WASHINGTON FEDERAL INC
Form 10-Q
July 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2016
or

o 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 001-34654
WASHINGTON FEDERAL, INC.
(Exact name of registrant as specified in its charter)

Washington	91-1661606
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

425 Pike Street Seattle, Washington 98101
(Address of principal executive offices and zip code)
(206) 624-7930
(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 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 (§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 x No o

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	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

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:	at July 26, 2016
Common stock, $1.00 par value	90,489,424

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

	June 30, 2016	September 30, 2015
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$530,055	$284,049
Available-for-sale securities, at fair value	1,969,869	2,380,563
Held-to-maturity securities, at amortized cost	1,492,480	1,643,216
Loans receivable, net	9,628,576	9,170,634
Interest receivable	36,888	40,429
Premises and equipment, net	295,348	276,247
Real estate owned	31,682	61,098
FHLB and FRB stock	117,205	107,198
Bank owned life insurance	206,377	102,496
Intangible assets, including goodwill of $291,503	297,537	299,358
Federal and state income tax assets, net	16,189	14,513
Other assets	199,394	188,523
	$14,821,600	$14,568,324
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Transaction deposit accounts	$5,920,242	$5,820,878
Time deposit accounts	4,658,674	4,810,825
	10,578,916	10,631,703
FHLB advances	2,080,000	1,830,000
Advance payments by borrowers for taxes and insurance	33,209	50,224
Accrued expenses and other liabilities	167,290	100,718
	12,859,415	12,612,645
Stockholders' equity		
Common stock, $1.00 par value, 300,000,000 shares authorized; 134,145,522 and 133,695,803 shares issued; 90,226,193 and 92,936,395 shares outstanding	134,145	133,696
Paid-in capital	1,653,465	1,643,712
Accumulated other comprehensive (loss) income, net of taxes	(15,705)	353
Treasury stock, at cost; 43,919,329 and 40,759,408 shares	(721,884)	(651,836)
Retained earnings	912,164	829,754
	1,962,185	1,955,679
	$14,821,600	$14,568,324

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except share data)		(In thousands, except share data)	
INTEREST INCOME				
Loans receivable	$ 113,728	$ 107,250	$ 339,802	$ 324,817
Mortgage-backed securities	15,297	16,995	49,130	54,313
Investment securities and cash equivalents	4,710	5,055	14,990	16,084
	133,735	129,300	403,922	395,214
INTEREST EXPENSE				
Customer accounts	13,274	12,485	39,062	38,504
FHLB advances and other borrowings	16,221	16,250	47,426	50,082
	29,495	28,735	86,488	88,586
Net interest income	104,240	100,565	317,434	306,628
Provision (release) for loan losses	(1,650)	(1,932)	(3,150)	(11,381)
Net interest income after provision (release) for loan losses	105,890	102,497	320,584	318,009
OTHER INCOME				
Gain on sale of investment securities	—	9,639	—	9,639
Prepayment penalty on long-term debt	—	(7,941)	—	(10,554)
Loan fee income	1,101	1,915	3,784	6,028
Deposit fee income	5,297	5,156	16,564	16,538
Other income	4,088	3,042	11,502	6,380
	10,486	11,811	31,850	28,031
OTHER EXPENSE				
Compensation and benefits	27,333	29,824	86,217	89,453
Occupancy	8,515	8,492	26,075	24,866
FDIC insurance premiums	2,869	2,377	8,243	5,431
Product delivery	3,822	6,175	13,639	17,222
Information technology	7,669	3,783	23,832	11,695
Other expense	6,097	6,068	22,034	18,975
	56,305	56,719	180,040	167,642
Gain on real estate owned, net	5,087	3,188	10,401	4,976
Income before income taxes	65,158	60,777	182,795	183,374
Income tax expense	22,154	21,727	62,970	65,556
NET INCOME	$ 43,004	$ 39,050	$ 119,825	$ 117,818
PER SHARE DATA				
Basic earnings per share	$ 0.47	$ 0.41	$ 1.30	$ 1.22
Diluted earnings per share	0.47	0.41	1.30	1.22
Dividends paid on common stock per share	0.14	0.13	0.41	0.41
Basic weighted average number of shares outstanding	90,928,847	94,466,524	91,901,632	96,335,777
Diluted weighted average number of shares outstanding	91,468,662	94,904,262	92,393,644	96,726,085

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)		(In thousands)	
Net income	$43,004	$39,050	$119,825	$117,818
Other comprehensive income (loss) net of tax:				
Net unrealized gain (loss) on available-for-sale investment securities	(965)	(35,001)	(4,409)	(21,378)
Reclassification adjustment of net gain (loss) from sale of available-for-sale securities included in net income	—	9,639	—	9,639
Related tax benefit (expense)	355	9,320	1,620	4,314
	(610)	(16,042)	(2,789)	(7,425)
Net unrealized gain (loss) on long-term borrowing hedge	(10,290)	5,587	(20,978)	(3,646)
Related tax benefit (expense)	3,782	(2,053)	7,709	1,340
	(6,508)	3,534	(13,269)	(2,306)
Other comprehensive income (loss) net of tax	(7,118)	(12,508)	(16,058)	(9,731)
Comprehensive income	$35,886	$26,542	$103,767	$108,087

