale of loans, net	(25,448)	(17,777)
Gain on sale of real estate owned, net	(101)	(242)
Stock-based compensation	904	387
Benefit for deferred income taxes	(60)	(967)
Tax effect from stock based compensation	11	122
Increase (decrease) in accounts payable and other liabilities	1,650	(3,646)
Decrease (increase) in prepaid expenses and other assets	1,511	(1,160)
Loans originated for sale	(1,760,039)	(1,490,402)
Proceeds from sale of loans	1,634,865	1,606,463
Net cash (used for) provided by operating activities	(139,203)	95,801
Cash flows from investing activities:		
Increase in loans held for investment, net	(48,647)	(22,731)
Principal payments from investment securities available for sale	1,628	2,285
Purchase of investment securities available for sale	(250)	—
Purchase of FHLB San Francisco stock	(676)	—
Redemption of FHLB – San Francisco stock	—	6,593
Proceeds from sale of real estate owned	1,474	3,655
Purchase of premises and equipment	(334)	(592)
Net cash used for investing activities	(46,805)	(10,790)
Cash flows from financing activities:		
Increase (decrease) in deposits, net	20,030	(15,504)
Proceeds from short-term borrowings, net	60,000	—
Proceeds from long-term borrowings	30,000	—
Repayments of long-term borrowings	(47)	(55,044)
Exercise of stock options	28	362
Tax effect from stock based compensation	(11)	(122)
Cash dividends	(3,014)	(3,016)
Treasury stock purchases	(9,240)	(12,057)
Net cash provided by (used for) financing activities	97,746	(85,381)
Net decrease in cash and cash equivalents	(88,262)	(370)
Cash and cash equivalents at beginning of period	118,937	193,839
Cash and cash equivalents at end of period	$30,675	$193,469
Supplemental information:		

Cash paid for interest	$4,629	$6,056
Cash paid for income taxes	$3,875	$6,216
Transfer of loans held for sale to held for investment	$2,824	$3,980
Real estate acquired in the settlement of loans	$2,572	$4,178

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROVIDENT FINANCIAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

Note 1: Basis of Presentation

The unaudited interim condensed consolidated financial statements included herein reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results of operations for the interim periods presented. All such adjustments are of a normal, recurring nature. The condensed consolidated statements of financial condition at June 30, 2014 are derived from the audited consolidated financial statements of Provident Financial Holdings, Inc. and its wholly-owned subsidiary, Provident Savings Bank, F.S.B. (the “Bank”) (collectively, the “Corporation”). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) with respect to interim financial reporting. It is recommended that these unaudited interim condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Annual Report on Form 10-K for the year ended June 30, 2014. The results of operations for the quarter and nine months ended March 31, 2015 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2015.

Note 2: Accounting Standard Updates (“ASU”)

ASU 2013-11:
In July 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Corporation's adoption of this ASU did not have a material impact on its consolidated financial statements.

ASU 2014-04:
In January 2014, the FASB issued ASU 2014-04, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The amendments in this ASU are intended to reduce diversity in practice by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate property recognized. Holding foreclosed real estate property presents different operational and economic risk to creditors compared with holding an impaired loan. Therefore, consistency in the timing of loan derecognition and

presentation of foreclosed real estate properties is of qualitative significance to users of the creditor’s financial statements. Additionally, the disclosure of the amount of foreclosed residential real estate properties and of the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure is expected to provide decision-useful information to many users of the creditor’s financial statements. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Corporation's adoption of this ASU is not expected have a material impact on its consolidated financial statements.

ASU 2014-14:
In August 2014, the FASB issued ASU 2014-14," Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure." Current GAAP provides classification and measurement guidance for situations in which a creditor obtains a debtor’s assets in satisfaction of a receivable, including receipt of assets through foreclosure, but does not provide specific guidance on how to classify and measure foreclosed loans that are government guaranteed. Current GAAP also does not provide guidance on how to determine the unit of account; that is, whether a single asset should be recognized or whether two separate assets should be recognized (real estate and a guarantee receivable). In practice, most creditors derecognize the loan and recognize a single asset. Some creditors recognize a nonfinancial asset (other real estate owned), while others recognize a financial asset (typically, a guarantee receivable). Regardless of the classification of the asset (or assets), measurement of the asset (or total measurement of the assets) in practice generally represents the amount recoverable under the guarantee. The amendments in this ASU should reduce variations in practice by providing guidance on how to classify and measure certain government-guaranteed mortgage loans upon foreclosure. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Corporation's adoption of this ASU is not expected have a material impact on its consolidated financial statements.

ASU 2015-05:
In April 2015, the FASB issued ASU 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40).” The amendments in this Update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. In addition, the guidance in this Update supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. For public entities, the Board decided that the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015 and early adoption is permitted. The Corporation's adoption of this ASU is not expected have a material impact on its consolidated financial statements.

Note 3: Earnings Per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the entity.

As of March 31, 2015 and 2014, there were outstanding options to purchase 1.1 million shares and 925,700 shares of the Corporation’s common stock, respectively, of which 246,500 shares and 448,700 shares, respectively, were excluded from the diluted EPS computation as their effect was anti-dilutive. As of March 31, 2015 and 2014, there were outstanding restricted stock awards of 265,000 shares and 81,500 shares, respectively, all of which have dilutive effects.

