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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period ended

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

979 Batesville Road, Suite B
Greer, South Carolina
(Address of principal executive offices)

57-0847115
(I.R.S. Employer
Identification No.)

29651
(Zip Code)

(864) 448-7000
(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 (Section 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 ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☒		

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 ☒

As of May 1, 2017, the registrant had outstanding 11,620,605 shares of Common Stock, \$0.10 par value.

[Table of Contents](#)

	<u>Page No.</u>
PART I.	FINANCIAL INFORMATION
Item 1.	Financial Statements
	Consolidated Balance Sheets Dated March 31, 2017 and December 31, 2016 3
	Consolidated Statements of Income for the Three Months Ended March 31, 2017 and 2016 4
	Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2017 and the Year Ended December 31, 2016 5
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016 6
	Notes to Consolidated Financial Statements 7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 32
Item 4.	Controls and Procedures 32
PART II.	OTHER INFORMATION
Item 1.	Legal Proceedings 33
Item 1A.	Risk Factors 33
Item 6.	Exhibits 33
	SIGNATURE 34
	EXHIBIT INDEX 35

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Regional Management Corp. and Subsidiaries Consolidated Balance Sheets (in thousands, except par value amounts)

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Cash	\$ 3,505	\$ 4,446
Gross finance receivables	886,350	916,954
Unearned finance charges and insurance premiums	(191,346)	(199,179)
Finance receivables	695,004	717,775
Allowance for credit losses	(41,000)	(41,250)
Net finance receivables	654,004	676,525
Property and equipment	11,878	11,693
Restricted cash	8,889	8,297
Intangible assets	6,981	6,448
Deferred tax asset	725	33
Other assets	4,450	4,782
Total assets	\$ 690,432	\$ 712,224
Liabilities and Stockholders' Equity		
Liabilities:		
Long-term debt	\$ 462,994	\$ 491,678
Unamortized debt issuance costs	(2,051)	(2,152)
Net long-term debt	460,943	489,526
Accounts payable and accrued expenses	15,310	15,223
Total liabilities	476,253	504,749
Commitments and Contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.10 par value, 100,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.10 par value, 1,000,000 shares authorized, 13,170 shares issued and 11,624 shares outstanding at March 31, 2017, and 12,996 shares issued and 11,450 shares outstanding at December 31, 2016	1,317	1,300
Additional paid-in-capital	91,485	92,432
Retained earnings	146,423	138,789
Treasury stock, 1,546 shares at March 31, 2017 and December 31, 2016	(25,046)	(25,046)
Total stockholders' equity	214,179	207,475
Total liabilities and stockholders' equity	\$ 690,432	\$ 712,224

The following table presents the assets and liabilities of our consolidated variable interest entity:

Assets		
Cash	\$ 36	\$ 36
Finance receivables	34,067	41,244
Allowance for credit losses	(2,098)	(2,337)
Restricted cash	4,029	4,426
Other assets	133	201
Total assets	\$ 36,167	\$ 43,570
Liabilities		
Net long-term debt	\$ 31,458	\$ 37,898
Accounts payable and accrued expenses	6	5
Total liabilities	\$ 31,464	\$ 37,903

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Income
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
Revenue		
Interest and fee income	\$59,255	\$51,300
Insurance income, net	3,805	2,939
Other income	2,760	2,458
Total revenue	<u>65,820</u>	<u>56,697</u>
Expenses		
Provision for credit losses	19,134	13,791
Personnel	18,168	17,127
Occupancy	5,285	4,863
Marketing	1,205	1,515
Other	6,796	6,300
Total general and administrative expenses	<u>31,454</u>	<u>29,805</u>
Interest expense	5,213	4,710
Income before income taxes	10,019	8,391
Income taxes	2,385	3,215
Net income	<u>\$ 7,634</u>	<u>\$ 5,176</u>
Net income per common share:		
Basic	<u>\$ 0.66</u>	<u>\$ 0.41</u>
Diluted	<u>\$ 0.65</u>	<u>\$ 0.40</u>
Weighted-average shares outstanding:		
Basic	<u>11,494</u>	<u>12,756</u>
Diluted	<u>11,715</u>	<u>12,949</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands)

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Treasury</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in-Capital</u>	<u>Earnings</u>	<u>Stock</u>	<u>Total</u>
Balance, December 31, 2015	12,914	\$ 1,291	\$ 89,178	\$114,758	\$ —	\$205,227
Issuance of restricted stock awards	37	4	(4)	—	—	—
Exercise of stock options	203	20	—	—	—	20
Excess tax deficiency from stock option exercises, net	—	—	(35)	—	—	(35)
Repurchase of common stock	—	—	—	—	(25,046)	(25,046)
Shares withheld related to net share settlement	(158)	(15)	(493)	—	—	(508)
Share-based compensation	—	—	3,786	—	—	3,786
Net income	—	—	—	24,031	—	24,031
Balance, December 31, 2016	12,996	\$ 1,300	\$ 92,432	\$138,789	\$(25,046)	\$207,475
Issuance of restricted stock awards	49	5	(5)	—	—	—
Exercise of stock options	254	25	—	—	—	25
Shares withheld related to net share settlement	(129)	(13)	(1,658)	—	—	(1,671)
Share-based compensation	—	—	716	—	—	716
Net income	—	—	—	7,634	—	7,634
Balance, March 31, 2017	13,170	\$ 1,317	\$ 91,485	\$146,423	\$(25,046)	\$214,179

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 7,634	\$ 5,176
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	19,134	13,791
Depreciation and amortization	1,603	1,531
(Gain) loss on disposal of property and equipment	12	(5)
Share-based compensation	822	448
Fair value adjustment on interest rate caps	35	124
Deferred income taxes, net	(692)	(471)
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	298	(1,315)
Increase (decrease) in other liabilities	(20)	1,059
Net cash provided by operating activities	28,826	20,338
Cash flows from investing activities:		
Net repayments of finance receivables	3,387	6,069
Purchase of intangible assets	(1,049)	(835)
Increase in restricted cash	(592)	(312)
Purchase of property and equipment	(1,545)	(1,787)
Proceeds from disposal of property and equipment	558	56
Net cash provided by investing activities	759	3,191
Cash flows from financing activities:		
Net payments on senior revolving credit facility	(22,056)	(5,588)
Payments on amortizing loan	(6,628)	(8,949)
Payments for debt issuance costs	(195)	(247)
Taxes paid related to net share settlement of equity awards	(1,647)	(92)
Repurchase of common stock	—	(8,871)
Net cash used in financing activities	(30,526)	(23,747)
Net change in cash	(941)	(218)
Cash at beginning of period	4,446	7,654
Cash at end of period	<u>\$ 3,505</u>	<u>\$ 7,436</u>
Supplemental cash flow information		
Interest paid	<u>\$ 4,980</u>	<u>\$ 4,161</u>
Income taxes paid	<u>\$ —</u>	<u>\$ 1,646</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Nature of Business

Regional Management Corp. (the “Company”) was incorporated and began operations in 1987. The Company is engaged in the consumer finance business, offering small loans, large loans, automobile loans, retail loans, and related payment and collateral protection insurance products. As of March 31, 2017, the Company operated branches in 344 locations in the states of Alabama (49 branches), Georgia (8 branches), New Mexico (19 branches), North Carolina (36 branches), Oklahoma (28 branches), South Carolina (72 branches), Tennessee (21 branches), Texas (98 branches), and Virginia (13 branches) under the name Regional Finance. The Company opened 5 new branches during the three months ended March 31, 2017.

The Company’s loan volume and contractual delinquency follow seasonal trends. Demand for the Company’s small and large loans is typically highest during the second, third, and fourth quarters, which the Company believes is largely due to customers borrowing money for vacation, back-to-school, and holiday spending. With the exception of automobile and retail loans, loan demand has generally been the lowest during the first quarter, which the Company believes is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first quarter of the year and rise throughout the remainder of the fiscal year. Consequently, the Company experiences seasonal fluctuations in its operating results and cash needs.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of presentation: The consolidated financial statements of the Company have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q adopted by the Securities and Exchange Commission (“SEC”) and generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and, accordingly, do not include all information and note disclosures required by GAAP for complete financial statements. The interim financial statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States), but in the opinion of management, the interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company’s financial position, results of operations, and cash flows in accordance with GAAP. These consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC.

Significant accounting policies: The following is a description of significant accounting policies used in preparing the financial statements. The accounting and reporting policies of the Company are in accordance with GAAP and conform to general practices within the consumer finance industry.

Business segments: The Company has one reportable segment, which is the consumer finance segment. The other revenue generating activities of the Company, including insurance operations, are performed in the existing branch network in conjunction with or as a complement to the lending operations.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company operates through a separate wholly-owned subsidiary in each state. The Company also consolidates variable interest entities (“VIE”) when it is considered to be the primary beneficiary of the VIE because it has (i) power over the significant activities of the VIE and (ii) the obligation to absorb losses or the right to receive returns that could be significant to the VIE.

Treasury stock: The Company records the repurchase of shares of its common stock at cost on the settlement date of the transaction. These shares are considered treasury stock, which is a reduction to stockholders’ equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

Variable interest entity: The Company has an asset-backed, amortizing loan for general funding purposes. The transaction involved selling a pool of the Company’s automobile loans to its wholly-owned subsidiary, Regional Management Receivables, LLC (“RMR”), as collateral for the loan. RMR has the limited purpose of acquiring finance receivables and holding and making payments on the related debt. Assets transferred to RMR are legally isolated from the Company and the claims of the Company’s other creditors. The Company continues to service the finance receivables transferred to RMR. The lender of the debt issued by RMR generally only has recourse to the assets of RMR and does not have recourse to the general credit of the Company.