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2015	$133,696	$1,643,712	$829,754	$ 353	$(651,836)	$1,955,679
Net income			119,825			119,825
Other comprehensive income (loss)				(16,058)		(16,058)
Dividends on common stock			(37,415)			(37,415)
Compensation expense related to common stock options		900				900
Proceeds from exercise of common stock options	300	6,020				6,320
Restricted stock expense	149	2,833				2,982
Treasury stock acquired					(70,048)	(70,048)
Balance at June 30, 2016	$134,145	$1,653,465	$912,164	$ (15,705)	$(721,884)	$1,962,185

(in thousands)	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2014	$133,323	$1,638,211	$706,149	$ 20,708	$(525,108)	$1,973,283
Net income			117,818			117,818
Other comprehensive income (loss)				(9,731)		(9,731)
Dividends on common stock			(24,597)			(24,597)
Compensation expense related to common stock options		900				900
Proceeds from exercise of common stock options	106	1,570				1,676
Restricted stock expense	259	2,562				2,821
Treasury stock acquired					(103,049)	(103,049)
Balance at June 30, 2015	$133,688	$1,643,243	$799,370	$ 10,977	$(628,157)	$1,959,121

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2016	2015
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$119,825	$117,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, accretion and restricted stock expense	25,577	19,075
Cash received from (paid to) FDIC under loss share	1,826	(714)
Stock option compensation expense	900	900
Provision (release) for loan losses	(3,150)	(11,381)
Loss (gain) on sale of investment securities and real estate owned	(14,536)	(25,817)
Prepayment penalty from repayment of borrowings	—	10,554
Decrease (increase) in accrued interest receivable	3,541	12,487
Decrease (increase) in FDIC loss share receivable	—	1,795
Decrease (increase) in federal and state income tax receivable	7,654	10,883
Decrease (increase) in cash surrender value of bank owned life insurance	(3,881)	(1,720)
Decrease (increase) in other assets	(13,895)	(37,376)
Increase (decrease) in accrued expenses and other liabilities	45,594	(23,738)
Net cash provided by (used in) operating activities	169,455	72,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of loans and principal repayments, net	(407,641)	(204,527)
Loans purchased	(51,646)	(183,406)
FHLB & FRB stock purchased	(36,347)	—
FHLB & FRB stock redemption	26,340	55,649
Available-for-sale securities purchased	(50,742)	(329,490)
Principal payments and maturities of available-for-sale securities	452,948	502,561
Proceeds on available-for-sale securities sold	—	244,749
Held-to-maturity securities purchased	—	(249,382)
Principal payments and maturities of held-to-maturity securities	146,211	207,954
Proceeds from sales of real estate owned	53,573	63,077
Purchase of bank owned life insurance	(100,000)	(100,000)
Premises and equipment purchased and REO improvements	(35,276)	(24,582)
Net cash provided by (used in) investing activities	(2,580)	(17,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in customer accounts	(52,711)	(138,390)
Proceeds from borrowings	918,000	—
Repayments of borrowings	(668,000)	(210,554)
Proceeds from exercise of common stock options and related tax benefit	6,320	1,676
Dividends paid on common stock	(37,415)	(38,997)
Treasury stock purchased	(70,048)	(103,049)
Increase (decrease) in advance payments by borrowers for taxes and insurance	(17,015)	1,652
Net cash provided by (used in) financing activities	79,131	(487,662)
Increase (decrease) in cash and cash equivalents	246,006	(432,293)
Cash and cash equivalents at beginning of period	284,049	781,843
Cash and cash equivalents at end of period	$530,055	$349,550

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SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2016	2015
	(In thousands)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash investing activities		
Real estate acquired through foreclosure	$13,147	$25,832
Cash paid during the period for		
Interest	86,007	88,511
Income taxes	47,289	48,096

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A – Summary of Significant Accounting Policies

Nature of Operations - Washington Federal, Inc. is a Washington corporation headquartered in Seattle, Washington. The Company is a bank holding company that conducts its operations through a federally-insured national bank subsidiary. The Bank is principally engaged in the business of attracting deposits from the general public and investing these funds, together with borrowings and other funds, in one-to-four family residential mortgage and construction loans, home equity loans, lines of credit, commercial and industrial loans, multi-family and other forms of real estate loans. As used throughout this document, the terms "Washington Federal" or the "Company" refer to Washington Federal, Inc. and its consolidated subsidiaries and the term "Bank" refers to the operating subsidiary Washington Federal, National Association.

Basis of Presentation - The consolidated unaudited interim financial statements included in this report have been prepared by Washington Federal. All intercompany transactions and accounts have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation are reflected in the interim financial statements. The September 30, 2015 Consolidated Statement of Financial Condition was derived from audited financial statements.

The information included in this Form 10-Q should be read in conjunction with the financial statements and related notes in the Company's 2015 Annual Report on Form 10-K (“2015 Form 10-K”). Interim results are not necessarily indicative of results for a full year.