The following table provides the basic and diluted EPS computations for the quarters and nine months ended March 31, 2015 and 2014, respectively.

(In Thousands, Except Earnings Per Share)	For the Quarters Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
Numerator:				
Net income – numerator for basic earnings per share and diluted earnings per share - available to common stockholders	$2,600	$1,399	$7,318	$4,515
Denominator:				
Denominator for basic earnings per share:				
Weighted-average shares	8,940	9,792	9,106	10,061
Effect of dilutive shares:				
Stock options	96	150	110	164
Restricted stock	70	31	56	29
Denominator for diluted earnings per share:				
Adjusted weighted-average shares and assumed conversions	9,106	9,973	9,272	10,254
Basic earnings per share	$0.29	$0.14	$0.80	$0.45
Diluted earnings per share	$0.29	$0.14	$0.79	$0.44

Note 4: Operating Segment Reports

The Corporation operates in two business segments: community banking through the Bank and mortgage banking through Provident Bank Mortgage ("PBM"), a division of the Bank.

The following tables set forth condensed consolidated statements of operations and total assets for the Corporation's operating segments for the quarters and nine months ended March 31, 2015 and 2014, respectively.

	For the Quarter Ended March 31, 2015		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Totals
Net interest income	$7,023	$1,355	$8,378
Provision (recovery) for loan losses	64	(175)	(111)
Net interest income, after provision (recovery) for loan losses	6,959	1,530	8,489
Non-interest income:			
Loan servicing and other fees (1)	153	111	264
(Loss) gain on sale of loans, net (2)	(29)	9,783	9,754
Deposit account fees	607	—	607
Gain on sale and operations of real estate owned acquired in the settlement of loans, net	58	—	58
Card and processing fees	338	—	338
Other	248	—	248
Total non-interest income	1,375	9,894	11,269
Non-interest expense:			
Salaries and employee benefits	4,743	6,207	10,950
Premises and occupancy	679	427	1,106
Operating and administrative expenses	1,203	1,909	3,112
Total non-interest expense	6,625	8,543	15,168
Income before income taxes	1,709	2,881	4,590
Provision for income taxes	764	1,226	1,990
Net income	$945	$1,655	$2,600
Total assets, end of period	$906,378	$307,413	$1,213,791

(1) Includes an inter-company charge of $54 credited to PBM by the Bank during the period to compensate PBM for originating loans held for investment.

(2) Includes an inter-company charge of $32 credited to PBM by the Bank during the period to compensate PBM for servicing fees on loans sold on a servicing retained basis.

(In Thousands)	For the Quarter Ended March 31, 2014 Provident Bank	Provident Bank Mortgage	Consolidated Totals
Net interest income	$6,757	$693	$7,450
Recovery from the allowance for loan losses	(707)	(142)	(849)
Net interest income after recovery from the allowance for loan losses	7,464	835	8,299
Non-interest income:			
Loan servicing and other fees [(1)]	40	212	252
Gain on sale of loans, net [(2)]	52	5,239	5,291
Deposit account fees	628	—	628
Gain on sale and operations of real estate owned acquired in the settlement of loans, net	45	—	45
Card and processing fees	336	—	336
Other	239	—	239
Total non-interest income	1,340	5,451	6,791
Non-interest expense:			
Salaries and employee benefits	3,903	4,908	8,811
Premises and occupancy	639	460	1,099
Operating and administrative expenses	1,012	1,631	2,643
Total non-interest expense	5,554	6,999	12,553
Income (loss) before income taxes	3,250	(713)	2,537
Provision (benefit) for income taxes	1,438	(300)	1,138
Net income (loss)	$1,812	$(413)	$1,399
Total assets, end of period	$1,022,129	$102,992	$1,125,121

(1) Includes an inter-company charge of $115 credited to PBM by the Bank during the period to compensate PBM for originating loans held for investment.

(2) Includes an inter-company charge of $22 credited to PBM by the Bank during the period to compensate PBM for servicing fees on loans sold on a servicing retained basis.

	For the Nine Months Ended March 31, 2015		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Totals
Net interest income	$20,843	$3,582	$24,425
Recovery from the allowance for loan losses	(1,199)	(84)	(1,283)
Net interest income, after recovery from the allowance for loan losses	22,042	3,666	25,708
Non-interest income:			
Loan servicing and other fees [(1)]	246	577	823
Gain on sale of loans, net [(2)]	117	25,331	25,448
Deposit account fees	1,837	—	1,837
Loss on sale and operations of real estate owned acquired in the settlement of loans, net	(11)	(1)	(12)
Card and processing fees	1,030	—	1,030
Other	750	—	750
Total non-interest income	3,969	25,907	29,876
Non-interest expense:			
Salaries and employee benefits	13,538	16,943	30,481
Premises and occupancy	2,267	1,337	3,604
Operating and administrative expenses	3,452	5,282	8,734
Total non-interest expense	19,257	23,562	42,819
Income before income taxes	6,754	6,011	12,765
Provision for income taxes	2,919	2,528	5,447
Net income	$3,835	$3,483	$7,318
Total assets, end of period	$906,378	$307,413	$1,213,791

(1) Includes an inter-company charge of $356 credited to PBM by the Bank during the period to compensate PBM for originating loans held for investment.

