

BROADWAY FINANCIAL CORP \DE\

Form 10-Q

November 14, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For transition period from _____ to _____

Commission file number **000-27464**

BROADWAY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

95-4547287

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(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

5055 Wilshire Boulevard, Suite 500
Los Angeles, California
(Address of principal executive offices)

90036
(Zip Code)

(323) 634-1700

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 3, 2017, 18,694,823 shares of the Registrant's voting common stock and 8,756,396 shares of the Registrant's non-voting common stock were outstanding.

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(In thousands, except share and per share amounts)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and due from banks	\$ 2,166	\$ 1,516
Interest-bearing deposits in other banks	66,179	16,914
Cash and cash equivalents	68,345	18,430
Securities available-for-sale, at fair value	11,474	13,202
Loans receivable held for sale, at lower of cost or fair value	22,521	-
Loans receivable held for investment, net of allowance of \$4,213 and \$4,603, respectively	320,522	379,454
Accrued interest receivable	1,113	1,178
Federal Home Loan Bank (FHLB) stock	2,916	2,573
Office properties and equipment, net	2,462	2,479
Bank owned life insurance	2,981	2,940
Deferred tax assets, net	5,696	6,907
Real estate owned (REO)	958	-
Other assets	1,664	1,920
Total assets	\$ 440,652	\$ 429,083
Liabilities and stockholders' equity		
Liabilities:		
Deposits	\$ 294,920	\$ 287,427
FHLB advances	86,000	85,000
Junior subordinated debentures	5,100	5,100
Advance payments by borrowers for taxes and insurance	1,537	828
Accrued expenses and other liabilities	4,980	5,202
Total liabilities	392,537	383,557
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized 1,000,000 shares; none issued or outstanding	-	-
Common stock, \$.01 par value, voting, authorized 50,000,000 shares at September 30, 2017 and December 31, 2016; issued 21,312,649 shares at September 30, 2017 and 21,282,647 shares at December 31, 2016; outstanding 18,694,823 shares at September 30, 2017 and 18,664,821 shares at December 31, 2016	213	212
Common stock, \$.01 par value, non-voting, authorized 25,000,000 shares at September 30, 2017 and December 31, 2016; issued and outstanding 8,756,396 shares at September 30, 2017 and December 31, 2016	87	87
Additional paid-in capital	46,073	45,819
Retained earnings	8,281	6,013
Unearned Employee Stock Ownership Plan (ESOP) shares	(1,112)	(1,176)
Accumulated other comprehensive income (loss)	(101)	(103)
Treasury stock-at cost, 2,617,826 shares at September 30, 2017 and December 31, 2016	(5,326)	(5,326)
Total stockholders' equity	48,115	45,526
Total liabilities and stockholders' equity	\$ 440,652	\$ 429,083

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY****Consolidated Statements of Income and Comprehensive Income****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share)			
Interest income:				
Interest and fees on loans receivable	\$ 4,127	\$ 3,835	\$ 12,035	\$ 10,855
Interest on mortgage-backed and other securities	69	80	217	247
Other interest income	148	98	365	299
Total interest income	4,344	4,013	12,617	11,401
Interest expense:				
Interest on deposits	611	568	1,782	1,596
Interest on borrowings	494	419	1,515	1,267
Total interest expense	1,105	987	3,297	2,863
Net interest income	3,239	3,026	9,320	8,538
Loan loss provision recapture	300	-	950	550
Net interest income after loan loss provision recapture	3,539	3,026	10,270	9,088
Non-interest income:				
Service charges	117	119	338	365
Gain on sale of loans	160	-	383	-
CDFI grant	-	-	-	265
Income from litigation settlement	-	-	1,183	-
Other	28	25	82	256
Total non-interest income	305	144	1,986	886
Non-interest expense:				
Compensation and benefits	1,878	1,729	5,193	5,341
Occupancy expense	333	301	953	883
Information services	202	199	610	585
Professional services	120	170	525	617
Office services and supplies	72	74	225	216
FDIC assessments	34	68	118	151
Other	418	302	1,144	900
Total non-interest expense	3,057	2,843	8,768	8,693
Income before income taxes	787	327	3,488	1,281
Income taxes	284	-	1,220	2
Net income	\$ 503	\$ 327	\$ 2,268	\$ 1,279
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities available-for-sale arising during the period	\$ -	\$ (68)	\$ 3	\$ 95
Income tax	-	(28)	1	39
Other comprehensive income (loss), net of tax	-	(40)	2	56