[Table of Contents](#)

The Company's asset-backed loan under this arrangement is structured to provide enhancements to the lender in the form of overcollateralization (principal balance of the collateral exceeds the balance of the debt) and reserve funds (restricted cash accounts held by RMR). These enhancements, along with the isolated finance receivables pool, increase the creditworthiness of RMR above that of the Company as a whole. This increases the marketability of the Company's collateral for borrowing purposes, which leads to more favorable borrowing terms, improved interest rate risk management, and additional flexibility to grow the business.

RMR is considered a VIE under GAAP and is consolidated into the financial statements of RMR's primary beneficiary. The Company is considered to be the primary beneficiary of RMR because it has (i) power over the significant activities of RMR through its role as servicer of the finance receivables under the credit agreement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of RMR after the debt is paid.

Consolidation of RMR results in the transaction being accounted for as a secured borrowing; therefore, the pooled receivables and the related debt remain on the consolidated balance sheet of the Company. The debt is secured solely by the assets of RMR and not by any other assets of the Company. The assets of RMR are the only source of funds for repayment on the debt. Restricted cash accounts held by RMR can only be used to support payments on the debt. The Company recognizes revenue and provision for credit losses on RMR's finance receivables and interest expense on the related secured debt.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities for the periods indicated in the financial statements. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to change relate to the determination of the allowance for credit losses, fair value of share-based compensation, the valuation of deferred tax assets and liabilities, contingent liabilities on litigation matters, and the allocation of the purchase price to assets acquired in business combinations.

Reclassifications: Certain prior-period amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on previously reported net income or stockholders' equity.

Recent accounting pronouncements: In March 2016, the FASB issued an accounting update to simplify the accounting for share-based compensation, including the accounting for forfeitures, the statutory tax withholding requirements, the accounting for income taxes, and the classification of share-based compensation transactions in the statement of cash flows. The key provision of the update is the requirement for the tax benefits or tax deficiencies from the exercise or vesting of share-based awards to flow through the statement of income rather than through additional paid-in-capital on the balance sheet. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption was permitted. Beginning in 2017, the Company prospectively recognizes the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of the consolidated statements of income. Additionally, the Company has retrospectively reclassified tax benefits or deficiencies from financing activities to operating activities on the consolidated statements of cash flows. The Company has historically recognized taxes paid relating to net share settlement of equity awards within financing activities and will continue this practice, consistent with the new accounting update. Regarding the accounting for estimated share-based forfeitures, the Company has historically recognized forfeitures as they were incurred due to a lack of award forfeiture history and will continue this practice under the new accounting update. The Company expects increased periodic volatility in income tax expense based on the continued application of the accounting update.

In June 2016, the FASB issued an accounting update to change the impairment model for estimating credit losses on financial assets. The current incurred loss impairment model requires the recognition of credit losses when it is probable that a loss has been incurred. The incurred loss model will be replaced by an expected loss model, which requires entities to estimate the lifetime expected credit loss on such instruments and to record an allowance to offset the amortized cost basis of the financial asset. This update is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The implementation of the accounting update could have a significant impact on the provision for credit losses in the consolidated statements of income and on the allowance for credit losses in the consolidated balance sheets. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

In January 2017, the FASB issued an accounting update to simplify the subsequent measurement of goodwill. The amendment reduces the cost and complexity of evaluating goodwill for impairment by eliminating a step in the goodwill impairment test, which required the same procedure used to determine the fair value of assets acquired and liabilities assumed in a business combination. This update is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The adoption of this accounting pronouncement will not impact the Company's consolidated financial statements.

Note 3. Finance Receivables, Credit Quality Information, and Allowance for Credit Losses

Finance receivables for the periods indicated consisted of the following:

<i>In thousands</i>	March 31, 2017	December 31, 2016
Small loans	\$ 335,552	\$ 358,471
Large loans	242,380	235,349
Automobile loans	85,869	90,432
Retail loans	31,203	33,523
Finance receivables	<u>\$ 695,004</u>	<u>\$ 717,775</u>

The contractual delinquency of the finance receivable portfolio by product and aging for the periods indicated are as follows:

<i>In thousands</i>	March 31, 2017									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$279,896	83.4%	\$211,509	87.3%	\$68,242	79.4%	\$26,438	84.7%	\$586,085	84.3%
1 to 29 days past due	29,083	8.7%	18,729	7.7%	13,114	15.3%	3,052	9.8%	63,978	9.2%
Delinquent accounts										
30 to 59 days	7,345	2.2%	4,109	1.7%	1,864	2.2%	542	1.7%	13,860	2.1%
60 to 89 days	5,698	1.7%	2,964	1.2%	859	1.0%	368	1.2%	9,889	1.4%
90 to 119 days	4,635	1.4%	1,790	0.7%	841	0.9%	303	1.0%	7,569	1.0%
120 to 149 days	4,476	1.3%	1,691	0.7%	561	0.7%	247	0.8%	6,975	1.0%
150 to 179 days	4,419	1.3%	1,588	0.7%	388	0.5%	253	0.8%	6,648	1.0%
Total delinquency	\$ 26,573	7.9%	\$ 12,142	5.0%	\$ 4,513	5.3%	\$ 1,713	5.5%	\$ 44,941	6.5%
Total finance receivables	<u>\$335,552</u>	<u>100.0%</u>	<u>\$242,380</u>	<u>100.0%</u>	<u>\$85,869</u>	<u>100.0%</u>	<u>\$31,203</u>	<u>100.0%</u>	<u>\$695,004</u>	<u>100.0%</u>
Finance receivables in nonaccrual status	<u>\$ 13,530</u>	<u>4.0%</u>	<u>\$ 5,069</u>	<u>2.1%</u>	<u>\$ 1,790</u>	<u>2.1%</u>	<u>\$ 803</u>	<u>2.6%</u>	<u>\$ 21,192</u>	<u>3.0%</u>

<i>In thousands</i>	December 31, 2016									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$288,983	80.6%	\$204,063	86.8%	\$66,936	74.0%	\$27,220	81.2%	\$587,202	81.9%
1 to 29 days past due	36,533	10.2%	19,172	8.1%	17,196	19.0%	4,205	12.5%	77,106	10.7%
Delinquent accounts										
30 to 59 days	9,408	2.6%	3,948	1.7%	2,654	3.0%	717	2.2%	16,727	2.3%
60 to 89 days	7,110	2.0%	2,920	1.2%	1,171	1.3%	440	1.3%	11,641	1.6%
90 to 119 days	6,264	1.8%	2,271	1.0%	1,110	1.2%	376	1.1%	10,021	1.4%
120 to 149 days	5,424	1.5%	1,710	0.7%	743	0.8%	328	1.0%	8,205	1.1%
150 to 179 days	4,749	1.3%	1,265	0.5%	622	0.7%	237	0.7%	6,873	1.0%
Total delinquency	\$ 32,955	9.2%	\$ 12,114	5.1%	\$ 6,300	7.0%	\$ 2,098	6.3%	\$ 53,467	7.4%
Total finance receivables	<u>\$358,471</u>	<u>100.0%</u>	<u>\$235,349</u>	<u>100.0%</u>	<u>\$90,432</u>	<u>100.0%</u>	<u>\$33,523</u>	<u>100.0%</u>	<u>\$717,775</u>	<u>100.0%</u>
Finance receivables in nonaccrual status	<u>\$ 16,437</u>	<u>4.6%</u>	<u>\$ 5,246</u>	<u>2.2%</u>	<u>\$ 2,475</u>	<u>2.7%</u>	<u>\$ 941</u>	<u>2.8%</u>	<u>\$ 25,099</u>	<u>3.5%</u>

The allowance for credit losses consists of general and specific components. Prior to September 30, 2016, the general component estimated credit losses for groups of finance receivables on a collective basis and was primarily based on historical loss rates (adjusted for qualitative factors). Effective beginning September 30, 2016, it is primarily based on delinquency roll rates. Delinquency roll rate modeling is forward-looking and common practice in the consumer finance industry. As a result of this change, the Company decreased the provision for credit losses for the year ended December 31, 2016 by \$0.5 million, which increased net income by \$0.3 million, or \$0.03 diluted earnings per share.

[Table of Contents](#)

Changes in the allowance for credit losses for the periods indicated are as follows:

<i>In thousands</i>	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	\$ 41,250	\$ 37,452
Provision for credit losses	19,134	13,791
Credit losses	(20,994)	(16,195)
Recoveries	1,610	1,182
Balance at end of period	<u>\$ 41,000</u>	<u>\$ 36,230</u>

In December 2015, the Company began selling previously charged-off loans for all products in the portfolio to a third-party debt buyer. The proceeds from these sales were recognized as a recovery in the allowance for credit losses. Recoveries during the year ended December 31, 2015 included \$2.0 million from the sale of charged-off loans. No sales of previously charged-off loans were made in 2014. In January 2016, the Company began selling the flow of charged-off loans. The flow sales were recognized as recoveries in the allowance for credit losses and a reduction of the provision for credit losses.