(2) Includes an inter-company charge of $107 credited to PBM by the Bank during the period to compensate PBM for servicing fees on loans sold on a servicing retained basis.

	For the Nine Months Ended March 31, 2014		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Totals
Net interest income	$19,995	$3,071	$23,066
Recovery from the allowance for loan losses	(2,566)	(123)	(2,689)
Net interest income, after recovery from the allowance for loan losses	22,561	3,194	25,755
Non-interest income:			
Loan servicing and other fees [(1)]	384	394	778
Gain on sale of loans, net [(2)]	375	17,402	17,777
Deposit account fees	1,868	—	1,868
Gain on sale and operations of real estate owned acquired in the settlement of loans, net	14	1	15
Card and processing fees	997	—	997
Other	683	—	683
Total non-interest income	4,321	17,797	22,118
Non-interest expense:			
Salaries and employee benefits	11,458	16,717	28,175
Premises and occupancy	1,952	1,410	3,362
Operating and administrative expenses	3,082	5,335	8,417
Total non-interest expense	16,492	23,462	39,954
Income (loss) before income taxes	10,390	(2,471)	7,919
Provision (benefit) for income taxes	4,443	(1,039)	3,404
Net income (loss)	$5,947	$(1,432)	$4,515
Total assets, end of period	$1,022,129	$102,992	$1,125,121

(1) Includes an inter-company charge of $128 credited to PBM by the Bank during the period to compensate PBM for originating loans held for investment.

(2) Includes an inter-company charge of $68 credited to PBM by the Bank during the period to compensate PBM for servicing fees on loans sold on a servicing retained basis.

Note 5: Investment Securities

The amortized cost and estimated fair value of investment securities as of March 31, 2015 and June 30, 2014 were as follows:

March 31, 2015 (In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value
Held to maturity:					
Certificates of deposit	$800	$—	$—	$800	$800
Total investment securities - held to maturity	$800	$—	$—	$800	$800
Available for sale:					
U.S. government agency MBS [1]	$7,944	$288	$—	$8,232	$8,232
U.S. government sponsored enterprise MBS	5,398	330	—	5,728	5,728
Private issue CMO [2]	771	5	—	776	776
Common stock - community development financial institution	250	—	—	250	250
Total investment securities - available for sale	$14,363	$623	$—	$14,986	$14,986
Total investment securities	$15,163	$623	$—	$15,786	$15,786

[1] Mortgage-Backed Securities ("MBS").
[2] Collateralized Mortgage Obligations ("CMO").

June 30, 2014 (In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value
Held to maturity:					
Certificates of deposit	$800	$—	$—	$800	$800
Total investment securities - held to maturity	$800	$—	$—	$800	$800
Available for sale:					
U.S. government agency MBS	$8,772	$337	$—	$9,109	$9,109
U.S. government sponsored enterprise MBS	6,128	257	—	6,385	6,385
Private issue CMO	841	12	—	853	853
Total investment securities - available for sale	$15,741	$606	$—	$16,347	$16,347
Total investment securities	$16,541	$606	$—	$17,147	$17,147

In the third quarters of fiscal 2015 and 2014, the Corporation received MBS principal payments of $331,000 and $666,000, respectively, and did not purchase or sell investment securities. For the first nine months of fiscal 2015 and 2014, the Corporation received MBS principal payments of $1.6 million and $2.3 million, respectively, and did not purchase or sell investment securities, except the fiscal 2015 purchase of $250,000 in the common stock of a community development financial institution to help fulfill the Bank's Community Reinvestment Act obligation.

The Corporation evaluates individual investment securities quarterly for other-than-temporary declines in market value. As of March 31, 2015, no investment securities were in an unrealized loss position. This compares to March 31, 2014 when the gross unrealized holding losses related to one adjustable rate private issue CMO, which had been in an unrealized loss position for more than 12 months. Based on the nature of the investment, management concluded that such unrealized loss was not other than temporary as of March 31, 2014. The Corporation intends and has the ability to hold the CMO until maturity and will not likely be required to sell the CMO before realizing a full recovery. The Corporation does not believe that there are any other-than-temporary impairments at March 31, 2015 and 2014; therefore, no impairment losses have been recorded for the quarters and nine months ended March 31, 2015 and 2014.

Contractual maturities of investment securities as of March 31, 2015 and June 30, 2014 were as follows:

(In Thousands)	March 31, 2015 Amortized Cost	March 31, 2015 Estimated Fair Value	June 30, 2014 Amortized Cost	June 30, 2014 Estimated Fair Value
Held to maturity:				
Due in one year or less	$800	$800	$800	$800
Due after one through five years	—	—	—	—
Due after five through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total investment securities - held to maturity	$800	$800	$800	$800
Available for sale:				
Due in one year or less	$—	$—	$—	$—
Due after one through five years	—	—	—	—
Due after five through ten years	—	—	—	—
Due after ten years	14,113	14,736	15,741	16,347
No stated maturity (common stock)	250	250	—	—
Total investment securities - available for sale	$14,363	$14,986	$15,741	$16,347
Total investment securities	$15,163	$15,786	$16,541	$17,147

Note 6: Loans Held for Investment

Loans held for investment consisted of the following:

(In Thousands)	March 31, 2015	June 30, 2014
Mortgage loans:		
Single-family	$374,981	$377,824
Multi-family	344,277	301,191
Commercial real estate	101,618	96,781
Construction	6,039	2,869
Commercial business loans	652	1,237
Consumer loans	246	306
Total loans held for investment, gross	827,813	780,208
Undisbursed loan funds	(2,911)	(1,090)
Advance payments of escrows	392	215
Deferred loan costs, net	3,054	2,552
Allowance for loan losses	(8,712)	(9,744)
Total loans held for investment, net	$819,636	$772,141

As of March 31, 2015, the Corporation had $14.5 million in mortgage loans that are subject to negative amortization, consisting of $10.9 million in multi-family loans, $3.4 million in single-family loans and $241,000 in commercial real estate loans. This compares to $23.3 million of negative amortization mortgage loans at June 30, 2014, consisting of $18.7 million in multi-family loans, $3.7 million in single-family loans and $856,000 in commercial real estate loans. During the third quarters and nine months of fiscal 2015 and 2014, no loan interest income was added to the negative amortization loan balance. Negative amortization involves a greater risk to the Corporation because the loan principal balance may increase by a range of 110% to 115% of the original loan amount during the period of negative amortization and because the loan payment may increase beyond the means of the borrower when loan principal amortization is required. Also, the Corporation has originated interest-only ARM loans, which typically have a fixed interest rate for the first two to five years coupled with an interest only payment, followed by a periodic adjustable rate and a fully amortizing loan payment. As of March 31, 2015 and June 30, 2014, the interest-only ARM loans were $157.4 million and $170.7 million, or 19% and 22% of loans held for investment, respectively.

The following table sets forth information at March 31, 2015 regarding the dollar amount of loans held for investment that are contractually repricing during the periods indicated, segregated between adjustable rate loans and fixed rate loans. Fixed-rate loans comprised 4% of loans held for investment at March 31, 2015, unchanged from June 30, 2014. Adjustable rate loans having no stated repricing dates that reprice when the index they are tied to reprices (e.g. prime rate index) and checking account overdrafts are reported as repricing within one year. The table does not include any estimate of prepayments which may cause the Corporation's actual repricing experience to differ materially from that shown.

	Adjustable Rate					
(In Thousands)	Within One Year	After One Year Through 3 Years	After 3 Years Through 5 Years	After 5 Years Through 10 Years	Fixed Rate	Total
Mortgage loans:						
Single-family	$312,310	$4,290	$42,035	$2,003	$14,343	$374,981
Multi-family	72,603	77,267	184,774	4,725	4,908	344,277
Commercial real estate	20,085	25,410	46,712	—	9,411	101,618
Construction	2,569	—	—	—	3,470	6,039
Commercial business loans	207	—	120	—	325	652
Consumer loans	238	—	—	—	8	246
Total loans held for investment, gross	$408,012	$106,967	$273,641	$6,728	$32,465	$827,813

The allowance for loan losses is maintained at a level sufficient to provide for estimated losses based on evaluating known and inherent risks in the loans held for investment and upon management's continuing analysis of the factors underlying the quality of the loans held for investment. These factors include changes in the size and composition of the loans held for investment, actual loan loss experience, current economic conditions, detailed analysis of individual loans for which full collectability may not be assured, and determination of the realizable value of the collateral securing the loans. The provision (recovery) for (from) the allowance for loan losses is charged (credited) against operations on a quarterly basis, as necessary, to maintain the allowance at appropriate levels. Although management believes it uses the best information available to make such determinations, there can be no assurance that regulators, in reviewing the Corporation's loans held for investment, will not request a significant increase in its allowance for loan losses. Future adjustments to the allowance for loan losses may be necessary and results of operations could be significantly and adversely affected as a result of economic, operating, regulatory, and other conditions beyond the Corporation's control.

Non-performing loans are charged-off to their fair market values in the period the loans, or portion thereof, are deemed uncollectible, generally after the loan becomes 150 days delinquent for real estate secured first trust deed loans and 120 days delinquent for commercial business or real estate secured second trust deed loans. For loans that were modified from their original terms, were re-underwritten and identified in the Corporation's asset quality reports as troubled debt restructurings ("restructured loans"), the charge-off occurs when the loan becomes 90 days delinquent; and where borrowers file bankruptcy, the charge-off occurs when the loan becomes 60 days delinquent. The amount of the charge-off is determined by comparing the loan balance to the estimated fair value of the underlying collateral, less disposition costs, with the loan balance in excess of the estimated fair value charged-off against the allowance for loan losses. The allowance for loan losses for non-performing loans is determined by applying Accounting Standards Codification ("ASC") 310, "Receivables." For restructured loans that are less than 90 days delinquent, the allowance for loan losses are segregated into (a) individually evaluated allowances for those loans with applicable discounted cash flow calculations still in their restructuring period, classified lower than pass, and containing an embedded loss component or (b) collectively evaluated allowances based on the aggregated pooling method. For non-performing loans less than 60 days delinquent where the borrower has filed bankruptcy, the collectively evaluated allowances are assigned based on the aggregated pooling method. For non-performing commercial real estate loans, an individually evaluated allowance is calculated based on the loan's fair value and if the fair value is higher than the loan balance, no allowance is required.