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Comprehensive income	\$ 503	\$ 287	\$ 2,270	\$ 1,335
Earnings per common share-basic	\$ 0.02	\$ 0.01	\$ 0.09	\$ 0.04
Earnings per common share-diluted	\$ 0.02	\$ 0.01	\$ 0.08	\$ 0.04

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY****Consolidated Statements of Cash Flows****(Unaudited)**

Nine Months Ended September 30,
2017 **2016**
(In thousands)

Cash flows from operating activities:

Net income	\$ 2,268	\$ 1,279
Adjustments to reconcile net income to net cash used in operating activities:		
Loan loss provision recapture	(950)	(550)
Depreciation	194	187
Net amortization of deferred loan origination costs	216	223
Net amortization of premiums on mortgage-backed securities	23	38
Amortization of investment in affordable housing limited partnership	146	145
Stock-based compensation expense	240	23
ESOP compensation expense	79	62
Earnings on bank owned life insurance	(41)	(44)
Originations of loans receivable held for sale	(94,972)	-
Repayments on loans receivable held for sale	318	-
Proceeds from sales of loans receivable held for sale	81,853	-
Gain on sale of loans receivable held for sale	(383)	-
Net gain on sale of REOs	-	(22)
Net change in deferred taxes	1,210	(8)
Net change in accrued interest receivable	65	(23)
Net change in other assets	110	129
Net change in advance payments by borrowers for taxes and insurance	709	402
Net change in accrued expenses and other liabilities	(222)	(1,845)
Net cash used in operating activities	(9,137)	(4)

Cash flows from investing activities:

Net change in loans receivable held for investment	49,371	(40,235)
Purchase of available-for-sale securities	-	(2,505)
Principal payments on available-for-sale securities	1,708	2,365
Proceeds from sales of REO	-	382
Purchase of FHLB stock	(343)	-
Additions to office properties and equipment	(177)	(45)
Net cash provided by (used in) investing activities	50,559	(40,038)

Cash flows from financing activities:

Net change in deposits	7,493	12,484
Proceeds from FHLB advances	29,500	-
Repayments of FHLB advances	(28,500)	(2,000)
Net cash provided by financing activities	8,493	10,484
Net change in cash and cash equivalents	49,915	(29,558)
Cash and cash equivalents at beginning of the period	18,430	67,839

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Cash and cash equivalents at end of the period	\$ 68,345	\$ 38,281
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Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 3,168	\$ 2,835
Cash paid for income taxes	20	8

Supplemental disclosures of cash flow information:

Transfers of loans receivable held for investment to REO	\$ 958	\$ -
Transfers of loans receivable held for investment to loans receivable held for sale	9,337	-

See accompanying notes to unaudited consolidated financial statements.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Unaudited Consolidated Financial Statements

September 30, 2017

NOTE (1) Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include Broadway Financial Corporation (the Company) and its wholly owned subsidiary, Broadway Federal Bank, f.s.b. (the Bank). Also included in the unaudited consolidated financial statements is Broadway Service Corporation, a wholly owned subsidiary of the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for quarterly reports on Form 10-Q. These unaudited consolidated financial statements do not include all disclosures associated with the Company's consolidated annual financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2016 and, accordingly, should be read in conjunction with such audited consolidated financial statements. In the opinion of management, all adjustments (all of which are normal and recurring in nature) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Recently Adopted Accounting Pronouncement