Summary of Significant Accounting Policies - The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its 2015 Form 10-K. There have not been any material changes in our significant accounting policies compared to those contained in our 2015 Form 10-K disclosure for the year ended September 30, 2015.

Off-Balance-Sheet Credit Exposures – The only material off-balance-sheet credit exposures are loans in process and unused lines of credit, which had a combined balance of $1,125,481,000 and $816,014,000 at June 30, 2016 and September 30, 2015, respectively. The Company estimates losses on off-balance-sheet credit exposures by allocating a loss percentage derived from historical loss factors for each asset class.

NOTE B – New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The amendments in this ASU were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to- maturity debt securities, trade and other receivables, net investments in leases and other commitments to extend credit held by a reporting entity at each reporting date. The amendments require that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The ASU eliminates the current framework of recognizing probable incurred losses and instead requires an entity to use its current estimate of all expected credit losses over the contractual life. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets.

For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination (“PCD assets”) that are measured at amortized cost, an allowance for expected credit losses is recorded as an adjustment to the cost basis of the asset. Subsequent changes in estimated cash flows would be recorded as an adjustment to the allowance and through the statement of income.

Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security's cost basis.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For most debt securities, the transition approach requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period the guidance is effective. For other-than-temporarily impaired debt securities and PCD assets, the guidance will be applied prospectively. The Company is currently evaluating the provisions of this ASU to determine the impact the new standard will have on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation- Improvements to Employee Share-Based Payment Accounting, which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the guidance, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This ASU is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period; however, early adoption is permitted. The Company is currently evaluating the guidance to determine its adoption method and does not expect this guidance to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The amendments require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance also simplifies the accounting for sale and leaseback transactions. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently evaluating the provisions of this ASU to determine the impact the new standard will have on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, to require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this ASU also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which will require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period’s financial statements, the effect on earnings as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition, an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in ASU 2015-16 are effective for years beginning after December 15, 2015. Early adoption is permitted for reporting periods for which financial statements have not been issued. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, Customer’s Accounting for Fees Paid in Cloud Computing Arrangement. The ASU was issued to clarify a customer's accounting for fees paid in a cloud computing arrangement. The amendments provide guidance to customers in determining whether a cloud computing arrangement includes a software license that should be accounted for as internal-use software. If the arrangement does not contain a software license, it would be accounted for as a service contract. The guidance in this ASU is effective for interim and annual periods beginning after December 15, 2015 and can be adopted either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this update was to be effective for interim and annual periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year and permits companies to voluntarily adopt the new standard as of the original effective date. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

NOTE C – Dividends and Share Repurchases

On May 13, 2016, the Company paid a dividend on common stock of $0.14 per share. This dividend was the 133rd consecutive quarterly cash dividend paid on common stock. Dividends per share were $0.14 and $0.13 for the quarters ended June 30, 2016 and 2015, respectively. On July 25, 2016, the Company declared a dividend on common stock of $0.14 per share, which represents its 134th consecutive quarterly cash dividend. The dividend will be paid on August 19, 2016 to common shareholders of record on August 5, 2016.

For the three months ended June 30, 2016, the Company repurchased 1,097,397 shares at an average price of $23.33. For the three months ended June 30, 2015, the Company repurchased 1,171,662 shares at an average price of $21.93. As of June 30, 2016, there are 1,041,309 remaining shares authorized to be repurchased under the current Board approved program.

NOTE D – Loans Receivable

The following table is a summary of loans receivable.

	June 30, 2016			September 30, 2015		
	(In thousands)			(In thousands)		
Non-Acquired loans						
Single-family residential	$5,593,018	52.9	%	$5,651,845	57.6	%
Construction	1,016,305	9.6		200,509	2.0	
Construction - custom	409,116	3.9		396,307	4.0	
Land - acquisition & development	101,849	1.0		94,208	1.0	
Land - consumer lot loans	101,731	1.0		103,989	1.1	
Multi-family	1,094,736	10.3		1,125,722	11.6	
Commercial real estate	886,957	8.4		986,270	10.0	
Commercial & industrial	810,442	7.7		612,836	6.2	
HELOC	134,735	1.3		127,646	1.3	
Consumer	154,261	1.4		194,655	2.0	
Total non-acquired loans	10,303,150	97.5	%	9,493,987	96.8	%
Acquired loans	140,369	1.3		166,293	1.6	
Credit impaired acquired loans	96,491	0.9		87,081	0.9	
Covered loans	32,191	0.3		75,909	0.7	
Total gross loans	10,572,201	100.0	%	9,823,270	100.0	%
Less:						

Allowance for loan losses	111,016	106,829
Loans in process	780,721	476,796
Discount on acquired loans	14,775	30,095
Deferred net origination fees	37,113	38,916
Total loan contra accounts	943,625	652,636
Net Loans	$9,628,576	$9,170,634

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table sets forth information regarding non-accrual loans.