The following table summarizes the Corporation’s allowance for loan losses at March 31, 2015 and June 30, 2014:

(In Thousands)	March 31, 2015	June 30, 2014
Collectively evaluated for impairment:		
Mortgage loans:		
Single-family	$4,780	$5,476
Multi-family	3,089	3,142
Commercial real estate	764	989
Construction	27	35
Commercial business loans	23	51
Consumer loans	9	10
Total collectively evaluated allowance	8,692	9,703
Individually evaluated for impairment:		
Commercial business loans	20	41
Total individually evaluated allowance	20	41
Total loan loss allowance	$8,712	$9,744

The following table is provided to disclose additional details on the Corporation's allowance for loan losses:

(Dollars in Thousands)	For the Quarters Ended March 31, 2015	2014	For the Nine Months Ended March 31, 2015	2014
Allowance at beginning of period	$8,693	$11,041	$9,744	$14,935
Recovery from the allowance for loan losses	(111)	(849)	(1,283)	(2,689)
Recoveries:				
Mortgage loans:				
Single-family	226	64	499	331
Multi-family	65	56	229	75
Construction	—	—	—	20
Consumer loans	—	—	1	1
Total recoveries	291	120	729	427
Charge-offs:				
Mortgage loans:				
Single-family	(88)	(185)	(405)	(965)
Multi-family	—	(94)	—	(1,671)
Commercial real estate	(73)	—	(73)	—
Commercial business loans	—	(9)	—	(9)
Consumer loans	—	—	—	(4)
Total charge-offs	(161)	(288)	(478)	(2,649)
Net recoveries (charge-offs)	130	(168)	251	(2,222)
Balance at end of period	$8,712	$10,024	$8,712	$10,024
Allowance for loan losses as a percentage of gross loans held for investment	1.05%	1.29%	1.05%	1.29%
Net (recoveries) charge-offs as a percentage of average loans receivable, net, during the period (annualized)	(0.05)%	0.08%	(0.04)%	0.34%
Allowance for loan losses as a percentage of gross non-performing loans at the end of the period	79.74%	55.55%	79.74%	55.55%

The following tables denote the past due status of the Corporation's loans held for investment, gross, at the dates indicated.

(In Thousands)	March 31, 2015 Current	30-89 Days Past Due	Non-Accrual [(1)]	Total Loans Held for Investment, Gross
Mortgage loans:				
Single-family	$363,432	$4,444	$7,105	$374,981
Multi-family	342,038	—	2,239	344,277
Commercial real estate	100,150	—	1,468	101,618
Construction	6,039	—	—	6,039
Commercial business loans	538	—	114	652
Consumer loans	245	1	—	246
Total loans held for investment, gross	$812,442	$4,445	$10,926	$827,813

(1) All loans 90 days or greater past due are placed on non-accrual status.

(In Thousands)	June 30, 2014 Current	30-89 Days Past Due	Non-Accrual [(1)]	Total Loans Held for Investment, Gross
Mortgage loans:				
Single-family	$365,955	$322	$11,547	$377,824
Multi-family	297,744	—	3,447	301,191
Commercial real estate	94,429	—	2,352	96,781
Construction	2,869	—	—	2,869
Commercial business loans	1,099	—	138	1,237
Consumer loans	306	—	—	306
Total loans held for investment, gross	$762,402	$322	$17,484	$780,208

(1) All loans 90 days or greater past due are placed on non-accrual status.

The following tables summarize the Corporation's allowance for loan losses and recorded investment in gross loans, by portfolio type, at the dates and for the periods indicated.

	Quarter Ended March 31, 2015						
(In Thousands)	Single-family	Multi-family	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
Allowance at beginning of period	$4,540	$ 2,998	$1,075	$17	$53	$10	$8,693
Provision (recovery) for loan losses	102	26	(238)	10	(10)	(1)	(111)
Recoveries	226	65	—	—	—	—	291
Charge-offs	(88)	—	(73)	—	—	—	(161)
Allowance for loan losses, end of period	$4,780	$ 3,089	$764	$27	$43	$9	$8,712
Individually evaluated for impairment	$—	$ —	$—	$—	$20	$—	$20
Collectively evaluated for impairment	4,780	3,089	764	27	23	9	8,692
Allowance for loan losses, end of period	$4,780	$ 3,089	$764	$27	$43	$9	$8,712
Individually evaluated for impairment	$5,651	$ 1,982	$1,468	$—	$110	$—	$9,211
Collectively evaluated for impairment	369,330	342,295	100,150	6,039	542	246	818,602
Total loans held for investment, gross	$374,981	$ 344,277	$101,618	$6,039	$652	$246	$827,813
Allowance for loan losses as a percentage of gross loans held for investment	1.27 %	0.90 %	0.75 %	0.45 %	6.60 %	3.66 %	1.05 %

	Quarter Ended March 31, 2014						
(In Thousands)	Single-family	Multi-family	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
Allowance at beginning of period	$7,307	$ 2,554	$1,060	$3	$106	$11	$11,041
(Recovery) provision for loan losses	(1,719)	889	(26)	17	(9)	(1)	(849)
Recoveries	64	56	—	—	—	—	120
Charge-offs	(185)	(94)	—	—	(9)	—	(288)
	$5,467	$ 3,405	$1,034	$20	$88	$10	$10,024

