

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
Form 10-Q  
November 15, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2010  
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: 000-51117

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
(Exact name of registrant as specified in its charter)

Federal  
(State or other jurisdiction of incorporation or organization)

86-1127166  
(IRS Employer Identification No.)

624 Market Street, Shreveport, Louisiana  
(Address of principal executive offices)

71101  
(Zip Code)

(318) 222-1145  
(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. [X]

Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [ ] Yes [ ] No

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

☐ Yes ☒ No

Shares of common stock, par value \$.01 per share, outstanding as of November \_\_, 2010: The registrant had 3,343,601 shares of common stock outstanding, of which 2,135,375 shares were held by Home Federal Mutual Holding Company of Louisiana, the registrant's mutual holding company, and 1,208,226 shares were held by the public and directors, officers and employees of the registrant, and the registrant's employee benefit plans.

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## INDEX

PART I	--	FINANCIAL INFORMATION	Page
Item 1:		Financial Statements (unaudited)	
		Consolidated Statements of Financial Condition	1
		Consolidated Statements of Income	2
		Consolidated Statements of Changes in Stockholders' Equity	3
		Consolidated Statements of Cash Flows	4
		Notes to Consolidated Financial Statements	6
Item 2:		Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3:		Quantitative and Qualitative Disclosures About Market Risk	23
Item 4:		Controls and Procedures	23
PART II - OTHER INFORMATION			
Item 1:		Legal Proceedings	24
Item 1A:		Risk Factors	24
Item 2:		Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3:		Defaults Upon Senior Securities	25
Item 4:		Submission of Matters to a Vote of Security Holders	25
Item 5:		Other Information	25
Item 6:		Exhibits	25
SIGNATURES			



HOME FEDERAL BANCORP, INC. OF LOUISIANA  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

	September 30, 2010	June 30, 2010
	(In Thousands)	
ASSETS		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$5,165 and \$4,698 for September 30, 2010 and June 30, 2010, Respectively)	\$ 24,645	\$ 8,837
Securities Available-for-Sale	55,512	63,688
Securities Held-to-Maturity	1,833	2,138
Loans Held-for-Sale	7,385	13,403
Loans Receivable, Net	99,580	93,056
Accrued Interest Receivable	529	560
Premises and Equipment, Net	3,301	3,049
Other Assets	608	414
Total Assets	\$ 193,393	\$ 185,145
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	128,888	117,722
Advances from Borrowers for Taxes and Insurance	293	205
Advances from Federal Home Loan Bank of Dallas	27,995	31,507
Other Accrued Expenses and Liabilities	1,703	1,425
Deferred Tax Liability	755	921
Total Liabilities	159,634	151,780
STOCKHOLDERS' EQUITY		
Preferred Stock – No Par Value; 2,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – 8,000,000 Shares of \$.01 Par Value Authorized; 3,558,958 Shares Issued; 3,343,601 Shares and 3,348,237 Shares Outstanding at September 30, 2010 and June 30, 2010, Respectively	14	14
Additional Paid-in Capital	13,660	13,655
Treasury Stock, at Cost – 215,357 Shares at September 30, 2010; 210,721 Shares at June 30, 2010	(2,140 )	(2,094 )
Unearned ESOP Stock	(812 )	(826 )
Unearned RRP Trust Stock	(29 )	(145 )
Retained Earnings	21,239	20,665
Accumulated Other Comprehensive Income	1,827	2,096
Total Stockholders' Equity	33,759	33,365

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$193,393	\$185,145
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See accompanying notes to consolidated financial statements.

1

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended September 30,	
	2010	2009
	(In Thousands, Except Per Share Data)	
INTEREST INCOME		
Loans, Including Fees	\$ 1,798	\$ 1,039
Investment Securities	12	19
Mortgage-Backed Securities	723	1,130
Other Interest-Earning Assets	4	2
Total Interest Income	2,537	2,190
INTEREST EXPENSE		
Deposits	574	578
Federal Home Loan Bank Borrowings	257	331
Total Interest Expense	831	909
Net Interest Income	1,706	1,281
PROVISION FOR LOAN LOSSES	72	--
Net Interest Income after Provision for Loan Losses	1,634	1,281
NON-INTEREST INCOME		
Gain on Sale of Loans	579	44
Gain on Sale of Investments	229	--
Other Income	26	10
Total Non-Interest Income	834	54
NON-INTEREST EXPENSE		
Compensation and Benefits	1,017	612
Occupancy and Equipment	124	93
Data Processing	36	24
Audit and Professional Fees	93	60
Franchise and Bank Shares Tax	31	38
Other Expense	189	126
Total Non-Interest Expense	1,490	953
Income Before Income Taxes	978	382
PROVISION FOR INCOME TAX EXPENSE	332	130
Net Income	\$ 646	\$ 252
EARNINGS PER COMMON SHARE:		
Basic	\$ 0.20	\$ 0.08
Diluted	\$ 0.20	\$ 0.08
DIVIDENDS DECLARED	\$ 0.06	\$ 0.06

See accompanying notes to consolidated financial statements.