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The areas for simplification include income tax consequences, forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. Under the new guidance, all excess tax benefits and deficiencies that occur when an award vests, is exercised, or expires are recognized in income tax expense as discrete period items. Previously, these transactions were typically recorded directly within equity. Consistent with this change, excess tax benefits and deficiencies are no longer included within estimated proceeds when performing the calculation for diluted earnings per share. The presentation of excess tax benefits in the statement of cash flows shifted to an operating activity from the prior classification as a financing activity. ASU 2016-09 also provides an accounting policy election to recognize forfeitures of awards as they occur when estimating stock-based compensation expense rather than the previous requirement to estimate forfeitures from inception. ASU 2016-09 became effective for the Company for reporting periods after January 1, 2017. The actual effects of adoption in 2017 primarily depends upon the share price of the Company's stock, probability of exercise of certain stock options and the magnitude of windfalls for all awards upon either vesting or exercise. The effects on earnings per share calculations and election to account for forfeitures as incurred have not been significant.

Recently Issued Accounting Pronouncements (Not Yet Effective)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) . ASU 2014-09 replaced existing revenue recognition guidance for contracts to provide goods or services to customers. The new guidance clarifies the principles for recognizing revenue and replaces nearly all existing revenue recognition guidance in U.S. GAAP. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. ASU 2014-09 as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20, is effective for interim and annual periods beginning after December 15, 2017 and is applied on either a modified retrospective or full retrospective basis. Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The Company's revenue is mainly comprised of net interest income from financial assets and liabilities and to a lesser degree, noninterest income. The scope of ASU 2014-09 explicitly excludes net interest income as well as other revenues associated with financial assets and liabilities, including loans and securities. Accordingly, the majority of the Company's revenues will not be affected. The Company will continue to evaluate the effect that this guidance will have on other revenue streams within its scope, as well as changes in disclosures required by the new guidance. However, adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Unaudited Consolidated Financial Statements (continued)

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income; (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (v) requires 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; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; and (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application by public business entities to financial statements of fiscal years or interim periods that have not yet been issued are permitted as of the beginning of the fiscal year of adoption. While the Company is currently evaluating the impact of this standard, the Company does not expect its adoption to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases, as defined) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) 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. Under the new guidance, lessor accounting is largely unchanged. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. 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 Company has identified certain contracts with respect to leased real estate and office equipment that are within the scope of ASU 2016-02. As a lessee in operating lease arrangements that are not considered short-term, effective January 1, 2019, the Company expects a gross-up of its Consolidated Statements of Condition as a result of recognizing lease liabilities and right of use assets. However, it will likely not have a significant impact on the Company's Consolidated Statements of Income and Comprehensive Income or Cash Flows but will have a minor impact on the Bank's regulatory capital.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to form their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses over the life of the related financial assets. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public business entities, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. While the Company is still evaluating the impact on its consolidated financial statements, the Company expects that ASU 2016-13 may result in an increase in the allowance for credit losses due to the following factors: 1) the allowance for credit losses will increase to provide for expected credit losses over the remaining expected life of the loan portfolio, and will consider expected future changes in macroeconomic conditions; and 2) an allowance may be established for estimated credit losses on available-for-sale debt securities. The amount of increase will be impacted by the portfolio composition and quality, as well as the economic conditions and forecasts as of the adoption date. While the Company has begun its implementation efforts by identifying key interpretive issues, and assessing its processes and identifying the system requirements against the new guidance to determine what modifications may be required, the Company cannot yet determine the overall impact of the new standard on its consolidated financial statements.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments . ASU 2016-15 provides guidance on the classification of certain cash receipts and payments on the consolidated statement of cash flows in order to reduce diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash . ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, where the guidance should be applied using a retrospective transition method to each period presented. Early adoption is permitted. Adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

NOTE (2) Earnings Per Share of Common Stock

Basic earnings per share of common stock is computed pursuant to the two-class method by dividing net income available to common stockholders less dividends paid on participating securities (unvested shares of restricted common stock) and any undistributed earnings attributable to participating securities by the weighted average common shares outstanding during the period. The weighted average common shares outstanding includes the weighted average number of shares of common stock outstanding less the weighted average number of unvested shares of restricted common stock. ESOP shares are considered outstanding for this calculation unless unearned. Diluted earnings per share of common stock includes the dilutive effect of unvested stock awards and additional potential common shares issuable under stock options.