Allowance for loan losses, end of period							
Individually evaluated for impairment	$—	$—	$—	$—	$41	$—	$41
Collectively evaluated for impairment	5,467	3,405	1,034	20	47	10	9,983
Allowance for loan losses, end of period	$5,467	$3,405	$1,034	$20	$88	$10	$10,024
Individually evaluated for impairment	$6,821	$2,565	$3,562	$—	$123	$—	$13,071
Collectively evaluated for impairment	374,205	286,684	100,980	1,792	928	324	764,913
Total loans held for investment, gross	$381,026	$289,249	$104,542	$1,792	$1,051	$324	$777,984
Allowance for loan losses as a percentage of gross loans held for investment	1.43%	1.18%	0.99%	1.12%	8.37%	3.09%	1.29%

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	Nine Months Ended March 31, 2015						
(In Thousands)	Single-family	Multi-family	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
Allowance at beginning of period	$5,476	$3,142	$989	$35	$92	$10	$9,744
Recovery from the allowance for loan losses	(790)	(282)	(152)	(8)	(49)	(2)	(1,283)
Recoveries	499	229	—	—	—	1	729
Charge-offs	(405)	—	(73)	—	—	—	(478)
Allowance for loan losses, end of period	$4,780	$3,089	$764	$27	$43	$9	$8,712
Individually evaluated for impairment	$—	$—	$—	$—	$20	$—	$20
Collectively evaluated for impairment	4,780	3,089	764	27	23	9	8,692
Allowance for loan losses, end of period	$4,780	$3,089	$764	$27	$43	$9	$8,712
Individually evaluated for impairment	$5,651	$1,982	$1,468	$—	$110	$—	$9,211
Collectively evaluated for impairment	369,330	342,295	100,150	6,039	542	246	818,602
Total loans held for investment, gross	$374,981	$344,277	$101,618	$6,039	$652	$246	$827,813
Allowance for loan losses as a percentage of gross loans held for investment	1.27%	0.90%	0.75%	0.45%	6.60%	3.66%	1.05%

	Nine Months Ended March 31, 2014						
(In Thousands)	Single-family	Multi-family	Commercial Real Estate	Construction	Commercial Business	Consumer	Total
Allowance at beginning of period	$9,062	$4,689	$1,053	$—	$119	$12	$14,935
(Recovery) provision for loan losses	(2,961)	312	(19)	—	(22)	1	(2,689)
Recoveries	331	75	—	20	—	1	427
Charge-offs	(965)	(1,671)	—	—	(9)	(4)	(2,649)
Allowance for loan losses, end of	$5,467	$3,405	$1,034	$20	$88	$10	$10,024

period

Individually evaluated for impairment	$—	$—	$—	$—	$41	$—	$41
Collectively evaluated for impairment	5,467	3,405	1,034	20	47	10	9,983
Allowance for loan losses, end of period	$5,467	$3,405	$1,034	$20	$88	$10	$10,024
Individually evaluated for impairment	$6,821	$2,565	$3,562	$—	$123	$—	$13,071
Collectively evaluated for impairment	374,205	286,684	100,980	1,792	928	324	764,913
Total loans held for investment, gross	$381,026	$289,249	$104,542	$1,792	$1,051	$324	$777,984
Allowance for loan losses as a percentage of gross loans held for investment	1.43%	1.18%	0.99%	1.12%	8.37%	3.09%	1.29%

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The following tables identify the Corporation's total recorded investment in non-performing loans by type at the dates and for the periods indicated. Generally, a loan is placed on non-accrual status when it becomes 90 days past due as to principal or interest or if the loan is deemed impaired, after considering economic and business conditions and collection efforts, where the borrower's financial condition is such that collection of the contractual principal or interest on the loan is doubtful. In addition, interest income is not recognized on any loan where management has determined that collection is not reasonably assured. A non-performing loan may be restored to accrual status when delinquent principal and interest payments are brought current and future monthly principal and interest payments are expected to be collected on a timely basis. Loans with a related allowance reserve have been individually evaluated for impairment using either a discounted cash flow analysis or, for collateral dependent loans, current appraisals less costs to sell to establish realizable value. These analysis may identify a specific impairment amount needed or may conclude that no reserve is needed. Loans without a related allowance reserve have not been individually evaluated for impairment, but have been included in pools of homogeneous loans for evaluation of related allowance reserves.

	At March 31, 2015				
(In Thousands)	Unpaid Principal Balance	Related Charge-offs	Recorded Investment	Allowance[1]	Net Recorded Investment
Mortgage loans:					
Single-family:					
With a related allowance	$ 1,454	$ —	$ 1,454	$ (307)	$ 1,147
Without a related allowance[2]	7,504	(1,853)	5,651	—	5,651
Total single-family	8,958	(1,853)	7,105	(307)	6,798
Multi-family:					
With a related allowance	257	—	257	(77)	180
Without a related allowance[2]	3,332	(1,350)	1,982	—	1,982
Total multi-family	3,589	(1,350)	2,239	(77)	2,162
Commercial real estate:					
Without a related allowance[2]	1,468	—	1,468	—	1,468
Total commercial real estate	1,468	—	1,468	—	1,468
Commercial business loans:					
With a related allowance	114	—	114	(21)	93
Total commercial business loans	114	—	114	(21)	93
Total non-performing loans	$ 14,129	$ (3,203)	$ 10,926	$ (405)	$ 10,521

(1) Consists of collectively and individually evaluated allowances, specifically assigned to the individual loan.
(2) There was no related allowance for loan losses because the loans have been charged-off to their fair value or the fair value of the collateral is higher than the loan balance.