The following is a reconciliation of the allowance for credit losses by product for the periods indicated:

<i>In thousands</i>	Balance January 1, 2017	Provision	Credit Losses	Recoveries	Balance March 31, 2017	Finance Receivables March 31, 2017	Allowance as Percentage of Finance Receivable March 31, 2017
Small loans	\$ 21,770	\$ 11,164	\$ (13,202)	\$ 843	\$ 20,575	\$ 335,552	6.1%
Large loans	11,460	5,602	(4,629)	242	12,675	242,380	5.2%
Automobile loans	5,910	1,739	(2,333)	459	5,775	85,869	6.7%
Retail loans	2,110	629	(830)	66	1,975	31,203	6.3%
Total	<u>\$ 41,250</u>	<u>\$ 19,134</u>	<u>\$ (20,994)</u>	<u>\$ 1,610</u>	<u>\$ 41,000</u>	<u>\$ 695,004</u>	<u>5.9%</u>

<i>In thousands</i>	Balance January 1, 2016	Provision	Credit Losses	Recoveries	Balance March 31, 2016	Finance Receivables March 31, 2016	Allowance as Percentage of Finance Receivable March 31, 2016
Small loans	\$ 21,535	\$ 10,152	\$ (11,949)	\$ 813	\$ 20,551	\$ 310,502	6.6%
Large loans	5,593	1,656	(1,287)	114	6,076	162,301	3.7%
Automobile loans	8,828	1,430	(2,438)	208	8,028	106,297	7.6%
Retail loans	1,496	554	(522)	47	1,575	28,263	5.6%
Total	<u>\$ 37,452</u>	<u>\$ 13,791</u>	<u>\$ (16,195)</u>	<u>\$ 1,182</u>	<u>\$ 36,230</u>	<u>\$ 607,363</u>	<u>6.0%</u>

Impaired finance receivables as a percentage of total finance receivables were 2.0% and 1.6% as of March 31, 2017 and December 31, 2016, respectively. The following is a summary of finance receivables evaluated for impairment for the periods indicated:

<i>In thousands</i>	March 31, 2017				
	Small	Large	Automobile	Retail	Total
Impaired receivables specifically evaluated	\$ 3,778	\$ 7,695	\$ 2,347	\$ 109	\$ 13,929
Finance receivables evaluated collectively	331,774	234,685	83,522	31,094	681,075
Finance receivables outstanding	<u>\$335,552</u>	<u>\$242,380</u>	<u>\$ 85,869</u>	<u>\$31,203</u>	<u>\$695,004</u>
Impaired receivables in nonaccrual status	\$ 398	\$ 521	\$ 226	\$ 9	\$ 1,154
Amount of the specific reserve for impaired accounts	<u>\$ 884</u>	<u>\$ 1,583</u>	<u>\$ 546</u>	<u>\$ 20</u>	<u>\$ 3,033</u>
Amount of the general component of the allowance	<u>\$ 19,691</u>	<u>\$ 11,092</u>	<u>\$ 5,229</u>	<u>\$ 1,955</u>	<u>\$ 37,967</u>

<i>In thousands</i>	December 31, 2016				
	Small	Large	Automobile	Retail	Total
Impaired receivables specifically evaluated	\$ 2,409	\$ 6,441	\$ 2,460	\$ 101	\$ 11,411
Finance receivables evaluated collectively	356,062	228,908	87,972	33,422	706,364
Finance receivables outstanding	<u>\$358,471</u>	<u>\$235,349</u>	<u>\$ 90,432</u>	<u>\$33,523</u>	<u>\$717,775</u>
Impaired receivables in nonaccrual status	\$ 288	\$ 610	\$ 175	\$ 7	\$ 1,080
Amount of the specific reserve for impaired accounts	<u>\$ 563</u>	<u>\$ 1,216</u>	<u>\$ 576</u>	<u>\$ 19</u>	<u>\$ 2,374</u>
Amount of the general component of the allowance	<u>\$ 21,207</u>	<u>\$ 10,244</u>	<u>\$ 5,334</u>	<u>\$ 2,091</u>	<u>\$ 38,876</u>

[Table of Contents](#)

Average recorded investment in impaired finance receivables for the periods indicated are as follows:

<i>In thousands</i>	Three Months Ended March 31,	
	2017	2016
Small loans	\$ 2,997	\$ 1,067
Large loans	7,034	3,208
Automobile loans	2,387	3,117
Retail loans	101	116
Total average recorded investment	<u>\$ 12,519</u>	<u>\$ 7,508</u>

It is not practical to compute the amount of interest earned on impaired loans.

Note 4. Long-Term Debt

Following is a summary of the Company's debt as of the periods indicated:

<i>In thousands</i>	March 31, 2017			December 31, 2016		
	Long-term Debt	Unamortized Debt Issuance Costs	Net Long-term Debt	Long-term Debt	Unamortized Debt Issuance Costs	Net Long-term Debt
Senior revolving credit facility	\$ 430,792	\$ (1,307)	\$ 429,485	\$ 452,849	\$ (1,221)	\$ 451,628
Amortizing loan	32,202	(744)	31,458	38,829	(931)	37,898
Total	<u>\$ 462,994</u>	<u>\$ (2,051)</u>	<u>\$ 460,943</u>	<u>\$ 491,678</u>	<u>\$ (2,152)</u>	<u>\$ 489,526</u>
Unused amount of senior revolving credit facility (subject to borrowing base)	<u>\$ 154,208</u>			<u>\$ 132,151</u>		

In August 2016, the Company amended its senior revolving credit facility by increasing availability under the facility from \$538 million to \$585 million, and extended the maturity of the facility from September 2018 to August 2019. The facility has an accordion provision that allows for the expansion of the facility to \$650 million. Excluding the receivables held by the Company's VIE, the senior revolving credit facility is secured by substantially all of the Company's finance receivables and equity interests of the majority of its subsidiaries. Borrowings under the facility bear interest, payable monthly, at rates equal to LIBOR of a maturity the Company elects between one and six months, with a LIBOR floor of 1.00%, plus a 3.00% margin. The one-month LIBOR was 1.00% and 0.88% at March 31, 2017 and December 31, 2016, respectively. Alternatively, the Company may pay interest at the prime rate plus a 2.00% margin. The prime rate was 4.00% and 3.75% at March 31, 2017 and December 31, 2016, respectively.

Advances on the senior revolving credit facility are capped at 85% of eligible secured finance receivables plus 70% of eligible unsecured finance receivables. These rates are subject to adjustment at certain credit quality levels (82% secured and 67% unsecured as of March 31, 2017). As of March 31, 2017, the Company had \$64.0 million of eligible capacity under the facility. The facility also contains restrictive covenants and monthly and annual reporting requirements to the banks. At March 31, 2017, the Company was in compliance with all debt covenants.

In December 2015, the Company and its wholly-owned subsidiary, RMR, entered into a credit agreement providing for a \$75.7 million asset-backed, amortizing loan to RMR. RMR purchased \$86.1 million in automobile finance receivables, net of a \$2.6 million allowance for credit losses, from the Company's affiliates using the proceeds of the loan and an equity investment from the Company to fund such purchase. RMR holds \$1.7 million in a restricted cash reserve account to satisfy provisions of the credit agreement. RMR pays interest of 3.00% per annum on the loan balance from the closing date until the date the loan balance has been fully repaid. The amortizing loan terminates in December 2022. The credit agreement allows RMR to prepay the loan when the outstanding balance falls below 20% of the original loan amount.

The amortizing loan is supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these accounts are remitted to a restricted cash collection account, which totaled \$2.3 million and \$2.7 million as of March 31, 2017 and December 31, 2016, respectively. Cash inflows from the finance receivables are distributed to the lender and service providers in accordance with a monthly contractual priority of payments (waterfall) and, as such, the inflows are directed first to servicing fees. RMR pays a 4% servicing fee to the Company, which is eliminated in consolidation. Next, all cash inflows are directed to the interest, principal, and any adjustments to the reserve account of the amortizing loan and, thereafter, to the residual interest that the Company owns. Distributions from RMR to the Company are permitted under the credit agreement.

RMR is considered a VIE under GAAP and is consolidated into the financial statements of RMR's primary beneficiary. The Company is considered to be the primary beneficiary of RMR because it has (i) power over the significant activities of RMR through its role as servicer of the finance receivables under the credit agreement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of RMR after the debt is paid.

The carrying amount of VIE assets and liabilities are as follows:

<i>In thousands</i>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Assets		
Cash	\$ 36	\$ 36
Finance receivables	34,067	41,244
Allowance for credit losses	(2,098)	(2,337)
Restricted cash	4,029	4,426
Other assets	133	201
Total assets	<u>\$ 36,167</u>	<u>\$ 43,570</u>
Liabilities		
Net long-term debt	\$ 31,458	\$ 37,898
Accounts payable and accrued expenses	6	5
Total liabilities	<u>\$ 31,464</u>	<u>\$ 37,903</u>

Note 5. Disclosure About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and restricted cash: Cash and restricted cash is recorded at cost, which approximates fair value due to its generally short maturity and highly liquid nature.

Finance receivables: Finance receivables are originated at prevailing market rates. The Company's finance receivable portfolio turns approximately 1.4 times per year. The portfolio turnover is calculated by dividing cash payments, renewals, and net credit losses by the average finance receivables. Management believes that the carrying amount approximates the fair value of its finance receivable portfolio.

Interest rate caps: The fair value of the interest rate caps is the estimated amount the Company would receive to terminate the cap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty.