	June 30, 2016		September 30, 2015	
	(In thousands)			
Non-accrual loans:				
Single-family residential	$36,707	77.5%	$59,074	87.1%
Construction	—	—	754	1.1
Construction - custom	506	1.1	732	1.1
Land - acquisition & development	427	0.9	—	—
Land - consumer lot loans	1,105	2.3	1,273	1.9
Multi-family	1,238	2.6	2,558	3.8
Commercial real estate	6,297	13.3	2,176	3.2
Commercial & industrial	521	1.1	—	—
HELOC	548	1.2	563	0.8
Consumer	—	—	680	1.0
Total non-accrual loans	$47,349	100 %	$67,810	100 %

The Company recognized interest income on nonaccrual loans of approximately $4,100,000 in the nine months ended June 30, 2016. Had these loans performed according to their original contract terms, the Company would have recognized interest income of approximately $1,865,000 for the nine months ended June 30, 2016. Interest income actually recognized during the nine months ended June 30, 2016 is higher because of loans that were brought current or paid off.

The following tables provide details regarding delinquent loans.

June 30, 2016	Loans Receivable	Days Delinquent Based on $ Amount of Loans					% based on $
Type of Loan	Net of Loans In Process	Current	30	60	90	Total	
	(In thousands)						
Non-acquired loans							
Single-Family Residential	$5,596,644	$5,542,000	$14,268	$6,679	$33,697	$54,644	0.98 %
Construction	442,810	442,810	—	—	—	—	—
Construction - Custom	213,465	212,690	110	159	506	775	0.36
Land - Acquisition & Development	86,243	85,775	—	—	468	468	0.54
Land - Consumer Lot Loans	102,248	100,304	738	101	1,105	1,944	1.90
Multi-Family	1,095,174	1,094,284	956	—	—	956	0.09
Commercial Real Estate	886,552	884,644	217	1,443	123	1,783	0.20
Commercial & Industrial	811,502	811,486	—	75	—	75	0.01
HELOC	134,151	133,236	297	70	548	915	0.68
Consumer	153,640	152,874	385	274	107	766	0.50
	9,522,429	9,460,103	16,971	8,801	36,554	62,326	0.65
Acquired loans	140,369	137,107	265	529	2,468	3,262	2.32
Credit impaired acquired loans	96,491	91,168	—	—	5,323	5,323	5.52

Covered loans	32,191	31,465	417	2	307	726	2.26
Total Loans	$9,791,480	$9,719,843	$17,653	$9,332	$44,652	$71,637	0.73 %
Delinquency %		99.27%	0.18%	0.10%	0.46%	0.73%	

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September 30, 2015	Loans Receivable	Days Delinquent Based on $ Amount of Loans					% based on $
Type of Loan	Net of Loans In Process	Current	30	60	90	Total	
	(In thousands)						
Non-acquired loans							
Single-Family Residential	$5,655,928	$5,590,673	$17,305	$7,757	$40,193	$65,255	1.15 %
Construction	130,121	130,121	—	—	—	—	—
Construction - Custom	205,692	204,168	791	270	463	1,524	0.74
Land - Acquisition & Development	75,661	74,737	406	—	518	924	1.22
Land - Consumer Lot Loans	104,494	102,045	689	399	1,361	2,449	2.34
Multi-Family	1,068,038	1,065,667	259	454	1,658	2,371	0.22
Commercial Real Estate	893,072	892,180	131	—	761	892	0.10
Commercial & Industrial	617,545	616,602	93	27	823	943	0.15
HELOC	127,648	127,196	174	27	251	452	0.35
Consumer	194,977	194,259	493	170	55	718	0.37
	9,073,176	8,997,648	20,341	9,104	46,083	75,528	0.83
Acquired loans	57,682	56,559	356	—	767	1,123	1.95
Credit impaired acquired loans	139,726	138,940	243	4	539	786	0.56
Covered loans	75,890	70,729	272	90	4,799	5,161	6.80
Total Loans	$9,346,474	$9,263,876	$21,212	$9,198	$52,188	$82,598	0.88 %
Delinquency %		99.12%	0.23%	0.10%	0.56%	0.88%	

The percentage of total delinquent loans decreased from 0.88% as of September 30, 2015 to 0.73% as of June 30, 2016 and there are no loans greater than 90 days delinquent and still accruing interest as of either date.

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The following tables provide information related to loans that were restructured in a troubled debt restructuring ("TDR") during the periods presented:

	Three Months Ended June 30,					
	2016			2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-family residential	7	$ 1,492	$ 1,492	8	$ 1,611	$ 1,611
Land - consumer lot loans	—	—	—	2	203	203
Commercial real estate	2	1,558	1,558	—	—	—
	9	$ 3,050	$ 3,050	10	$ 1,814	$ 1,814

	Nine Months Ended June 30,					
	2016			2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-family residential	17	$ 3,322	$ 3,322	57	$ 13,875	$ 13,875
Construction	—	—	—	2	718	718
Construction - custom	—	—	—	2	532	532
Land - consumer lot loans	—	—	—	6	923	923
Commercial real estate	7	2,523	2,523	3	3,175	3,175
Consumer	—	—	—	1	85	85
	24	$ 5,845	$ 5,845	71	$ 19,308	$ 19,308

The following tables provide information on payment defaults occurring during the periods presented where the loan had been modified in a TDR within 12 months of the payment default.