2

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
(In Thousands)								
BALANCE – June 30, 2009	\$ 14	\$ 13,608	\$ (883 )	\$ (269 )	\$ 20,288	\$ (1,887 )	\$ 439	\$ 31,310
Net Income	--	--	--	--	252	--	--	252
Other Comprehensive Income: Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	818	818
RRP Shares Earned	--	--	--	124	--	--	--	124
Stock Options Vested	--	14	--	--	--	--	--	14
ESOP Compensation Earned	--	(3 )	14	--	--	--	--	11
Dividends Declared	--	--	--	--	(74 )	--	--	(74 )
Acquisition Treasury Stock	--	--	--	--	--	(195 )	--	(195 )
BALANCE – September 30, 2009	\$ 14	\$ 13,619	\$ (869 )	\$ (145 )	\$ 20,466	\$ (2,082 )	\$ 1,257	\$ 32,260
 BALANCE – June 30, 2010	 \$ 14	 \$ 13,655	 \$ (826 )	 \$ (145 )	 \$ 20,665	 \$ (2,094 )	 \$ 2,096	 \$ 33,365
Net Income	--	--	--	--	646	--	--	646

Other Comprehensive Loss: Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(269 )	(269 )
RRP Shares Earned	--	--	--	116	--	--	--	116
Stock Options Vested	--	8	--	--	--	--	--	8
ESOP Compensation Earned	--	(3 )	14	--	--	--	--	11
Dividends Declared	--	--	--	--	(72 )	--	--	(72 )
Acquisition Treasury Stock	--	--	--	--	--	(46 )	--	(46 )
BALANCE – September 30, 2010	\$ 14	\$ 13,660	\$ (812 )	\$ (29 )	\$ 21,239	\$ (2,140 )	\$ 1,827	\$ 33,759

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended September 30, 2010                  2009 (In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$646	\$252
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Net Amortization and Accretion on Securities	(73        )	(108        )
Gain on Sale of Securities	(229        )	--
Gain on Sale of Loans	(579        )	(44        )
Amortization of Deferred Loan Fees	(27        )	(44        )
Depreciation of Premises and Equipment	42	22
ESOP Expense	12	11
Stock Option Expense	8	14
Recognition and Retention Plan Expense	14	31
Deferred Income Tax	(27        )	(1        )
Provision for Loan Losses	72	--
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(40,721    )	(11,203    )
Loans Held-for-Sale – Sale and Principal Repayments	47,318	11,856
Accrued Interest Receivable	31	(24        )
Other Operating Assets	(194        )	83
Other Operating Liabilities	381	92
 Net Cash Provided by Operating Activities	 6,674	 937
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(6,606        )	(15,605        )
Deferred Loan Fees Collected	36	60
Acquisition of Premises and Equipment	(294        )	(254        )
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	4,732	--
Principal Payments on Mortgage-Backed Securities	3,338	5,569
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	274	--
Principal Payments on Mortgage-Backed Securities	34	18
Purchases of Securities	(3        )	(1        )
 Net Cash Provided by (Used in) Investing Activities	 1,511	 (10,213    )

See accompanying notes to consolidated financial statements.

4

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HOME FEDERAL BANCORP, INC. OF LOUISIANA  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Three Months Ended September 30,	
	2010	2009
	(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	11,166	3,471
Proceeds from Federal Home Loan Bank Advances	--	4,000
Repayments of Advances from Federal Home Loan Bank	(3,512 )	(1,967 )
Net Increase in Mortgage-Escrow Funds	88	85
Dividends Paid	(73 )	(74 )
Acquisition of Treasury Stock	(46 )	(195 )
Net Cash Provided by Financing Activities	7,623	5,320
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,808	(3,956 )
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	8,837	10,007
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$24,645	\$6,051
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$822	\$901
Income Taxes Paid	40	--
Market Value Adjustment for Gain on Securities Available-for-Sale	(409 )	1,241

See accompanying notes to consolidated financial statements.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the “Company”) and its subsidiary, Home Federal Bank (the “Bank”). These 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, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three month period ended September 30, 2010, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2011.

The Company follows accounting standards set by the Financial Accounting Standards Board (the “FASB”). The FASB sets generally accepted accounting principles (“GAAP”) that we follow to ensure we consistently report our financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the “Codification” or the “ASC”).

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of September 30, 2010. In preparing these financial statements, the Company evaluated the events and transactions that occurred from September 30, 2010 through November 15, 2010, the date these financial statements were issued.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses.