Repossessed assets: Repossessed assets are valued at the lower of the receivable balance on the finance receivable prior to repossession or the estimated net realizable value. The Company estimates net realizable value at the projected cash value upon liquidation, less costs to sell the related collateral.

Long-term debt: The Company's long-term debt is frequently renewed, amended, or recently originated. As a result, the Company believes that the fair value of each of the variable rate revolving credit facility and the fixed-rate amortizing loan approximates their respective carrying amounts. The Company also considered its creditworthiness in its determination of fair value.

The carrying amount and estimated fair values of the Company's financial instruments summarized by level are as follows:

<i>In thousands</i>	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets				
Level 1 inputs				
Cash	\$ 3,505	\$ 3,505	\$ 4,446	\$ 4,446
Restricted cash	8,889	8,889	8,297	8,297
Level 2 inputs				
Interest rate caps	27	27	62	62
Level 3 inputs				
Net finance receivables	654,004	654,004	676,525	676,525
Repossessed assets	329	329	502	502
Liabilities				
Level 3 inputs				
Long-term debt	462,994	462,994	491,678	491,678

[Table of Contents](#)

Certain of the Company's assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs an analysis of the assets and liabilities that are carried at fair value. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 6. Income Taxes

Pursuant to the adoption of an accounting standard update issued in March 2016 and effective for fiscal year 2017, the Company now recognizes the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of the consolidated statements of income. These tax benefits and deficiencies were previously recognized within additional paid-in-capital on the Company's balance sheet.

For the three months ended March 31, 2017 and 2016, the Company recorded income tax expense of \$2.4 million and \$3.2 million, respectively. These amounts include a tax benefit from share-based awards of \$1.5 million and \$0 for the three months ended March 31, 2017 and 2016, respectively.

Note 7. Earnings Per Share

The following schedule reconciles the computation of basic and diluted earnings per share for the periods indicated:

<i>In thousands, except per share amounts</i>	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net income	\$ 7,634	\$ 5,176
Denominator:		
Weighted average shares outstanding for basic earnings per share	11,494	12,756
Effect of dilutive securities	221	193
Weighted average shares adjusted for dilutive securities	11,715	12,949
Earnings per share:		
Basic	\$ 0.66	\$ 0.41
Diluted	\$ 0.65	\$ 0.40

Options to purchase 231 thousand and 638 thousand shares of common stock were outstanding during the three months ended March 31, 2017 and 2016, respectively, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

Note 8. Share-Based Compensation

The Company previously adopted the 2007 Management Incentive Plan (the "2007 Plan") and the 2011 Stock Incentive Plan (the "2011 Plan"). On April 22, 2015, the stockholders of the Company approved the 2015 Long-Term Incentive Plan (the "2015 Plan"). As of March 31, 2017, subject to adjustments as provided in the 2015 Plan, the maximum aggregate number of shares of the Company's common stock that could be issued under the 2015 Plan could not exceed the sum of (i) 350 thousand shares plus (ii) any shares (A) remaining available for the grant of awards as of the 2015 Plan effective date under the 2007 Plan or the 2011 Plan, and/or (B) subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cancelled, terminated, expires, or lapses. As of the effectiveness of the 2015 Plan, there were 922 thousand shares available for grant under the 2015 Plan, inclusive of shares previously available for grant under the 2007 Plan and the 2011 Plan that were rolled over to the 2015 Plan. No further grants will be made under the 2007 Plan or the 2011 Plan. However, awards that are outstanding under the 2007 Plan and the 2011 Plan will continue in accordance with their respective terms. As of March 31, 2017, there were 167 thousand shares available for grant under the 2015 Plan.

At its 2017 annual meeting of stockholders, held in April 2017, the stockholders of the Company re-approved the 2015 Plan, as amended and restated. The material changes to the 2015 Plan, as amended and restated, include an increase in the number of shares of the Company's common stock that may be issued under the 2015 Plan from 350 thousand shares to 1.6 million shares (i.e. the authorization of 1.2 million additional or "new" shares), which will be in addition to those shares that were available for the grant of awards as of the 2015 Plan effective date (April 22, 2015) under the 2007 Plan and the 2011 Plan, as well as any shares subject to an award granted under the 2007 Plan, the 2011 Plan, or the 2015 Plan, which award is forfeited, cancelled, terminated, expires, or lapses without the issuance of shares or pursuant to which such shares are forfeited. As of the effectiveness of the amendment and restatement of the 2015 Plan on April 27, 2017, there were 1.4 million shares available for grant under the 2015 Plan.

For the three months ended March 31, 2017 and 2016, the Company recorded share-based compensation expense of \$0.8 million and \$0.4 million, respectively. As of March 31, 2017, unrecognized share-based compensation expense to be recognized over future periods approximated \$6.1 million. This amount will be recognized as expense over a weighted-average period of 1.8 years. Share-based compensation expenses are recognized on a straight-line basis over the requisite service period of the agreement. All share-based compensation is classified as equity awards except for cash-settled performance units, which are classified as liabilities.

[Table of Contents](#)

The Company allows for the settlement of share-based awards on a net share basis. With net share settlement, the employee does not surrender any cash or shares upon the exercise of stock options or the vesting of stock awards or stock units. Rather, the Company withholds the number of shares with a value equivalent to the option exercise price (for stock options) and the statutory tax withholding (for all share-based awards). Net share settlements have the effect of reducing the number of shares that would have otherwise been issued as a result of exercise or vesting.

Long-term incentive program: The Company issues nonqualified stock options, performance-contingent restricted stock units (“RSU”), and cash-settled performance units (“CSPU”) to executive management and certain other members of senior management under a long-term incentive program. Recurring annual grants are at the discretion of the Board and were made in October 2014 (for the 2014 calendar year), in April 2015 (for the 2015 calendar year), in March 2016 (for the 2016 calendar year), and in March 2017 (for the 2017 calendar year). The grants include cliff and graded vesting completing at the end of the third calendar year, subject to continued employment or as otherwise provided in the underlying award agreements. The actual value of the RSU and CSPU that may be earned can range from 0% to 150% of target based on the achievement of EBITDA and net income per share performance targets (2014 and 2015 grants) or the percentile ranking of the Company’s compound annual growth rate of net income and net income per share compared to a public company peer group (2016 and 2017 grants) over a three-year period.

In 2016, the Company introduced a key team member incentive program for certain members of senior management. Recurring annual participation in the program is at the discretion of the Board and executive management. Each participant in the program is eligible to earn a restricted stock award, subject to performance over a one-year period. Payout under the program can range from 0% to 150% of target based on the achievement of five Company performance metrics and individual performance goals (subject to continued employment and certain other terms and conditions of the program). If earned, the restricted stock award is issued following the one-year performance period and vests ratably over a subsequent two-year period (subject to continued employment or as otherwise provided in the underlying award agreement).

Inducement and retention program: From time to time, the Company issues share-based awards in conjunction with employment offers to select new employees and retention grants to select existing employees. The Company issues these awards to attract and retain talent and to provide market competitive compensation. The grants have various vesting terms, including fully-vested awards at the grant date, cliff vesting, and graded vesting over periods of 18 months to 5 years (subject to continued employment or as otherwise provided in the underlying award agreements)

Non-employee director compensation program: In 2015 and 2016, the Company awarded its non-employee directors a cash retainer, committee meeting fees, shares of restricted common stock, and nonqualified stock options. The Board revised the compensation arrangement in April 2017 to provide that the equity portion of the compensation program be allocated entirely to restricted stock awards, rather than split evenly between restricted stock awards and nonqualified stock options. The restricted stock awards are granted on the fifth business day following the Company’s annual meeting of stockholders and fully vest upon the earlier of the first anniversary of the grant date or the completion of the directors’ annual service to the Company. In 2015 and 2016, the nonqualified stock option awards were granted on the fifth business day following the Company’s annual meeting of stockholders and were immediately vested on the grant date.

The following are the terms and amounts of the awards issued under the Company’s share-based incentive programs:

Stock options: The exercise price of all stock options is equal to the Company’s closing stock price on the date of grant. Stock options granted are subject to various vesting terms, including graded and cliff vesting over 18-month to 5-year vesting periods. In addition, stock options vest and become exercisable in full or in part under certain circumstances, including following the occurrence of a change of control (as defined in the option award agreements). Participants who are awarded options must exercise their options within a maximum of ten years of the grant date.

The fair value of option grants are estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions for option grants during the periods indicated below.

	Three Months Ended March 31,	
	2017	2016
Expected volatility	44.17%	46.20%
Expected dividends	0.00%	0.00%
Expected term (in years)	5.97	6.00
Risk-free rate	2.17%	1.44%

Expected volatility is based on the Company’s historical stock price volatility. The expected term is calculated by using the simplified method (average of the vesting and original contractual terms) due to insufficient historical data to estimate the expected term. The risk-free rate is based on the zero coupon U.S. Treasury bond rate over the expected term of the awards.