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	Three Months Ended June 30,			
	2016		2015	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
TDRs That Subsequently Defaulted:				
Single-family residential	3	$ 1,570	9	$ 1,594
Construction	1	279	—	—
Land - consumer lot loans	2	204	2	301
Commercial real estate	1	174	—	—
	7	$ 2,227	11	$ 1,895

	Nine Months Ended June 30,			
	2016		2015	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
TDRs That Subsequently Defaulted:				
Single-family residential	14	$ 3,108	19	$ 3,329
Construction	1	279	—	—
Land - consumer lot loans	4	498	7	991
Commercial real estate	2	326	—	—
	21	$ 4,211	26	$ 4,320

Most loans restructured in TDRs are accruing and performing loans where the borrower has proactively approached the Company about modification due to temporary financial difficulties. As of June 30, 2016, 96.0% of the Company's $258,135,000 in TDRs were classified as performing. Each request for modification is individually evaluated for merit and likelihood of success. The concession granted in a loan modification is typically a payment reduction through a rate reduction of between 100 to 200 basis points for a specific term, usually six to twenty four months. Interest-only payments may also be approved during the modification period. Principal forgiveness is not an available option for restructured loans. As of June 30, 2016, single-family residential loans comprised 86.7% of TDRs.

The Company reserves for restructured loans within its allowance for loan loss methodology by taking into account the following performance indicators: 1) time since modification, 2) current payment status and 3) geographic area.

The following table shows the changes in accretable yield for acquired impaired loans and acquired non-impaired loans (including covered loans).

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	Nine Months Ended June 30, 2016				Year Ended September 30, 2015			
	Acquired Impaired		Acquired Non-impaired		Acquired Impaired		Acquired Non-impaired	
	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
	(In thousands)				(In thousands)			
Beginning balance	$72,705	$111,300	$7,204	$187,080	$97,125	$135,826	$14,513	$275,862
Additions	—	—	—	—	—	—	—	—
Net reclassification from non-accretable	4,867	—	—	—	6,307	—	346	—
Accretion	(17,119)	17,119	(2,210)	2,210	(30,727)	30,727	(7,655)	7,655
Transfers to REO	—	(175)	—	—	—	(2,975)	—	(150)
Payments received, net	—	(31,823)	—	(31,439)	—	(52,278)	—	(96,287)
Ending Balance	$60,453	$96,421	$4,994	$157,851	$72,705	$111,300	$7,204	$187,080

The excess of cash flows expected to be collected over the initial fair value of acquired impaired loans is referred to as the accretable yield and this amount is accreted into interest income over the estimated life of the acquired loans using the effective interest method. Other adjustments to the accretable yield include changes in the estimated remaining life of the acquired loans, changes in expected cash flows and changes in the respective indices for acquired loans with variable interest rates. Acquired loans are included in non-performing assets and subject to the general loss reserving methodology if the purchase discount is no longer sufficient to cover expected losses.

Covered loans were $32,191,000 at June 30, 2016 compared to $75,909,000 as of September 30, 2015, the decrease being attributable to FDIC loss share coverage on commercial loans from the former Home Valley Bank that expired after September 30, 2015. The FDIC loss share coverage for single family residential loans will continue for another five years. The remaining portfolio of covered loans is expected to continue to decline over time, absent another FDIC assisted transaction.

The following table shows activity for the FDIC indemnification asset:

	Nine Months Ended June 30, 2016	Year Ended September 30, 2015
	(In thousands)	
Balance at beginning of period	$16,275	$ 36,860
Additions/Adjustments	—	(1,795)
Payments received	(1,827)	(720)
Amortization	(1,385)	(18,588)
Accretion	187	518
Balance at end of period	$13,250	$ 16,275

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NOTE E – Allowance for Losses on Loans

The following tables summarize the activity in the allowance for loan losses.

Three Months Ended June 30, 2016	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$41,828	$ (634)	$ 162	$ (675)	$ 40,681
Construction	15,726	—	207	1,729	17,662
Construction - custom	1,022	—	60	(54)	1,028
Land - acquisition & development	7,252	(31)	2,741	(3,240)	6,722
Land - consumer lot loans	2,466	(26)	5	59	2,504
Multi-family	6,784	—	—	137	6,921
Commercial real estate	7,783	—	454	(94)	8,143
Commercial & industrial	23,824	(150)	6	716	24,396
HELOC	828	(27)	—	55	856
Consumer	2,406	(307)	437	(433)	2,103
	$109,919	$ (1,175)	$ 4,072	$ (1,800)	$ 111,016