(In Thousands)	At June 30, 2014 Unpaid Principal Balance	Related Charge-offs	Recorded Investment	Allowance[1]	Net Recorded Investment
Mortgage loans:					
Single-family:					
With a related allowance	$5,480	$—	$5,480	$(1,148)	$4,332
Without a related allowance[2]	8,208	(2,141)	6,067	—	6,067
Total single-family	13,688	(2,141)	11,547	(1,148)	10,399
Multi-family:					
With a related allowance	956	—	956	(354)	602
Without a related allowance[2]	4,146	(1,655)	2,491	—	2,491
Total multi-family	5,102	(1,655)	3,447	(354)	3,093
Commercial real estate:					
Without a related allowance[2]	2,352	—	2,352	—	2,352
Total commercial real estate	2,352	—	2,352	—	2,352
Commercial business loans:					
With a related allowance	138	—	138	(46)	92
Total commercial business loans	138	—	138	(46)	92
Total non-performing loans	$21,280	$(3,796)	$17,484	$(1,548)	$15,936

(1) Consists of collectively and individually evaluated allowances, specifically assigned to the individual loan.
(2) There was no related allowance for loan losses because the loans have been charged-off to their fair value or the fair value of the collateral is higher than the loan balance.

At March 31, 2015 and June 30, 2014, there were no commitments to lend additional funds to those borrowers whose loans were classified as non-performing.

For the quarters ended March 31, 2015 and 2014, the Corporation's average investment in non-performing loans was $11.3 million and $18.7 million, respectively. The Corporation records payments on non-performing loans utilizing the cash basis or cost recovery method of accounting during the periods when the loans are on non-performing status. For the quarters ended March 31, 2015 and 2014, interest income of $50,000 and $95,000, respectively, was recognized, based on cash receipts from loan payments on non-performing loans; and $125,000 and $173,000, respectively, was collected and applied to the net loan balances under the cost recovery method. Foregone interest income, which would have been recorded had the non-performing loans been current in accordance with their original terms, amounted to $87,000 and $105,000 for the quarters ended March 31, 2015 and 2014, respectively, and was not included in the results of operations.

For the nine months ended March 31, 2015 and 2014, the Corporation's average investment in non-performing loans was $13.2 million and $19.7 million, respectively. For the nine months ended March 31, 2015 and 2014, interest income of $255,000 and $437,000, respectively, was recognized, based on cash receipts from loan payments on non-performing loans; and $361,000 and $376,000, respectively, was collected and applied to the net loan balances under the cost recovery method. Foregone interest income, which would have been recorded had the non-performing loans been current in accordance with their original terms, amounted to $292,000 and $498,000 for the nine months ended March 31, 2015 and 2014, respectively, and was not included in the results of operations.

The following tables present the average recorded investment in non-performing loans and the related interest income recognized for the quarters and nine months ended March 31, 2015 and 2014:

	Quarter Ended March 31,			
	2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Without related allowances:				
Mortgage loans:				
Single-family	$ 5,827	$ 19	$ 6,966	$ —
Multi-family	1,988	—	2,517	2
Commercial real estate	1,487	21	2,999	30
	9,302	40	12,482	32
With related allowances:				
Mortgage loans:				
Single-family	1,619	8	5,039	48
Multi-family	259	—	969	12
Commercial business loans	116	2	226	3
	1,994	10	6,234	63
Total	$ 11,296	$ 50	$ 18,716	$ 95

	Nine Months Ended March 31,			
	2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Without related allowances:				
Mortgage loans:				
Single-family	$ 6,813	$ 53	$ 6,689	$ 19
Multi-family	2,094	—	2,845	36
Commercial real estate	1,926	146	3,416	218
	10,833	199	12,950	273
With related allowances:				
Mortgage loans:				
Single-family	1,872	36	5,584	116
Multi-family	417	13	1,005	39
Commercial business loans	124	7	197	9
	2,413	56	6,786	164
Total	$ 13,246	$ 255	$ 19,736	$ 437

For the quarters and nine months ended March 31, 2015 and 2014, there were no loans that were newly modified from their original terms, re-underwritten or identified in the Corporation's asset quality reports as restructured loans, except one loan with an outstanding balance of $221,000 that had been newly modified and subsequently paid off during the quarter ended March 31, 2014. During the quarters and nine months ended March 31, 2015 and 2014, no restructured loans were in default within a 12-month period subsequent to their original restructuring. Additionally, during the quarter and nine months ended March 31, 2015, there was one loan for $113,000 whose modification was extended beyond the initial maturity of the modification. This compares to the quarter and nine months ended March 31, 2014 when there were two loans to a single borrower totaling $810,000 whose modifications were extended beyond the initial maturity of the modification.