[Table of Contents](#)

The following table summarizes the stock option activity for the three months ended March 31, 2017:

<i>In thousands, except per share amounts</i>	Number of Shares	Weighted-Average Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2017	1,166	\$ 14.66		
Granted	82	19.99		
Exercised	(255)	6.21		
Forfeited	(6)	15.68		
Expired	—	—		
Options outstanding at March 31, 2017	987	\$ 17.28	8.0	\$ 2,557
Options exercisable at March 31, 2017	459	\$ 17.12	7.3	\$ 1,293
Available for grant at March 31, 2017	167			

The following table provides additional stock option information for the periods indicated:

<i>In thousands, except per share amounts</i>	Three Months Ended March 31,	
	2017	2016
Weighted-average grant date fair value per share	\$ 8.97	\$ 7.74
Intrinsic value of options exercised	\$ 4,725	\$ 248
Fair value of stock options that vested	\$ 302	\$ 323

Restricted stock units: Compensation expense for restricted stock units is based on the Company's closing stock price on the date of grant and the probability that certain financial goals are achieved over the performance period. Compensation cost is estimated based on expected performance and is adjusted at each reporting period.

The following table summarizes restricted stock unit activity during the three months ended March 31, 2017:

<i>In thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value
Non-vested units, January 1, 2017	164	\$ 16.07
Granted	84	19.99
Vested	—	—
Forfeited	(31)	17.56
Non-vested units, at March 31, 2017	217	\$ 17.37

The following table provides additional restricted stock unit information for the periods indicated:

	Three Months Ended March 31,	
	2017	2016
Weighted-average grant date fair value per unit	\$ 19.99	\$ 17.08

Cash-settled performance units: Cash-settled performance units will be settled in cash at the end of the performance measurement period and are classified as a liability. The value of cash-settled performance units bears no relationship to the value of the Company's common stock. Compensation cost is estimated based on expected performance and is adjusted at each reporting period.

The following table summarizes cash-settled performance unit activity during the three months ended March 31, 2017:

<i>In thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value
Non-vested units, January 1, 2017	2,641	\$ 1.00
Granted	1,686	1.00
Vested	—	—
Forfeited	(550)	1.00
Non-vested units, at March 31, 2017	3,777	\$ 1.00

Restricted stock awards: The fair value and compensation cost of restricted stock is calculated using the Company’s closing stock price on the date of grant.

The following table summarizes restricted stock activity during the three months ended March 31, 2017:

<i>In thousands, except per share amounts</i>	Shares	Weighted-Average Grant Date Fair Value
Non-vested shares, January 1, 2017	39	\$ 16.46
Granted	50	16.60
Vested	(3)	17.76
Forfeited	—	—
Non-vested shares, at March 31, 2017	<u>86</u>	<u>\$ 16.50</u>

The following table provides additional restricted stock information.

<i>In thousands, except per share amounts</i>	Three Months Ended March 31,	
	2017	2016
Weighted-average grant date fair value per share	\$ 16.60	\$ 17.08
Fair value of restricted stock awards that vested	\$ 45	\$ —

Note 9. Commitments and Contingencies

On May 30, 2014, a securities class action lawsuit was filed in the United States District Court for the Southern District of New York (the “Court”) against the Company and certain of its current and former directors, executive officers, and stockholders (collectively, the “Defendants”). The complaint alleged violations of the Securities Act of 1933 (the “1933 Act Claims”) and sought unspecified compensatory damages and other relief on behalf of a purported class of purchasers of the Company’s common stock in the September 2013 and December 2013 secondary public offerings. On August 25, 2014, Waterford Township Police & Fire Retirement System and City of Roseville Employees’ Retirement System were appointed as lead plaintiffs (collectively, the “Plaintiffs”). An amended complaint was filed on November 24, 2014. In addition to the 1933 Act Claims, the amended complaint also added claims for violations of the Securities Exchange Act of 1934 (the “1934 Act Claims”) seeking unspecified compensatory damages on behalf of a purported class of purchasers of the Company’s common stock between May 2, 2013 and October 30, 2014, inclusive. On January 26, 2015, the Defendants filed a motion to dismiss the amended complaint in its entirety. In response, the Plaintiffs sought and were granted leave to file an amended complaint. On February 27, 2015, the Plaintiffs filed a second amended complaint. Like the prior amended complaint, the second amended complaint asserts 1933 Act Claims and 1934 Act Claims and seeks unspecified compensatory damages. The Defendants’ motion to dismiss the second amended complaint was filed on April 28, 2015, the Plaintiffs’ opposition was filed on June 12, 2015, and the Defendants’ reply was filed on July 13, 2015.

On March 30, 2016, the Court granted the Defendants’ motion to dismiss the second amended complaint in its entirety. On May 23, 2016, the Plaintiffs moved for leave to file a third amended complaint. The Defendants’ opposition brief was filed on June 9, 2016, and the Plaintiffs’ reply was filed on June 20, 2016. On January 27, 2017, the Court denied the Plaintiffs’ motion for leave to file a third amended complaint and directed entry of final judgment in favor of the Defendants. On January 30, 2017, the Court entered final judgment in favor of the Defendants. On March 1, 2017, Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit. Plaintiffs/Appellants’ appellate brief is due on or before June 13, 2017. The Company believes that the claims against it are without merit and will continue to defend against the litigation vigorously.

The Company’s primary insurance carrier during the applicable time period has (i) denied coverage for the 1933 Act Claims and (ii) acknowledged coverage of the Company and other insureds for the 1934 Act Claims under a reservation of rights and subject to the terms and conditions of the applicable insurance policy. The parties plan to negotiate an allocation between denied and acknowledged claims, as appropriate.

In the normal course of business, the Company has been named as a defendant in legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities. Some of the actual or threatened legal actions include claims for compensatory and punitive damages or claims for indeterminate amounts of damages. While the Company will continue to identify legal actions where the Company believes a material loss to be reasonably possible and reasonably estimable, there can be no assurance that material losses will not be incurred from claims that the Company has not yet been notified of or are not yet determined to be probable, or reasonably possible and reasonable to estimate.

The Company contests liability and the amount of damages, as appropriate, in each pending matter. Where available information indicates that it is probable that a liability has been incurred and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to net income. In many actions, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of loss. In addition, even where a loss is reasonably possible or an exposure to loss exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

[Table of Contents](#)

For certain legal actions, the Company cannot reasonably estimate such losses, particularly for actions that are in their early stages of development or where plaintiffs seek indeterminate damages. Numerous issues may need to be resolved, including through lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the actions in question, before a loss, additional loss, range of loss, or range of additional loss can be reasonably estimated for any given action.

For certain other legal actions, the Company can estimate reasonably possible losses, additional losses, ranges of loss, or ranges of additional loss in excess of amounts accrued, but the Company does not believe, based on current knowledge and after consultation with counsel, that such losses will have a material adverse effect on the consolidated financial statements.

The Company expenses legal costs as they are incurred.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q. These discussions contain forward-looking statements that reflect our current expectations and that include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, expectations regarding demand and acceptance for our financial products, growth opportunities and trends in the market in which we operate, prospects, and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements involve risks and uncertainties that could cause actual results or events to differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements. Such risks and uncertainties include, without limitation, the risks set forth in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (which was filed with the SEC on February 10, 2017) and this Quarterly Report on Form 10-Q. The forward-looking information we have provided in this Quarterly Report on Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise such statements, except as required by the federal securities laws.

Overview

We are a diversified consumer finance company providing a broad array of loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other traditional lenders. We began operations in 1987 with four branches in South Carolina and have expanded our branch network to 344 locations in the states of Alabama, Georgia, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia as of March 31, 2017. Most of our loan products are secured, and each is structured on a fixed rate, fixed term basis with fully amortizing equal monthly installment payments, repayable at any time without penalty. Our loans are sourced through our multiple channel platform, which includes our branches, direct mail campaigns, automobile dealerships, retailers, and our consumer website. We operate an integrated branch model in which nearly all loans, regardless of origination channel, are serviced through our branch network, providing us with frequent in-person contact with our customers, which we believe improves our credit performance and customer loyalty. Our goal is to consistently and soundly grow our finance receivables and manage our portfolio risk while providing our customers with attractive and easy-to-understand loan products that serve their varied financial needs.

Our diversified product offerings include:

- *Small Loans ($\leq \$2,500$)* – As of March 31, 2017, we had 255.4 thousand small installment loans outstanding, representing \$335.6 million in finance receivables. This included 80.9 thousand small loan convenience checks, representing \$89.4 million in finance receivables as of March 31, 2017.
- *Large Loans ($> \$2,500$)* – As of March 31, 2017, we had 58.5 thousand large installment loans outstanding, representing \$242.4 million in finance receivables. This included 1.4 thousand large loan convenience checks, representing \$3.4 million in finance receivables as of March 31, 2017.
- *Automobile Loans* – As of March 31, 2017, we had 9.9 thousand automobile purchase loans outstanding, representing \$85.9 million in finance receivables. This included 5.0 thousand indirect automobile loans and 4.9 thousand direct automobile loans, representing \$46.3 million and \$39.5 million in finance receivables, respectively.
- *Retail Loans* – As of March 31, 2017, we had 21.3 thousand retail purchase loans outstanding, representing \$31.2 million in finance receivables.
- *Optional Insurance Products* – We offer optional payment and collateral protection insurance to our direct loan customers.

Small and large installment loans are our core products and will be the drivers of our future growth. Our primary sources of revenue are interest and fee income from our loan products, of which interest and fees relating to small and large installment loans are the largest component. In addition to interest and fee income from loans, we derive revenue from optional insurance products purchased by customers of our direct loan products.