Three Months Ended June 30, 2015	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$54,762	$ (1,698)	$ 3,878	$ (4,938)	$ 52,004
Construction	5,445	—	—	488	5,933
Construction - custom	968	—	—	17	985
Land - acquisition & development	7,405	—	1	(1,634)	5,772
Land - consumer lot loans	3,035	(276)	187	53	2,999
Multi-family	4,673	—	—	362	5,035
Commercial real estate	6,734	(1,592)	230	1,896	7,268
Commercial & industrial	21,146	(2,106)	896	1,726	21,662
HELOC	850	(26)	1	39	864
Consumer	3,305	(853)	1,045	(408)	3,089
	$108,323	$ (6,551)	$ 6,238	$ (2,399)	$ 105,611

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Nine Months Ended June 30, 2016	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$47,347	$(2,800)	$2,739	$(6,605)	$40,681
Construction	6,680	—	357	10,625	17,662
Construction - custom	990	(60)	60	38	1,028
Land - acquisition & development	5,781	(31)	6,148	(5,176)	6,722
Land - consumer lot loans	2,946	(701)	5	254	2,504
Multi-family	5,304	—	—	1,617	6,921
Commercial real estate	8,960	(32)	1,569	(2,354)	8,143
Commercial & industrial	24,980	(729)	597	(452)	24,396
HELOC	902	(54)	21	(13)	856
Consumer	2,939	(827)	1,226	(1,235)	2,103
	$106,829	$(5,234)	$12,722	$(3,301)	$111,016

Nine Months Ended June 30, 2015	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$62,763	$(4,801)	$10,553	$(16,511)	$52,004
Construction	6,742	(388)	75	(496)	5,933
Construction - custom	1,695	—	—	(710)	985
Land - acquisition & development	5,592	(38)	206	12	5,772
Land - consumer lot loans	3,077	(363)	221	64	2,999
Multi-family	4,248	—	220	567	5,035
Commercial real estate	7,548	(1,619)	711	628	7,268
Commercial & industrial	16,527	(2,461)	948	6,648	21,662
HELOC	928	(26)	1	(39)	864
Consumer	3,227	(1,981)	2,394	(551)	3,089
Covered loans	2,244			(2,244)	—
	$114,591	$(11,677)	$15,329	$(12,632)	$105,611

The Company recorded a release of allowance for loan losses of $1,650,000 for the three months ended June 30, 2016, which compares to a release of allowance of $1,932,000 for the three months ended June 30, 2015. The release of allowance for loan losses for the quarter ended June 30, 2016 was a result of continued improvement in credit quality of the loan portfolio offset by net growth in the loan portfolio. The related improvement in the credit quality of the loan portfolio relates to the factors below.
The Company had recoveries, net of charge-offs, of $2,897,000 for the quarter ended June 30, 2016, compared with net charge-offs of $313,000 for the same quarter one year ago. Non-performing assets were $79,031,000, or 0.53%, of total assets at June 30, 2016, compared to $93,329,000, or 0.64%, and $128,577,000, or 0.88%, of total assets at March 31, 2016 and September 30, 2015, respectively. Non-accrual loans were $47,349,000 at June 30, 2016, compared to $54,559,000 and $67,810,000 at March 31, 2016 and September 30, 2015, respectively. Delinquencies, as a percent of total loans, were 0.73% at June 30, 2016, compared to 0.90% and 0.88% at March 31, 2016 and September 30, 2015, respectively

The reserve for unfunded commitments was $3,235,000 as of June 30, 2016, which is an increase from $3,085,000 at September 30, 2015.

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Management believes the allowance for loan losses plus the reserve for unfunded commitments, totaling $114,251,000, or 1.08% of gross loans, is sufficient to absorb estimated inherent losses.
Acquired loans, including covered loans, are not usually classified as non-performing because at acquisition, the carrying value of these loans is recorded at fair value. As of June 30, 2016, $21,158,000 in acquired loans were subject to the general allowance as the discount related to these balances was no longer sufficient to absorb all of the expected losses.
The following tables show loans collectively and individually evaluated for impairment and the related allocation of general and specific reserves.

June 30, 2016	Loans Collectively Evaluated for Impairment			Loans Individually Evaluated for Impairment		
	Allowance Allocation	Recorded Investment of Loans (1)	Ratio	Allowance Allocation	Recorded Investment of Loans (1)	Ratio
	(In thousands)			(In thousands)		
Single-family residential	$ 39,986	$ 5,547,373	0.7 %	$ 693	$ 24,451	2.8 %
Construction	17,662	442,437	4.0	—	—	—
Construction - custom	1,027	211,215	0.5	—	1,125	—
Land - acquisition & development	6,710	87,099	7.7	13	1,454	0.9
Land - consumer lot loans	2,504	90,983	2.8	—	1,238	—
Multi-family	6,911	1,091,709	0.6	11	1,513	0.7
Commercial real estate	7,963	848,187	0.9	180	21,313	0.8
Commercial & industrial	24,397	832,429	2.9	—	—	—
HELOC	856	132,869	0.6	—	468	—
Consumer	2,103	154,107	1.4	—	—	—
	$ 110,119	$ 9,438,408	1.2 %	$ 897	$ 51,562	1.7 %

(1) Excludes acquired loans with discounts sufficient to absorb potential losses and covered loans

