Kearny Financial Corp.
Form 10-Q
November 09, 2009
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 September 30, 2009

OR

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

For the transition period from to

Commission File Number 000-51093

KEARNY FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

UNITED STATES (State or other jurisdiction of incorporation or organization)	22-3803741 (I.R.S. Employer Identification Number)
120 Passaic Ave., Fairfield, New Jersey (Address of principal executive offices)	07004-3510 (Zip Code)

Registrant's telephone number, including area code 973-244-4500

Indicate by check markwhether 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 website, 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 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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 o	Accelerated filer x
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

The number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: November 2, 2009.

$0.10 par value common stock - 69,127,100 shares outstanding

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

INDEX

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In Thousands, Except Share and Per Share Data, Unaudited)

	September 30, 2009	June 30, 2009
Assets		
Cash and amounts due from depository institutions	$ 31,632	$ 25,970
Interest-bearing deposits in other banks	89,973	185,555
Cash and Cash Equivalents	121,605	211,525
Securities available for sale (amortized cost $31,533 and $31,658)	29,633	28,027
Securities held to maturity (estimated fair value $50,000 and $0)	50,000	—
Loans receivable, including net deferred loan costs of $586 and $962	1,059,669	1,045,847
Less allowance for loan losses	(6,810)	(6,434)
Net Loans Receivable	1,052,859	1,039,413
Mortgage-backed securities available for sale (amortized cost $724,847 and $665,127)	749,166	683,785
Mortgage-backed securities held to maturity (estimated fair value $3,685 and $3,678)	3,811	4,321
Premises and equipment	35,810	35,495
Federal Home Loan Bank of New York (“FHLB”) stock	12,950	12,950
Interest receivable	8,136	8,237
Goodwill	82,263	82,263
Bank owned life insurance	16,407	16,267
Deferred income tax assets, net	—	1,395
Other assets	2,009	1,243
Total Assets	$ 2,164,649	$ 2,124,921
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 55,659	$ 51,210
Interest-bearing	1,400,346	1,369,991
Total Deposits	1,456,005	1,421,201
Advances from FHLB	210,000	210,000
Advance payments by borrowers for taxes	5,456	5,714
Deferred income tax liabilities, net	1,033	—

Other liabilities		10,198	11,286
Total Liabilities		1,682,692	1,648,201
<u>Stockholders' Equity</u>			
Preferred stock $0.10 par value, 25,000,000 shares authorized; none issued and outstanding		—	—
Common stock $0.10 par value, 75,000,000 shares authorized; 72,737,500 shares issued; 69,155,000 and 69,241,600 shares outstanding, respectively		7,274	7,274
Paid-in capital		209,928	208,577
Retained earnings		309,930	309,687
Unearned Employee Stock Ownership Plan shares; 1,078,939 shares and 1,115,308 shares, respectively		(10,789)	(11,153)
Treasury stock, at cost; 3,582,500 shares and 3,495,900 shares, respectively		(46,953)	(45,985)
Accumulated other comprehensive income		12,567	8,320
Total Stockholders' Equity		481,957	476,720
Total Liabilities and Stockholders' Equity	$	2,164,649	$ 2,124,921

See notes to consolidated financial statements.

1

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended September 30, 2009	2008
Interest Income:		
Loans	$ 14,879	$ 15,102
Mortgage-backed securities	7,829	9,124
Securities:		
Taxable	60	126
Tax-exempt	158	159
Other interest-earning assets	230	649
Total Interest Income	23,156	25,160
Interest Expense:		
Deposits	7,828	9,730
Borrowings	2,075	2,187
Total Interest Expense	9,903	11,917
Net Interest Income	13,253	13,243
Provision for Loan Losses	858	—
Net Interest Income after Provision for Loan Losses	12,395	13,243
Non-Interest Income:		
Fees and service charges	378	428
Loss on sale of securities	—	(415)
Other-than-temporary security impairment:		
Total	(295)	—
Less: Portion recognized in other comprehensive income	197	—
Portion recognized in earnings	(98)	—
Miscellaneous	240	295
Total Non-Interest Income	520	308
Non-Interest Expenses:		
Salaries and employee benefits	6,682	6,414
Net occupancy expense of		

premises	1,017	1,003
Equipment	1,072	1,071
Advertising	214	298
Federal deposit insurance premium	157	54
Directors' compensation	556	556
Miscellaneous	1,319	1,222
Total Non-Interest Expenses	$ 11,017	$ 10,618