Factors Affecting Our Results of Operations

Our business is driven by several factors affecting our revenues, costs, and results of operations, including the following:

Quarterly Information and Seasonality. Our loan volume and contractual delinquency follow seasonal trends. Demand for our small and large loans is typically highest during the second, third, and fourth quarters, which we believe is largely due to customers borrowing money for vacations, back-to-school, and holiday spending. With the exception of automobile and retail loans, loan demand has generally been the lowest during the first quarter, which we believe is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first quarter of the year and rise throughout the remainder of the fiscal year. Consequently, we experience seasonal fluctuations in our operating results and cash needs.

Growth in Loan Portfolio. The revenue that we derive from interest and fees is largely driven by the balance of loans that we originate and purchase. Average finance receivables grew 14.8% from \$572.8 million in 2015 to \$657.4 million in 2016. Average finance receivables grew 14.9% from \$617.5 million in the first three months of 2016 to \$709.3 million in the first three months of 2017. We source our loans through our branches and our direct mail program, as well as through automobile dealerships, retail partners, and our consumer website. Our loans are made almost exclusively in geographic markets served by our network of branches. Increasing the number of loans per branch and the number of branches we operate allows us to increase the number of loans that we are able to service. We opened 8 and 31 net new branches in 2016 and 2015, respectively. We opened 5 and 8 net new branches in the first three months of 2017 and 2016, respectively. We believe we have the opportunity to add as many as 700 additional branches in states where it is currently favorable for us to conduct business, and we have plans to continue to grow our branch network.

Product Mix. We charge different interest rates and fees and are exposed to different credit risks with respect to the various types of loans we offer. Our product mix also varies to some extent by state, and we may further diversify our product mix in the future.

Asset Quality and Allowance for Credit Losses. Our results of operations are highly dependent upon the quality of our loan portfolio. The quality of our loan portfolio is the result of our ability to enforce sound underwriting standards, maintain diligent servicing of the portfolio, and respond to changing economic conditions as we grow our loan portfolio. In late 2014, we created a credit risk function and have been making changes to continue to improve our credit underwriting guidelines. We believe that these changes have impacted, and will continue to impact, our business and results of operations, and have improved the credit quality of our portfolio. We will continue to monitor how these changes impact our business and results of operations, and we will make further revisions to our credit underwriting guidelines when appropriate.

The allowance for credit losses calculation uses the current delinquency profile and historical delinquency roll rates as key data points in estimating the allowance. We believe that the primary underlying factors driving the provision for credit losses for each loan type are our underwriting standards, the general economic conditions in the areas in which we conduct business, portfolio growth, and the effectiveness of our collection efforts. In addition, the market for repossessed automobiles at auction is another underlying factor that we believe influences the provision for credit losses for automobile purchase loans and, to a lesser extent, large loans. We monitor these factors, and the amount and past due status of delinquencies for all loans one or more days past due, to identify trends that might require us to modify the allowance for credit losses.

Interest Rates. Our costs of funds are affected by changes in interest rates, and the interest rate that we pay on our senior revolving credit facility is a variable rate. We have purchased interest rate cap contracts with an aggregate notional principal amount of \$200.0 million and 2.50% strike rates against the one-month LIBOR. \$150.0 million of these contracts expire in April 2018, with the remaining \$50.0 million expiring in March 2019. When the one-month LIBOR exceeds 2.50%, the counterparty reimburses us for the excess over 2.50%. No payment is required by us or the counterparty when the one-month LIBOR is below 2.50%.

Operating Costs. Our financial results are impacted by the costs of operations and home office functions. Those costs are included in general and administrative expenses on our consolidated statements of income. Our receivable efficiency ratio (annualized sum of general and administrative expenses divided by average finance receivables) was 17.7% for the first three months of 2017 compared to 19.3% for the same period of 2016. While this ratio is relatively in line with industry standards, we have a number of initiatives underway that we believe will improve our operating leverage over the next couple of years, including the continued transition to our new loan management system, which will allow us to accept electronic payments and reduce the amount of time it takes to originate a loan.

Components of Results of Operations

Interest and Fee Income. Our interest and fee income consists primarily of interest earned on outstanding loans. We cease accruing interest on a loan when the customer is 90 days contractually past due. Interest accrual resumes when the account is less than 90 days contractually past due. If the account is charged off, the interest accrual is reversed as a reduction of interest and fee income during the period the credit loss occurs.

Most states allow certain fees in connection with lending activities, such as loan origination fees, acquisition fees, and maintenance fees. Some states allow for higher fees while keeping interest rates lower. Loan fees are additional charges to the customer and are included in the annual percentage rate shown in the Truth in Lending disclosure we make to our customers. The fees may or may not be refundable to the customer in the event of an early payoff, depending on state law. Fees are accrued to income over the life of the loan on the constant yield method.

Insurance Income, Net. Our insurance income, net consists of revenue, net of expenses, from the sale of various optional payment and collateral protection insurance products offered to customers who obtain loans directly from us. We do not sell insurance to non-borrowers. We offer optional credit life insurance, credit accident and health insurance, credit involuntary unemployment insurance, and personal property insurance. The type and terms of our optional insurance products vary from state to state based on applicable laws and regulations. In addition, we require property insurance on any personal property securing loans and offer customers the option of providing proof of such insurance purchased from a third party in lieu of purchasing property insurance from us. We also collect a fee for collateral protection and purchase non-filing insurance in lieu of recording and perfecting our security interest in the assets pledged on certain loans. We require proof of insurance for any vehicles securing loans. In addition, in select markets, we offer vehicle single interest insurance and a Guaranteed Asset Protection (“GAP”) waiver product. Vehicle single interest insurance provides coverage on automobiles used as collateral on small and large loans. This insurance affords the borrower flexibility regarding the requirement to maintain full coverage on the vehicle while also protecting the collateral used to secure the loan. The GAP waiver product reduces or eliminates any loan balance remaining following payment by a primary insurance carrier.

During 2016, we transitioned our insurance administration to a new unaffiliated third party provider, which resulted in variances in the premiums we charge for the products we offer. Additionally, we continually assess the costs of our products for an equitable balance of costs and benefits. Due to the transition to a new vendor and our ongoing assessment of costs, premiums may change, which may impact the revenue and/or costs of our insurance operations.

We issue insurance certificates as agents on behalf of an unaffiliated insurance company and then remit to the unaffiliated insurance company the premiums we collect (net of refunds on prepaid loans and net of commission on new business). The unaffiliated insurance company cedes life insurance premiums to our wholly-owned insurance subsidiary, RMC Reinsurance, Ltd. (“RMC Reinsurance”), as written and non-life premiums as earned. We maintain cash reserves for life insurance claims in an amount determined by the unaffiliated insurance companies. As of March 31, 2017, the restricted cash balance for these cash reserves was \$4.9 million. The unaffiliated insurance companies maintain the reserves for non-life claims. Insurance income, net includes all of the above-described insurance premiums, claims, and expenses.

Other Income. Our other income consists primarily of late charges assessed on customers who fail to make a payment within a specified number of days following the due date of the payment. In addition, fees for extending the due date of a loan and returned check charges are included in other income.

Provision for Credit Losses. Provisions for credit losses are charged to income in amounts that we estimate as sufficient to maintain an allowance for credit losses at an adequate level to provide for estimated losses on the related finance receivables portfolio. Credit loss experience, delinquency of finance receivables, portfolio growth, the value of underlying collateral, and management’s judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. Our provision for credit losses fluctuates so that we maintain an adequate credit loss allowance that reflects our estimate of losses over the effective life of our loan portfolios. Changes in our delinquency and net credit loss rates may result in changes to our provision for credit losses. Future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance.

General and Administrative Expenses. Our general and administrative expenses are comprised of four categories: personnel, occupancy, marketing, and other. We measure our general and administrative expenses as a percentage of average finance receivables, which we refer to as our receivable efficiency ratio.

Our personnel expenses are the largest component of our general and administrative expenses and consist primarily of the salaries and wages, bonuses, benefits, and related payroll taxes associated with all of our branch, field, and home office employees.

Our occupancy expenses consist primarily of the cost of renting our facilities, all of which are leased, as well as the utility, depreciation of leasehold improvements and furniture and fixtures, telecommunication, data processing, and other non-personnel costs associated with operating our business.

Our marketing expenses consist primarily of costs associated with our direct mail campaigns (including postage and costs associated with selecting recipients) and maintaining our consumer website, as well as some local marketing by branches. These costs are expensed as incurred.

[Table of Contents](#)

Other expenses consist primarily of legal, compliance, audit, consulting, non-employee director compensation, amortization of software licenses and implementation costs, bank service charges, office supplies, and credit bureau charges. We expect legal and compliance costs to remain elevated due to the regulatory environment in the consumer finance industry and as a result of certain litigation matters, including those discussed in Part II, Item 1. “Legal Proceedings.” For a discussion regarding how risks and uncertainties associated with legal proceedings and the current regulatory environment may impact our future expenses, net income, and overall financial condition, see Part II, Item 1A. “Risk Factors” and the filings referenced therein.

Interest Expense. Our interest expense consists primarily of paid and accrued interest for long-term debt, unused line fees, and amortization of debt issuance costs on long-term debt. Interest expense also includes costs attributable to the interest rate caps that we use to manage our interest rate risk. Changes in the fair value of the interest rate caps are reflected in interest expense.

Income Taxes. Income taxes consist primarily of state and federal income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The change in deferred tax assets and liabilities is recognized in the period the change occurs, and the effects of future tax rate changes are recognized in the period when the enactment of new rates occurs.