September 30, 2015	Loans Collectively Evaluated for Impairment			Loans Individually Evaluated for Impairment		
	Allowance Allocation	Recorded Investment of Loans (1)	Ratio	Allowance Allocation	Recorded Investment of Loans (1)	Ratio
	(In thousands)			(In thousands)		
Single-family residential	$ 47,073	$ 5,595,752	0.8 %	$ 275	$ 51,718	0.5 %
Construction	6,680	124,679	5.4	—	5,441	—
Construction - custom	990	205,692	0.5	—	—	—
Land - acquisition & development	5,781	72,602	8.0	—	2,198	—
Land - consumer lot loans	2,946	93,103	3.2	—	10,824	—
Multi-family	5,304	1,062,194	0.5	—	5,348	—
Commercial real estate	8,960	844,691	1.1	—	8,826	—
Commercial & industrial	24,980	643,577	3.9	—	—	—
HELOC	902	126,594	0.7	—	1,072	—
Consumer	2,938	194,569	1.5	—	86	—
	$ 106,554	$ 8,963,453	1.2 %	$ 275	$ 85,513	0.3 %

(1) Excludes acquired loans with discounts sufficient to absorb potential losses and covered loans

As of June 30, 2016, $110,119,000 of the allowance was calculated under the formulas contained in our general allowance methodology and the remaining $897,000 was specific reserves on loans deemed to be individually impaired. As of September 30, 2015, $106,554,000 of the allowance was calculated under the formulas contained in our general allowance methodology and the remaining $275,000 was specific reserves on loans deemed to be individually impaired.

The Company has an asset quality review function that analyzes its loan portfolios and reports the results of the review to the Board of Directors on a quarterly basis. The single-family residential, HELOC and consumer portfolios are evaluated based on their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. The construction, land, multi-family, commercial real estate and commercial and industrial loans are risk rated on a loan by loan basis to determine the relative risk inherent in specific borrowers or loans. Based on that risk rating, the loans are assigned a grade and classified as follows:

- Pass – the credit does not meet one of the definitions below.

- Special mention – A special mention credit is considered to be currently protected from loss but is potentially weak. No loss of principal or interest is foreseen; however, proper supervision and Management attention is required to deter further deterioration in the credit. Assets in this category constitute some undue and unwarranted credit risk but not to the point of justifying a risk rating of substandard. The credit risk may be relatively minor yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

- Substandard – A substandard credit is an unacceptable credit. Additionally, repayment in the normal course is in jeopardy due to the existence of one or more well defined weaknesses. In these situations, loss of principal is likely if the weakness is not corrected. A substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified will have a well defined weakness or weaknesses that jeopardize the collection or liquidation of the debt. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets risk rated substandard.

- Doubtful – A credit classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

- Loss – Credits classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future. Losses should be taken in the period in which they are identified as uncollectible. Partial charge-off versus full charge-off may be taken if the collateral offers some identifiable protection.

The following tables provide information on loans based on risk rating categories as defined above.

June 30, 2016	Internally Assigned Grade					
	Pass	Special mention	Substandard	Doubtful	Loss	Total Gross Loans
	(In thousands)					
Non-acquired loans						
Single-family residential	$5,533,837	$ —	$59,181	$ —	$—	$5,593,018
Construction	1,012,203	—	4,102	—	—	1,016,305
Construction - custom	408,538	—	578	—	—	409,116
Land - acquisition & development	94,830	—	7,019	—	—	101,849
Land - consumer lot loans	100,173	—	1,558	—	—	101,731
Multi-family	1,087,363	3,252	4,121	—	—	1,094,736
Commercial real estate	861,771	11,345	13,841	—	—	886,957
Commercial & industrial	755,361	6,532	48,549	—	—	810,442
HELOC	133,939	—	796	—	—	134,735
Consumer	154,148	—	113	—	—	154,261
	10,142,163	21,129	139,858	—	—	10,303,150
Non-impaired acquired loans	132,710	47	7,612	—	—	140,369
Credit-impaired acquired loans	65,106	—	31,381	—	4	96,491
Covered loans	31,849	—	342	—	—	32,191
Total gross loans	$10,371,828	$ 21,176	$179,193	$ —	$4	$10,572,201
Total grade as a % of total gross loans	98.1 %	0.2 %	1.7 %	— %	— %	

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	Pass	Special mention	Substandard	Doubtful	Loss	Total Gross Loans
	(In thousands)					
Non-acquired loans						
Single-family residential	$5,558,700	$ —	$93,145	$ —	$ —	$ 5,651,845
Construction	197,935	—	2,574	—	—	200,509
Construction - custom	396,307	—	—	—	—	396,307
Land - acquisition & development	89,656	—	4,552	—	—	94,208
Land - consumer lot loans	103,569	—	420	—	—	103,989
Multi-family	1,118,673	865	6,184	—	—	1,125,722
Commercial real estate	971,510	4,360	10,400	—	—	986,270
Commercial & industrial	575,034	1,496	36,306	—	—	612,836
HELOC	127,398	—	248	—	—	127,646
Consumer	194,451	—	204	—	—	194,655
	9,333,233	6,721	154,033	—	—	9,493,987
Non-impaired acquired loans	149,891	—	16,402	—	—	166,293
Credit-impaired acquired loans	61,019	—	26,062	—	—	87,081
Covered loans	61,776	—	14,133	—	—	75,909
Total gross loans	$9,605,919	$ 6,721	$210,630	$ —	$ —	$ 9,823,270
Total grade as a % of total gross loans	97.8 %	0.1 %	2.1 %	— %	—%	

The following tables provide information on loans (excluding acquired and covered loans) based on borrower payment activity.