2

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Continued)

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended September 30,	
	2009	2008
Income Before Income Taxes	$ 1,898	$ 2,933
Income Taxes	803	1,197
Net Income	$ 1,095	$ 1,736
Net Income per Common Share (EPS):		
Basic	$ 0.02	$ 0.03
Diluted	0.02	0.03
Weighted Average Number of Common Shares Outstanding:		
Basic	68,074	69,205
Diluted	68,074	69,236
Dividends Declared Per Common Share (Public)	$ 0.05	$ 0.05

See notes to consolidated financial statements.

3

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended September 30, 2008

(In Thousands, Except Share Data, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings
Balance - June 30, 2008	70,489	$7,274	$203,266	$307,186
Comprehensive income:				
Net income	—	—	—	1,736
Realized gain on securities available for sale, net of income tax benefit of $170	—	—	—	—
Unrealized gain on securities available for sale, net of deferred income tax expense of $925	—	—	—	—
Benefit plans, net of deferred income expense tax of $66	—	—	—	—
Total Comprehensive income				
Adjustment to apply FASB Statement No. 158 measurement date provisions, net of income tax benefit of $34	—	—	—	(66
Cumulative-effect adjustment to initially apply EITF Issue No. 06-4	—	—	—	(480
ESOP shares committed to be released (36 shares)	—	—	98	—
Dividends contributed for payment of ESOP loan	—	—	19	—

See notes to consolidated financial statements.

4

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended September 30, 2008

(In Thousands, Except Share Data, Unaudited)

	Common Stock		Paid-In	Retained	Unearned ESOP	Treasury	Accumulated Other Comprehensive (Loss)	
	Shares	Amount	Capital	Earnings	Shares	Stock	Income	Total
Stock option expense	—	—	476	—	—	—	—	476
Treasury stock purchases	(48)	—	—	—	—	(542)	—	(542)
Restricted stock plan shares earned								
(63 shares)	—	—	772	—	—	—	—	772
Tax effect from stock based compensation	—	—	15	—	—	—	—	15
Cash dividends declared ($0.05/public share)	—	—	—	(908)	—	—	—	(908)
Balance - September 30, 2008	70,441	$7,274	$204,646	$307,468	$(12,244)	$(32,565)	$19	$474,598

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended September 30, 2009

(In Thousands, Except Share Data, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Trea Stoc
Balance - June 30, 2009	69,242	$7,274	$208,577	$309,687	$(11,153)	$(45
Comprehensive income:						
Net income	—	—	—	1,095	—	—
Unrealized gain on securities available for sale, net of deferred income tax expense of $925	—	—	—	—	—	—
Non-credit other-than-temporary impairment losses on securities held to maturity, net of deferred income tax benefit of $78	—	—	—	—	—	—
Benefit plans, net of deferred income expense tax of $7	—	—	—	—	—	—
Total Comprehensive income						
ESOP shares committed to be released (36 shares)	—	—	38	—	364	—
Dividends contributed for payment of ESOP loan	—	—	25	—	—	—
Stock option expense	—	—	476	—	—	—
Treasury stock purchases	(87)	—	—	—	—	(96
Restricted stock plan shares earned (63 shares)	—	—	771	—	—	—
Tax effect from stock based compensation	—	—	41	—	—	—
Cash dividends declared (0.05/public shares)	—	—	—	(852)	—	—
Balance – September 30, 2009	69,155	$7274	$209,928	$309,930	$(10,789)	$(46

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands, Unaudited)