Results of Operations

The following table summarizes our results of operations, both in dollars and as a percentage of average receivables (annualized):

<i>In thousands</i>	1Q'17		1Q'16	
	Amount	% of Average Receivables	Amount	% of Average Receivables
Revenue				
Interest and fee income	\$59,255	33.4%	\$51,300	33.2%
Insurance income, net	3,805	2.1%	2,939	1.9%
Other income	2,760	1.6%	2,458	1.6%
Total revenue	65,820	37.1%	56,697	36.7%
Expenses				
Provision for credit losses	19,134	10.8%	13,791	8.9%
Personnel	18,168	10.2%	17,127	11.1%
Occupancy	5,285	3.0%	4,863	3.2%
Marketing	1,205	0.7%	1,515	1.0%
Other	6,796	3.8%	6,300	4.0%
Total general and administrative	31,454	17.7%	29,805	19.3%
Interest expense	5,213	2.9%	4,710	3.1%
Income before income taxes	10,019	5.7%	8,391	5.4%
Income taxes	2,385	1.4%	3,215	2.0%
Net income	\$ 7,634	4.3%	\$ 5,176	3.4%

[Table of Contents](#)

The following table summarizes the quarterly trend of our financial results:

<i>In thousands, except per share amounts</i>	Quarterly Trend					QoQ \$ B(W)	YoY \$ B(W)
	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17		
Revenue							
Interest and fee income	\$ 51,300	\$ 52,589	\$ 57,420	\$ 59,654	\$ 59,255	\$ (399)	\$ 7,955
Insurance income, net	2,939	2,601	2,346	1,570	3,805	2,235	866
Other income	2,458	2,135	2,709	2,797	2,760	(37)	302
Total revenue	56,697	57,325	62,475	64,021	65,820	1,799	9,123
Expenses							
Provision for credit losses	13,791	13,386	16,410	19,427	19,134	293	(5,343)
Personnel	17,127	16,674	18,180	16,998	18,168	(1,170)	(1,041)
Occupancy	4,863	4,770	5,175	5,251	5,285	(34)	(422)
Marketing	1,515	2,062	1,786	1,474	1,205	269	310
Other	6,300	6,042	5,312	5,103	6,796	(1,693)	(496)
Total general and administrative	29,805	29,548	30,453	28,826	31,454	(2,628)	(1,649)
Interest expense	4,710	4,811	5,116	5,287	5,213	74	(503)
Income before income taxes	8,391	9,580	10,496	10,481	10,019	(462)	1,628
Income taxes	3,215	3,668	4,020	4,014	2,385	1,629	830
Net income	\$ 5,176	\$ 5,912	\$ 6,476	\$ 6,467	\$ 7,634	\$ 1,167	\$ 2,458
Net income per common share:							
Basic	\$ 0.41	\$ 0.50	\$ 0.57	\$ 0.57	\$ 0.66	\$ 0.09	\$ 0.25
Diluted	\$ 0.40	\$ 0.49	\$ 0.56	\$ 0.55	\$ 0.65	\$ 0.10	\$ 0.25
Weighted-average shares outstanding:							
Basic	12,756	11,756	11,384	11,408	11,494	(86)	1,262
Diluted	12,949	11,974	11,664	11,763	11,715	48	1,234
Net interest margin	\$ 51,987	\$ 52,514	\$ 57,359	\$ 58,734	\$ 60,607	\$ 1,873	\$ 8,620
Net credit margin	\$ 38,196	\$ 39,128	\$ 40,949	\$ 39,307	\$ 41,473	\$ 2,166	\$ 3,277
	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	QoQ \$ Inc (Dec)	YoY \$ Inc (Dec)
Total assets	\$609,707	\$642,803	\$691,329	\$712,224	\$690,432	\$ (21,792)	\$80,725
Finance receivables	\$607,363	\$645,744	\$696,149	\$717,775	\$695,004	\$ (22,771)	\$87,641
Allowance for credit losses	\$ 36,230	\$ 36,200	\$ 39,100	\$ 41,250	\$ 41,000	\$ (250)	\$ 4,770
Long-term debt	\$396,543	\$441,147	\$481,766	\$491,678	\$462,994	\$ (28,684)	\$66,451

Comparison of March 31, 2017, Versus March 31, 2016

The following discussion and table describe the changes in finance receivables by product type:

- *Small Loans ($\leq \$2,500$)* – Small loans outstanding increased by \$25.1 million, or 8.1%, to \$335.6 million at March 31, 2017, from \$310.5 million at March 31, 2016, despite the up-sell of many small loan customers to large loans. The growth in receivables in branches opened in 2015 and 2016 contributed to the growth in overall small loans outstanding.
- *Large Loans ($> \$2,500$)* – Large loans outstanding increased by \$80.1 million, or 49.3%, to \$242.4 million at March 31, 2017 from \$162.3 million at March 31, 2016. The increase was primarily due to increased marketing and the up-sell of many small loan customers to large loans.
- *Automobile Loans* – Automobile loans outstanding decreased by \$20.4 million, or 19.2%, to \$85.9 million at March 31, 2017, from \$106.3 million at March 31, 2016 as we continued to restructure our automobile loan business to a centralized model. We expect that the automobile loan portfolio will liquidate at a slower rate in 2017 compared to 2016.
- *Retail Loans* – Retail loans outstanding increased \$2.9 million, or 10.4%, to \$31.2 million at March 31, 2017, from \$28.3 million at March 31, 2016. The increase in retail loans outstanding resulted from the additional relationships we established with new retailers, an increase in average loan amount, and an expansion of volume through our existing relationships.

In thousands	Finance Receivables by Product						
	1Q'17	4Q'16	QoQ \$ Inc (Dec)	QoQ % Inc (Dec)	1Q'16	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$335,552	\$358,471	\$ (22,919)	(6.4)%	\$310,502	\$ 25,050	8.1%
Large loans	242,380	235,349	7,031	3.0%	162,301	80,079	49.3%
Total core loans	577,932	593,820	(15,888)	(2.7)%	472,803	105,129	22.2%
Automobile loans	85,869	90,432	(4,563)	(5.0)%	106,297	(20,428)	(19.2)%
Retail loans	31,203	33,523	(2,320)	(6.9)%	28,263	2,940	10.4%
Total finance receivables	<u>\$695,004</u>	<u>\$717,775</u>	<u>\$ (22,771)</u>	<u>(3.2)%</u>	<u>\$607,363</u>	<u>\$ 87,641</u>	<u>14.4%</u>
Number of branches at period end	344	339	5	1.5%	339	5	1.5%
Average finance receivables per branch	<u>\$ 2,020</u>	<u>\$ 2,117</u>	<u>\$ (97)</u>	<u>(4.6)%</u>	<u>\$ 1,792</u>	<u>\$ 228</u>	<u>12.7%</u>

Comparison of the Three Months Ended March 31, 2017, Versus the Three Months Ended March 31, 2016

Net Income. Net income increased \$2.5 million, or 47.5%, to \$7.6 million during the three months ended March 31, 2017 from \$5.2 million during the prior year period. The increase was primarily due to an increase in revenue of \$9.1 million and a decrease in income taxes of \$0.8 million, offset by an increase in provision for credit losses of \$5.3 million, an increase in general and administrative expenses of \$1.6 million, and an increase in interest expense of \$0.5 million.

Revenue. Total revenue increased \$9.1 million, or 16.1%, to \$65.8 million during the three months ended March 31, 2017, from \$56.7 million during the prior year period. The components of revenue are explained in greater detail below.

Interest and Fee Income. Interest and fee income increased \$8.0 million, or 15.5%, to \$59.3 million during the three months ended March 31, 2017, from \$51.3 million during the prior year period. The increase in interest and fee income was primarily due to a 14.9% increase in average finance receivables.

[Table of Contents](#)

The following table sets forth the average finance receivables balance and average yield for each of our loan product categories:

<i>In thousands</i>	Average Finance Receivables for the Quarter Ended			Average Yields for the Quarter Ended		
	1Q'17	4Q'16	QoQ % Inc (Dec)	1Q'17	4Q'16	QoQ % Inc (Dec)
Small loans	\$ 349,521	\$ 354,276	(1.3)%	42.3%	42.6%	(0.3)%
Large loans	239,033	225,786	5.9%	28.7%	29.0%	(0.3)%
Automobile loans	88,150	93,866	(6.1)%	16.6%	17.0%	(0.4)%
Retail loans	32,560	33,013	(1.4)%	18.7%	19.0%	(0.3)%
Total interest and fee yield	\$ 709,264	\$ 706,941	0.3%	33.4%	33.8%	(0.4)%
Total revenue yield	\$ 709,264	\$ 706,941	0.3%	37.1%	36.2%	0.9%

<i>In thousands</i>	Average Finance Receivables for the Quarter Ended			Average Yields for the Quarter Ended		
	1Q'17	1Q'16	YoY % Inc (Dec)	1Q'17	1Q'16	YoY % Inc (Dec)
Small loans	\$ 349,521	\$ 325,649	7.3%	42.3%	41.9%	0.4%
Large loans	239,033	152,938	56.3%	28.7%	28.2%	0.5%
Automobile loans	88,150	111,008	(20.6)%	16.6%	18.2%	(1.6)%
Retail loans	32,560	27,923	16.6%	18.7%	19.2%	(0.5)%
Total interest and fee yield	\$ 709,264	\$ 617,518	14.9%	33.4%	33.2%	0.2%
Total revenue yield	\$ 709,264	\$ 617,518	14.9%	37.1%	36.7%	0.4%

Small and large loan yields increased 0.4% and 0.5%, respectively, compared to the prior year period as a result of adjusted pricing that reflects current market conditions. Automobile loan yields decreased 1.6% compared to the prior year period due to our revised pricing model for our automobile loan program.