June 30, 2016	Performing Loans		Non-Performing Loans	
	Amount	% of Total Gross Loans	Amount	% of Total Gross Loans
	(In thousands)			
Single-family residential	$5,556,312	99.3 %	$ 36,707	0.7 %
Construction	1,016,305	100.0	—	—
Construction - custom	408,610	99.9	506	0.1
Land - acquisition & development	101,422	99.6	427	0.4
Land - consumer lot loans	100,626	98.9	1,105	1.1
Multi-family	1,093,495	99.9	1,238	0.1
Commercial real estate	880,661	99.3	6,297	0.7
Commercial & industrial	809,921	99.9	521	0.1
HELOC	134,188	99.6	548	0.4
Consumer	154,261	100.0	—	—
	$10,255,801	99.5 %	$ 47,349	0.5 %

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September 30, 2015	Performing Loans			Non-Performing Loans		
	Amount	% of Total Gross Loans		Amount	% of Total Gross Loans	
	(In thousands)					
Single-family residential	$5,592,771	99.0	%	$ 59,074	1.0	%
Construction	199,755	99.6		754	0.4	
Construction - custom	395,575	99.8		732	0.2	
Land - acquisition & development	94,208	100.0		—	—	
Land - consumer lot loans	102,716	98.8		1,273	1.2	
Multi-family	1,123,165	99.8		2,558	0.2	
Commercial real estate	984,093	99.8		2,176	0.2	
Commercial & industrial	612,836	100.0		—	—	
HELOC	127,083	99.6		563	0.4	
Consumer	193,975	99.7		680	0.3	
	$9,426,177	99.3	%	$ 67,810	0.7	%

The following tables provide information on impaired loan balances and the related allowances by loan types.

June 30, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance		Average Recorded Investment
	(In thousands)				
Impaired loans with no related allowance recorded:					
Single-family residential	$9,602	$11,287	$ —		$ 8,491
Construction - custom	578	578	—		289
Land - acquisition & development	164	8,393	—		164
Land - consumer lot loans	650	747	—		599
Multi-family	428	4,177	—		736
Commercial real estate	5,673	6,588	—		5,697
Commercial & industrial	906	7,627	—		544
HELOC	368	483	—		354
Consumer	33	483	—		17
	18,402	40,363	—		16,891
Impaired loans with an allowance recorded:					
Single-family residential	223,533	227,633	4,202		224,274
Land - acquisition & development	1,454	2,656	8		1,543
Land - consumer lot loans	9,672	10,734	5		9,748
Multi-family	1,513	1,513	11		1,518
Commercial real estate	20,490	24,316	180		19,816
HELOC	1,379	1,394	—		1,388
Consumer	95	285	—		95
	258,136	268,531	4,406	(1)	258,382
Total impaired loans:					
Single-family residential	233,135	238,920	4,202		232,765
Construction - custom	578	578	—		289
Land - acquisition & development	1,618	11,049	8		1,707
Land - consumer lot loans	10,322	11,481	5		10,347
Multi-family	1,941	5,690	11		2,254
Commercial real estate	26,163	30,904	180		25,513
Commercial & industrial	906	7,627	—		544
HELOC	1,747	1,877	—		1,742
Consumer	128	768	—		112
	$276,538	$308,894	$ 4,406	(1)	$ 275,273

(1) Includes $897,000 of specific reserves and $3,509,000 included in the general reserves.

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

September 30, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
	(In thousands)			
Impaired loans with no related allowance recorded:				
Single-family residential	$17,250	$19,644	$ —	$ 14,069
Construction	453	2,151	—	471
Construction - custom	554	554	—	182
Land - acquisition & development	2,570	9,426	—	926
Land - consumer lot loans	727	814	—	544
Multi-family	3,770	7,054	—	1,545
Commercial real estate	9,427	15,620	—	8,130
Commercial & industrial	2,955	13,066	—	2,681
HELOC	683	1,532	—	536
Consumer	477	703	—	390
	38,866	70,564	—	29,474
Impaired loans with an allowance recorded:				
Single-family residential	259,461	263,268	6,678	260,028
Construction	4,988	5,778	—	5,432
Land - acquisition & development	2,486	3,426	—	3,478
Land - consumer lot loans	11,289	11,554	—	11,324
Multi-family	3,823	3,823	—	3,732
Commercial real estate	19,124	21,078	—	18,886
HELOC	1,443	1,443	—	1,359
Consumer	99	289	—	102
	302,713	310,659		