As of March 31, 2015, the net outstanding balance of the 19 restructured loans was $6.8 million: three were classified as special mention and remain on accrual status ($1.2 million); and 16 were classified as substandard ($5.5 million, 14 of 16 or $4.7 million were on non-accrual status). As of June 30, 2014, the net outstanding balance of the 17 restructured loans was $6.0 million: one was classified as special mention on accrual status ($343,000); and 16 were classified as substandard ($5.6 million, all of which were on non-accrual status). Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Assets that do not currently expose the Corporation to sufficient risk to warrant adverse classification but possess weaknesses are designated as special mention and are closely monitored by the Corporation. As of March 31, 2015 and June 30, 2014, $4.1 million or 60 percent, and $3.7 million or 62 percent, respectively, of the restructured loans were current with respect to their modified payment terms.

The Corporation upgrades restructured single-family loans to the pass category if the borrower has demonstrated satisfactory contractual payments for at least six consecutive months; 12 months for those loans that were restructured more than once; and if the borrower has demonstrated satisfactory contractual payments beyond 12 consecutive months, the loan is no longer categorized as a restructured loan. In addition to the payment history described above, multi-family, commercial real estate, construction and commercial business loans (which are sometimes referred to in this report as "preferred loans") must also demonstrate a combination of the following characteristics to be upgraded:

satisfactory cash flow, satisfactory guarantor support, and additional collateral support, among others.

To qualify for restructuring, a borrower must provide evidence of their creditworthiness such as, current financial statements, their most recent income tax returns, current paystubs, current W-2s, and most recent bank statements, among other documents, which are then verified by the Corporation. The Corporation re-underwrites the loan with the borrower's updated financial information, new credit report, current loan balance, new interest rate, remaining loan term, updated property value and modified payment schedule, among other considerations, to determine if the borrower qualifies.

The following table summarizes at the dates indicated the restructured loan balances, net of allowance for loan losses, by loan type and non-accrual versus accrual status:

(In Thousands)	March 31, 2015	June 30, 2014
Restructured loans on non-accrual status:		
Mortgage loans:		
Single-family	$2,037	$2,957
Multi-family	1,580	1,760
Commercial real estate	1,024	800
Commercial business loans	93	92
Total	4,734	5,609
Restructured loans on accrual status:		
Mortgage loans:		
Single-family	2,023	343
Total	2,023	343
Total restructured loans	$6,757	$5,952

The following tables identify the Corporation's total recorded investment in restructured loans by type at the dates and for the periods indicated.

(In Thousands)	At March 31, 2015 Unpaid Principal Balance	Related Charge-offs	Recorded Investment	Allowance[1]	Net Recorded Investment
Mortgage loans:					
Single-family:					
With a related allowance	$335	$—	$335	$(67)	$268
Without a related allowance[2]	4,708	(916)	3,792	—	3,792
Total single-family	5,043	(916)	4,127	(67)	4,060
Multi-family:					
Without a related allowance[2]	2,862	(1,282)	1,580	—	1,580
Total multi-family	2,862	(1,282)	1,580	—	1,580
Commercial real estate:					
Without a related allowance[2]	1,024	—	1,024	—	1,024
Total commercial real estate	1,024	—	1,024	—	1,024
Commercial business loans:					
With a related allowance	114	—	114	(21)	93
Total commercial business loans	114	—	114	(21)	93
Total restructured loans	$9,043	$(2,198)	$6,845	$(88)	$6,757

(1) Consists of collectively and individually evaluated allowances, specifically assigned to the individual loan.
(2) There was no related allowance for loan losses because the loans have been charged-off to their fair value or the fair value of the collateral is higher than the loan balance.

(In Thousands)	At June 30, 2014 Unpaid Principal Balance	Related Charge-offs	Recorded Investment	Allowance[1]	Net Recorded Investment
Mortgage loans:					
Single-family					
With a related allowance	$994	$—	$994	$(248)	$746
Without a related allowance[2]	3,564	(1,010)	2,554	—	2,554
Total single-family	4,558	(1,010)	3,548	(248)	3,300
Multi-family:					
Without a related allowance[2]	3,138	(1,378)	1,760	—	1,760
Total multi-family	3,138	(1,378)	1,760	—	1,760
Commercial real estate:					
Without a related allowance[2]	800	—	800	—	800
Total commercial real estate	800	—	800	—	800
Commercial business loans:					
With a related allowance	138	—	138	(46)	92
Total commercial business loans	138	—	138	(46)	92
Total restructured loans	$8,634	$(2,388)	$6,246	$(294)	$5,952

(1) Consists of collectively and individually evaluated allowances, specifically assigned to the individual loan.
(2) There was no related allowance for loan losses because the loans have been charged-off to their fair value or the fair value of the collateral is higher than the loan balance.

During the quarter ended March 31, 2015, one property was acquired in the settlement of loans, while two previously foreclosed upon properties were sold. This compares to the quarter ended March 31, 2014 when one property was acquired in the settlement of loans, while two previously foreclosed upon properties were sold. For the nine months ended March 31, 2015, eight properties were acquired in the settlement of loans, while six previously foreclosed upon properties were sold and one real estate owned property was written off. This compares to the nine months ended March 31, 2014 when seven properties were acquired in the settlement of loans, while 11 previously foreclosed upon properties were sold. As of March 31, 2015, real estate owned was comprised of