Nature of Operations

On January 18, 2005, Home Federal Bank, formerly named Home Federal Savings and Loan Association, completed its reorganization to the mutual holding company form of organization and formed Home Federal Bancorp, Inc. of Louisiana (the “Company”) to serve as the stock holding company for the Bank. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 2,135,375 shares of common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 63.9% of our outstanding common stock at September 30, 2010. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. Services are provided to its customers by three banking offices and one agency office, all of which are located in the City of Shreveport, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found

dispersed in a wider geographical area covering much of northwest Louisiana. As of September 30, 2010, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within ninety days.

Securities

The Company classifies its debt and equity investment securities into one of three categories: held-to-maturity, available-for-sale, or trading. Investments in nonmarketable equity securities and debt securities, in which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and carried at amortized cost. Investments in debt securities that are not classified as held-to-maturity and marketable equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities. Securities that are acquired and held principally for the purpose of selling in the near term are classified as trading securities. Investments in securities not classified as trading or held-to-maturity are classified as available-for-sale.

Trading account and available-for-sale securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings while net unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans receivable are stated at unpaid principal balances, less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees, discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

A loan is considered impaired when, based on current information or events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the present value of expected future cash flows or the fair value of the collateral of the loan. If the present value of expected future cash flows or fair value of the collateral is less than the recorded investment in the loan, the Bank will recognize the impairment by creating a valuation allowance with a corresponding charge against earnings.

An allowance is also established for uncollectible interest on loans classified as substandard. Loans are classified as substandard and placed on non-accrual status when they are in excess of ninety days delinquent. The allowance is established by a charge to interest income equal to all interest previously accrued and income is subsequently recognized only to the extent that cash payments are received. When, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, the loan is returned to accrual status.

It should be understood that estimates of future loan losses involve an exercise of judgment. While it is possible that in particular periods, the Company may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the accompanying statements of condition is adequate to absorb possible losses in the existing loan portfolio.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are transferred to other real estate owned at the lower of cost or current fair value minus estimated cost to sell as of the date of foreclosure. Cost is defined as the lower of the fair value of the property or the recorded investment in the loan. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Company and its wholly-owned subsidiary file a consolidated Federal income tax return on a fiscal year basis. Each entity will pay its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial

reporting purposes, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. Current taxes are measured by applying the provisions of enacted tax laws to taxable income to determine the amount of taxes receivable or payable.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Summary of Accounting Policies (continued)

While the Bank is exempt from Louisiana income tax, it is subject to the Louisiana Ad Valorem Tax, commonly referred to as the Louisiana Shares Tax, which is based on stockholders' equity and net income.

## Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the Consolidated Statements of Financial Condition, such items, along with net income, are components of comprehensive income.

## 2. Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

		September 30, 2010		
	Amortized	Gross	Gross	Fair
Securities Available-for-Sale	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
		(In Thousands)		
Debt Securities				
FHLMC Mortgage-Backed				
Certificates	\$2,961	\$175	\$--	\$3,136
FNMA Mortgage-Backed				
Certificates	48,381	2,560	--	50,941
GNMA Mortgage-Backed				
Certificates	111	1	--	112
Total Debt Securities	51,453	2,736	--	54,189
Equity Securities				
176,612 Shares, AMF ARM Fund	1,291	32	--	1,323
Total Securities Available-for-Sale	\$52,744	\$2,768	\$--	\$55,512



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

Securities Held-to-Maturity	Amortized Cost	September 30, 2010		Fair Value
		Gross Unrealized Gains (In Thousands)	Gross Unrealized Losses	
Debt Securities				
GNMA Mortgage-Backed Certificates	\$168	\$20	\$--	\$188
FNMA Mortgage-Backed Certificates	71	2	--	73
FHLMC Mortgage-Backed Certificates	25	2	--	27
Total Debt Securities	264	24	--	288
Equity Securities (Non-Marketable)				
15,694 Shares – Federal Home Loan Bank	1,569	--	--	1,569
Total Securities Held-to- Maturity	\$1,833	\$24	\$--	\$1,857

Securities Available-for-Sale	Amortized Cost	June 30, 2010		Fair Value
		Gross Unrealized Gains (In Thousands)	Gross Unrealized Losses	
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$3,031	\$175	\$--	\$3,206
FNMA Mortgage-Backed Certificates	55,828	2,980		58,808
GNMA Mortgage-Backed Certificates	115	1	1	115
Total Debt Securities	58,974	3,156	1	62,129
Equity Securities				
210,350 Shares, AMF ARM Fund	1,538	21	--	1,559
Total Securities Available-for-Sale	\$60,512	\$3,177	\$1	\$63,688