The following table shows how the Company computed basic and diluted earnings per share of common stock for the periods indicated:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share)			
Net income	\$ 503	\$ 327	\$ 2,268	\$ 1,279
Less net income attributable to participating securities	1	-	5	-
Income available to common stockholders	\$ 502	\$ 327	\$ 2,263	\$ 1,279
Weighted average common shares outstanding for basic earnings per common share	26,702,564	29,076,708	26,662,344	29,076,708
Add: dilutive effects of unvested restricted stock awards	42,345	-	56,552	-

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Add: dilutive effects of assumed exercises of stock options	79,898	-	3,748	-
Weighted average common shares outstanding for diluted earnings per common share	26,824,807	29,076,708	26,722,644	29,076,708
Earnings per common share - basic	\$ 0.02	\$ 0.01	\$ 0.09	\$ 0.04
Earnings per common share - diluted	\$ 0.02	\$ 0.01	\$ 0.08	\$ 0.04

Stock options for 90,625 shares of common stock for the three and nine months ended September 30, 2017 and for 540,625 shares of common stock for the three and nine months ended September 30, 2016 were not considered in computing diluted earnings per common share because they were anti-dilutive.

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The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolios as of the periods indicated and the corresponding amounts of unrealized gains and losses which are recognized in accumulated other comprehensive income (loss):

	Amortized Cost	Gross Unrealized Gains (In thousands)	Gross Unrealized Losses	Fair Value
September 30, 2017:				
Federal agency mortgage-backed securities	\$ 9,280	\$ 216	\$ (11)	\$ 9,485
Federal agency debt	1,971	18	-	1,989
Total available-for-sale securities	\$ 11,251	\$ 234	\$ (11)	\$ 11,474
December 31, 2016:				
Federal agency mortgage-backed securities	\$ 11,022	\$ 227	\$ (35)	\$ 11,214
Federal agency debt	1,960	28	-	1,988
Total available-for-sale securities	\$ 12,982	\$ 255	\$ (35)	\$ 13,202

At September 30, 2017, the Bank had one federal agency security with an amortized cost and an estimated fair value of \$2.0 million and a contractual maturity of October 2, 2019. The Bank also had 24 federal agency mortgage-backed securities with an amortized cost of \$9.3 million, an estimated fair value of \$9.5 million and an estimated average remaining life of 4.1 years. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

At September 30, 2017 and December 31, 2016, securities pledged to secure public deposits had a carrying amount of \$533 thousand and \$629 thousand, respectively. At September 30, 2017 and December 31, 2016, there were no holdings of securities by any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

There were no sales of securities during the three or nine months ended September 30, 2017 and 2016.

We held two securities with unrealized losses at September 30, 2017 and three securities with unrealized losses at December 31, 2016. Securities in unrealized loss positions are analyzed as part of our ongoing assessment of other-than-temporary impairment. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value has been less than the cost, and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. All of the Bank's securities were issued by the federal government or its agencies. The unrealized losses on our available-for-sale securities at September 30, 2017 were primarily caused by movements in market interest rates subsequent to the purchase of such securities. We

do not consider these unrealized losses to be other than temporary impairment.