	Three Months Ended September 30, 2009	2008
Cash Flows from Operating Activities:		
Net income	$ 1,095	$ 1,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	425	456
Net amortization of premiums, discounts and loan fees and costs	162	179
Deferred income taxes	(507)	(323)
Amortization of intangible assets	7	11
Amortization of benefit plans' unrecognized net loss, net of gain from curtailment	36	49
Provision for loan losses	858	—
Realized loss on sales of securities available for sale	—	415
Loss on other-than-temporary impairment of securities	98	—
Increase in cash surrender value of bank owned life insurance	(140)	(145)
ESOP, stock option plan and restricted stock plan expenses	1,649	1,710
Decrease (increase) in interest receivable	101	(91)
(Increase) decrease in other assets	(232)	396
Increase in interest payable	4	7
(Decrease) increase in other liabilities	(1,138)	935
Net Cash Provided by Operating Activities	2,418	5,335
Cash Flows from Investing Activities:		
Proceeds from sale of securities available for sale	—	7,325
Proceeds from repayments of securities available for sale	126	238
Purchase of securities held to maturity	(50,000)	—
Purchase of loans	(20,659)	(27,032)
Net decrease (increase) in loans receivable	5,747	(26,966)
Purchases of mortgage-backed securities available for sale	(105,098)	(11,808)
Purchases of mortgage-backed securities held to maturity	—	(5,972)
Principal repayments on mortgage-backed securities available for sale	45,236	37,781
Principal repayments on mortgage-backed securities held to maturity	264	153
Additions to premises and equipment	(740)	(585)
Net Cash Used in Investing Activities	$ (125,124)	$ (26,866)

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands, Unaudited)

	Three Months Ended September 30, 2009	2008
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	$ 34,801	$ (29,984)
Increase (decrease) in advance payments by borrowers for taxes	(258)	36
Dividends paid to minority stockholders of Kearny Financial Corp.	(855)	(912)
Purchase of common stock of Kearny Financial Corp. for treasury	(968)	(542)
Dividends contributed for payment of ESOP loan	25	19
Tax benefit from stock based compensation	41	15
Net Cash Provided by (Used In) Financing Activities	32,786	(31,368)
Net Decrease in Cash and Cash Equivalents	(89,920)	(52,899)
Cash and Cash Equivalents – Beginning	211,525	131,723
Cash and Cash Equivalents – Ending	$ 121,605	$ 78,824
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the year for:		
Income taxes, net of refunds	$ 1,506	$ 531
Interest	$ 9,899	$ 11,910
Non-cash investing activities:		
Increase in real estate owned	$ 543	$ —

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Kearny Financial Corp. (the "Company"), its wholly-owned subsidiaries, Kearny Federal Savings Bank (the "Bank") and Kearny Financial Securities, Inc., and the Bank's wholly-owned subsidiaries, KFS Financial Services, Inc. and KFS Investment Corp. The Company conducts its business principally through the Bank. Management prepared the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, including the elimination of all significant inter-company accounts and transactions during consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, income, changes in stockholders' equity and cash flows in conformity with generally accepted accounting principles ("GAAP"). However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three-month period ended September 30, 2009, are not necessarily indicative of the results that may be expected for the entire fiscal year or any other period.

The data in the consolidated statements of financial condition for June 30, 2009 was derived from the Company's annual report on Form 10-K. That data, along with the interim financial information presented in the consolidated statements of financial condition, income, changes in stockholders' equity and cash flows should be read in conjunction with the 2009 consolidated financial statements, including the notes thereto included in the Company's annual report on Form 10-K.

3. NET INCOME PER COMMON SHARE ("EPS")

Basic EPS is based on the weighted average number of common shares actually outstanding including restricted stock awards (see following paragraph) adjusted for Employee Stock Ownership Plan ("ESOP") shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding.

In June 2008, the Financial Accounting Standards Board ("FASB") issued guidance on determining whether instruments granted in share-based payment transactions are participating securities. This guidance clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. This guidance is effective for fiscal years beginning after December 15, 2008. The implementation of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

The following is a reconciliation of the numerator and denominators of the basic and diluted earnings per share computations:

	Three Months Ended September 30, 2009		
	Income (Numerator)	Share (Denominator)	Per Share Amount
	(In thousands, Except Per Share Data)		
Net income	$ 1,095		
Basic earnings per share, income available to common stockholders	1,095	68,074	$ 0.02
Effect of dilutive securities: Stock options	—	—	
	$ 1,095	68,074	$ 0.02

	Three Months Ended September 30, 2008		
	Income (Numerator)	Share (Denominator)	Per Share Amount
	(In thousands, Except Per Share Data)		
Net income	$ 1,736		
Basic earnings per share, income available to common stockholders	1,736	69,205	$ 0.03
Effect of dilutive securities: Stock options	—	31	
	$ 1,736	69,236	$ 0.03

4. SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of September 30, 2009, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 9, 2009, the date this document was filed.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the FASB issued guidance concerning accounting for transfers of financial assets and repurchase financing transactions. This guidance addresses the issue of whether or not these transactions should be viewed as two separate transactions or as one “linked” transaction. The guidance includes a “rebuttable presumption” that presumes linkage of the two transactions unless the presumption can be overcome by meeting certain criteria. The guidance is effective for fiscal years beginning after November 15, 2008 and applies only to original transfers made after that date; early adoption will not be allowed. The implementation of this standard did not have a material impact on the Company’s consolidated financial position or results of operations.

In March 2008, the FASB issued guidance concerning disclosures about derivative instruments and hedging activities, an amendment to previous guidance on the topic. This guidance requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. This guidance also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of the previous guidance has been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. The guidance is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The implementation of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In April 2008, the FASB issued guidance concerning determination of the useful life of intangible assets. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under guidance concerning goodwill and other intangible assets. The intent of this guidance is to improve the consistency between the useful life of a recognized intangible asset under guidance concerning goodwill and other intangible assets and the period of expected cash flows used to measure the fair value of the asset under guidance concerning business combinations, and other GAAP. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The implementation of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In June 2009, the FASB issued guidance concerning accounting for transfers of financial assets, an amendment to previous guidance on the topic. This statement prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, this guidance amends previous guidance concerning accounting for transfers and servicing of financial assets and extinguishments of liabilities by removing the concept of a qualifying special-purpose entity from previous guidance on transfers and servicing and removes the exception from applying previous guidance on transfers and servicing to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in previous guidance. This guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In June 2009, the FASB issued guidance concerning consolidation of variable interest entities to require an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This guidance also amends previous guidance to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In June 2009, the FASB issued guidance to establish the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with GAAP in the United States. This guidance is effective for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In October 2009, the FASB issued guidance concerning accounting for own-share lending arrangements in contemplation of convertible debt issuance or other financing. The guidance amends earlier guidance and provides direction for accounting and reporting for own-share lending arrangements issued in contemplation of a convertible debt issuance. At the date of issuance, a share-lending arrangement entered into on an entity's own shares should be measured at fair value in accordance with the guidance on fair value measurements and disclosures and recognized as an issuance cost, with an offset to additional paid-in capital. Loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs. The amendments also require several disclosures including a description and the terms of the arrangement and the reason for entering into the arrangement. The effective dates of the amendments are dependent upon the date the share-lending arrangement was entered into and include retrospective application for arrangements outstanding as of the beginning of fiscal years beginning on or after December 15, 2009. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

6. STOCK REPURCHASE PLANS

On March 3, 2009, the Company announced that the Board of Directors authorized a fourth stock repurchase plan to acquire up to 936,323 shares, or 5% of the Company's outstanding stock held by persons other than Kearny MHC. During the quarter ended September 30, 2009, the Company purchased in the open market 86,600 shares at a cost of $968,000, or approximately $11.18 per share. In accordance with the fourth stock repurchase plan, as of September 30, 2009 the Company has purchased in the open market 487,700 shares at a cost of $5.1 million, or approximately $10.55 per share.

7. DIVIDEND WAIVER

During the quarter ended September 30, 2009, Kearny MHC, the federally chartered mutual holding company of the Company waived its right, in accordance with the non-objection previously granted by the Office of Thrift Supervision ("OTS"), to receive cash dividends of approximately $2.5 million declared on the shares of Company common stock it owns.

8. SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses, estimated fair value and stratification by contractual maturity of securities available for sale at September 30 and June 30, 2009 are presented below:

	At September 30,			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Securities:				
Debt securities:				
Trust preferred securities	$ 8,848	$ 40	$ 2,810	$ 6,078
U.S. agency securities	4,518	—	67	4,451
Obligations of state and political subdivisions	18,167	937	—	19,104
Total securities	31,533	977	2,877	29,633
Mortgage-backed securities:				
Government National Mortgage Association	16,861	984	44	17,801
Federal Home Loan Mortgage Corporation	294,947	10,001	82	304,866
Federal National Mortgage Association	413,039	13,639	179	426,499
Total mortgage-backed securities	724,847	24,624	305	749,166
Total securities available for sale	$ 756,380	$ 25,601	$ 3,182	$ 778,799

	At September 30, 2009	
	Amortized Cost	Carrying Value
	(In Thousands)	
Debt securities:		
Due in one year or less	$ —	$ —
Due after one year through five years	3,916	4,129
Due after five years through ten years	14,213	14,916
Due after ten years	13,404	10,588
Total	$ 31,533	$ 29,633

13

	At June 30, 2009			
		Gross	Gross	
	Amortized	Unrealized	Unrealized	Carrying
	Cost	Gains	Losses	Value
	(In Thousands)			
Securities:				
Debt securities:				
Trust preferred securities	$ 8,846	$ 40	$ 3,756	$ 5,130
U.S. agency securities	4,645	—	88	4,557
Obligations of state and political subdivisions	18,167	237	64	18,340
Total securities	31,658	277	3,908	28,027
Mortgage-backed securities:				
Mortgage pass-through securities:				
Government National Mortgage Association	17,620	861	50	18,431
Federal Home Loan Mortgage Corporation	282,068	7,980	580	289,468
Federal National Mortgage Association	365,439	10,723	276	375,886
Total mortgage-backed securities	665,127	19,564	906	683,785
Total securities available for sale	$ 696,785	$ 19,841	$ 4,814	$ 711,812

There were no sales of securities from the available for sale portfolio during the three months ended September 30, 2009. During the three months ended September 30, 2008, the Company executed a redemption-in-kind transaction through which it exchanged its investment in the AMF Ultra Short Mortgage Fund ("AMF Fund") for a pro-rata portion of its assets in the fund in lieu of a cash redemption. The assets acquired in the transaction included $6.0 million of mortgage-backed securities and $1.3 million in cash held by the fund. The Company recorded losses on the sale of the AMF Fund totaling $415,000 associated with the in-kind redemption transaction.

At September 30 and June 30, 2009, mortgage-backed securities available for sale with carrying value of approximately $242.5 million and $245.2 million, respectively, were utilized as collateral for borrowings via repurchase agreements through the FHLB of New York. As of those same dates, mortgage-backed securities available for sale with carrying value of approximately $1.6 million and $1.6 million, respectively, were pledged to secure public funds on deposit.

At September 30 and June 30, 2009, all obligations of states and political subdivisions were guaranteed by insurance policies issued by various insurance companies.

The Company's available for sale mortgage-backed securities are generally secured by residential mortgage loans with contractual maturities of 15 years or greater. However, the effective lives of those securities are generally shorter than their contractual maturities due to principal amortization and prepayment of the mortgage loans comprised within those securities. Investors in mortgage pass-through securities generally share in the receipt of principal repayments on a pro-rata basis as paid by the borrowers.

9. SECURITIES HELD TO MATURITY

The amortized cost, gross unrealized gains and losses and estimated fair value of securities held to maturity at September 30 and June 30, 2009 are as follows:

	At September 30, 2009			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities:				
Debt securities:				
U.S. agency securities	$ 50,000	$ —	$ —	$ 50,000
Total securities	50,000	—	—	50,000
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	156	22	—	178
Federal National Mortgage Association	976	96	2	1,070
Non-agency securities	2,097	136	382	1,851
Total collateralized mortgage obligations	3,229	254	384	3,099
Mortgage pass-through securities:				
Federal Home Loan Mortgage Corporation	190	3	—	193
Federal National Mortgage Association	392	2	1	393
Total mortgage pass-through securities	582	5	1	586
Total mortgage-backed securities	3,811	259	385	3,685
Total securities held to maturity	$ 53,811	$ 259	$ 385	$ 53,685

	At September 30, 2009	
	Carrying Value	Fair Value

	(In Thousands)	
Debt securities:		
Due in one year or less	$ —	$ —
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	50,000	50,000
Total	$ 50,000	$ 50,000

15

	At June 30, 2009			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	$ 175	$ 14	$ —	$ 189
Federal National Mortgage Association	1,030	72	3	1,099
Non-agency securities	2,509			