NOTE (4) Loans Receivable Held for Sale

Loans receivable held for sale at September 30, 2017 totaled \$22.5 million and consisted of multi-family loans. As part of the Bank's loan concentration risk management program, \$9.3 million of multi-family loans were transferred from the held-for-investment portfolio to the held-for-sale portfolio during the nine months ended September 30, 2017. The Bank also allocated \$94.7 million, or 96%, of its total loan originations during the period as held-for-sale and completed sales of \$81.1 million of multi-family loans during the nine months ended September 30, 2017 for a total gain of \$383 thousand. There were no loans held for sale at December 31, 2016.

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Loans receivable held for investment were as follows as of the periods indicated:

	September 30, 2017	December 31, 2016
	(In thousands)	
Real estate:		
Single family	\$ 89,521	\$ 104,807
Multi-family	194,483	229,566
Commercial real estate	6,129	8,914
Church	31,188	37,826
Construction	1,394	837
Commercial other	351	308
Consumer	7	6
Gross loans receivable before deferred loan costs and premiums	323,073	382,264
Unamortized net deferred loan costs and premiums	1,662	1,793
Gross loans receivable	324,735	384,057
Allowance for loan losses	(4,213)	(4,603)
Loans receivable, net	\$ 320,522	\$ 379,454

The following tables present the activity in the allowance for loan losses by loan type for the periods indicated:

Three Months Ended September 30, 2017									
	Single family	Multi- family	Real Estate Commercial real estate	Church	Construction	Commercial - other	Consumer	Total	
	(In thousands)								
Beginning balance	\$ 320	\$ 2,719	\$ 77	\$ 1,104	\$ 9	\$ 17	\$ -	\$ 4,246	
Provision for (recapture of) loan losses	219	(297)	(4)	(214)	5	(9)	-	(300)	
Recoveries	-	-	-	267	-	-	-	267	
Loans charged off	-	-	-	-	-	-	-	-	
Ending balance	\$ 539	\$ 2,422	\$ 73	\$ 1,157	\$ 14	\$ 8	\$ -	\$ 4,213	

	Three Months Ended September 30, 2016								
	Single family	Multi-family	Real Estate Commercial real estate	Church	Construction	Commercial - other	Consumer	Total	
	(In thousands)								
Beginning balance	\$ 441	\$ 2,247	\$ 240	\$ 1,596	\$ 3	\$ 17	\$ 1	\$ 4,545	
Provision for (recapture of) loan losses	(68)	200	2	(133)	-	(1)	-		

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Recoveries		47		-		-		4		-		1		-		52
Loans charged off		-		-		-		-		-		-		-		-
Ending balance	\$	420	\$	2,447	\$	242	\$	1,467	\$	3	\$	17	\$	1	\$	4,597

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY****Notes to Unaudited Consolidated Financial Statements (continued)****Nine Months Ended September 30, 2017**

	Single family	Multi- family	Real Estate Commercial real estate	Church	Construction	Commercial - other	Consumer	Total
				(In thousands)				
Beginning balance	\$ 367	\$ 2,659	\$ 215	\$ 1,337	\$ 8	\$ 17	\$ -	\$ 4,603
Provision for (recapture of) loan losses	142	(237)	(142)	(710)	6	(9)	-	(950)
Recoveries	30	-	-	530	-	-	-	560
Loans charged off	-	-	-	-	-	-	-	-
Ending balance	\$ 539	\$ 2,422	\$ 73	\$ 1,157	\$ 14	\$ 8	\$ -	\$ 4,213

Nine Months Ended September 30, 2016

	Single family	Multi- family	Real Estate Commercial real estate	Church	Construction	Commercial - other	Consumer	Total
				(In thousands)				
Beginning balance	\$ 597	\$ 1,658	\$ 469	\$ 2,083	\$ 3	\$ 18	\$ -	\$ 4,828
Provision for (recapture of) loan losses	(224)	789	(475)	(632)	-	(9)	1	(550)
Recoveries	47	-	248	16	-	8	-	319
Loans charged off	-	-	-	-	-	-	-	-
Ending balance	\$ 420	\$ 2,447	\$ 242	\$ 1,467	\$ 3	\$ 17	\$ -	\$ 4,350