The following table represents the amount of loan originations and refinancing net of unearned finance charges:

<i>In thousands</i>	Net Loans Originated					
	1Q'17	4Q'16	QoQ \$ Inc (Dec)	QoQ % Inc (Dec)	1Q'16	YoY \$ Inc (Dec)
Small loans	\$115,359	\$152,868	\$(37,509)	(24.5)%	\$114,377	\$ 982
Large loans	57,020	67,273	(10,253)	(15.2)%	48,569	8,451
Automobile loans	8,789	8,099	690	8.5%	8,485	304
Retail loans	6,264	8,043	(1,779)	(22.1)%	8,701	(2,437)
Total net loans originated	\$187,432	\$236,283	\$(48,851)	(20.7)%	\$180,132	\$ 7,300

The following table summarizes the components of the increase in interest and fee income:

<i>In thousands</i>	Components of Increase in Interest and Fee Income 1Q'17 Compared to 1Q'16 Increase (Decrease)		
	Volume	Rate	Net
Small loans	\$ 2,520	\$ 272	\$ 2,792
Large loans	6,176	211	6,387
Automobile loans	(975)	(431)	(1,406)
Retail loans	218	(36)	182
Total increase in interest and fee income	\$ 7,939	\$ 16	\$ 7,955

Insurance Income, Net. Insurance income, net increased \$0.9 million, or 29.5%, to \$3.8 million during the three months ended March 31, 2017 from \$2.9 million during the prior year period. Annualized insurance income, net as a percentage of average finance receivables increased to 2.1% for the three months ended March 31, 2017 from 1.9% during the prior year period. The increase from the prior year period was primarily due to a transition in insurance carriers during the three months ended March 31, 2017, causing some of our insurance claims to impact net credit losses instead of insurance income, net.

Other Income . Other income, which consists primarily of late charges, increased \$0.3 million, or 12.3%, to \$2.8 million during the three months ended March 31, 2017 from \$2.5 million during the prior year period. Annualized other income represented 1.6% of average receivables during both the first three months of 2017 and the prior year period.

Provision for Credit Losses. Our provision for credit losses increased \$5.3 million, or 38.7%, to \$19.1 million during the three months ended March 31, 2017 from \$13.8 million during the prior year period. The provision for credit losses represented 10.8% of average receivables during the first three months of 2017 compared to 8.9% of average receivables during the prior year period. The increase in the provision for credit losses was due to an increase in net credit losses of \$4.4 million and a change in the estimated allowance of \$1.0 million, primarily due to reserves associated with the change in insurance provider.

Net credit losses increased \$4.4 million, or 29.1%, to \$19.4 million during the three months ended March 31, 2017 from \$15.0 million during the prior year period. Net credit losses for the first quarter of 2017 included \$1.0 million of losses due to a temporary shift of certain insurance claims into net credit losses during a transition in our insurance provider. Annualized net credit losses as a percentage of average receivables were 10.9% during the first three months of 2017 compared to 9.7% during the prior year period. To improve future net credit losses, we reduced lending to specific underperforming segments of our customer base starting in the fourth quarter of 2016 and continuing in the first quarter of 2017. As a result of our credit policy tightening and our improved early and late stage delinquencies at the end of the first quarter of 2017, we expect net credit losses in the second and third quarter of 2017 to be lower compared to the first quarter of 2017. However, the full provision for credit losses will continue at or near its current level due to the incremental provision associated with portfolio growth during these quarters.

We evaluate delinquency and losses in each of our loan categories in establishing the allowance for credit losses. The following table sets forth our allowance for credit losses compared to the related finance receivables:

	1Q'17			4Q'16		
	Finance Receivables	Allowance for Credit Losses	Allowance as Percentage of Related Finance Receivables	Finance Receivables	Allowance for Credit Losses	Allowance as Percentage of Related Finance Receivables
<i>In thousands</i>						
Small loans	\$ 335,552	\$ 20,575	6.1%	\$ 358,471	\$ 21,770	6.1%
Large loans	242,380	12,675	5.2%	235,349	11,460	4.9%
Automobile loans	85,869	5,775	6.7%	90,432	5,910	6.5%
Retail loans	31,203	1,975	6.3%	33,523	2,110	6.3%
Total	\$ 695,004	\$ 41,000	5.9%	\$ 717,775	\$ 41,250	5.7%

The allowance as a percentage of related finance receivables increased to 5.9% as of March 31, 2017, from 5.7% as of December 31, 2016, due to the continued seasoning of the large loan portfolio.

Delinquencies 1 day and over past due as a percentage of total finance receivables decreased to 15.7% as of March 31, 2017, from 16.7% as of March 31, 2016. Delinquencies 30 days or more past due as a percentage of total finance receivables increased to 6.5% as of March 31, 2017, from 6.2% as of March 31, 2016. The increase was primarily due to the seasoning of our large loan portfolio. The following tables include delinquency balances by aging category and by product:

	Contractual Delinquency by Aging					
	1Q'17		4Q'16		1Q'16	
<i>In thousands</i>						
Allowance for credit losses	\$ 41,000	5.9%	\$ 41,250	5.7%	\$ 36,230	6.0%
Current	586,085	84.3%	587,202	81.9%	505,801	83.3%
1 to 29 days past due	63,978	9.2%	77,106	10.7%	63,686	10.5%
Delinquent accounts:						
30 to 59 days	13,860	2.1%	16,727	2.3%	11,986	1.9%
60 to 89 days	9,889	1.4%	11,641	1.6%	7,640	1.3%
90 to 119 days	7,569	1.0%	10,021	1.4%	7,099	1.1%
120 to 149 days	6,975	1.0%	8,205	1.1%	5,914	1.0%
150 to 179 days	6,648	1.0%	6,873	1.0%	5,237	0.9%
Total contractual delinquency	\$ 44,941	6.5%	\$ 53,467	7.4%	\$ 37,876	6.2%
Total finance receivables	\$695,004	100.0%	\$717,775	100.0%	\$607,363	100.0%
1 day and over past due	\$108,919	15.7%	\$130,573	18.1%	\$101,562	16.7%

[Table of Contents](#)

<i>In thousands</i>	Contractual Delinquency by Product					
	1Q'17		4Q'16		1Q'16	
Small loans	\$26,573	7.9%	\$32,955	9.2%	\$24,978	8.0%
Large loans	12,142	5.0%	12,114	5.1%	5,561	3.4%
Automobile loans	4,513	5.3%	6,300	7.0%	6,120	5.8%
Retail loans	1,713	5.5%	2,098	6.3%	1,217	4.3%
Total contractual delinquency	<u>\$44,941</u>	<u>6.5%</u>	<u>\$53,467</u>	<u>7.4%</u>	<u>\$37,876</u>	<u>6.2%</u>

General and Administrative Expenses. Our general and administrative expenses, comprising expenses for personnel, occupancy, marketing, and other expenses, increased \$1.6 million, or 5.5%, to \$31.5 million during the three months ended March 31, 2017 from \$29.8 million during the prior year period. Our receivable efficiency ratio (annualized general and administrative expenses as a percentage of average finance receivables) decreased to 17.7% during the three months ended March 31, 2017 from 19.3% during the prior year period.

<i>In thousands</i>	General & Administrative Expenses Trend					
	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	YoY \$ B(W)
Legacy operations expenses	\$19,811	\$18,224	\$19,596	\$19,238	\$20,497	\$ (686)
2017 new branch expenses					276	(276)
Total operations expenses	<u>19,811</u>	<u>18,224</u>	<u>19,596</u>	<u>19,238</u>	<u>20,773</u>	<u>(962)</u>
Marketing expenses	1,515	2,062	1,786	1,474	1,205	310
Home office expenses	<u>8,479</u>	<u>9,262</u>	<u>9,071</u>	<u>8,114</u>	<u>9,476</u>	<u>(997)</u>
Total G&A expenses	<u>\$29,805</u>	<u>\$29,548</u>	<u>\$30,453</u>	<u>\$28,826</u>	<u>\$31,454</u>	<u>\$(1,649)</u>

Operations general and administrative expenses increased \$1.0 million during the three months ended March 31, 2017 compared to the prior year period. This increase was primarily due to costs related to the opening of 5 net new branches since March 31, 2016 and higher collection expenses. Home office general and administrative expenses increased \$1.0 million during the three months ended March 31, 2017 compared to the prior year period primarily due to an increase in incentive plan expenses and increased headcount. Home office general and administrative expenses for both the first quarters of 2017 and 2016 include \$0.4 million of loan system conversion costs. In 2016, we began using the new loan management system in our North Carolina, Virginia, and New Mexico branches, and we expect to convert to the new loan management system in our remaining six states by the end of 2017. We expect technology costs to remain elevated in 2017 in connection with our efforts to transition to our new loan management system. The increase in general and administrative expenses is explained in greater detail below.

Personnel. The largest component of general and administrative expenses is personnel expense, which increased \$1.0 million, or 6.1%, to \$18.2 million during the three months ended March 31, 2017 from \$17.1 million during the prior year period. Home office personnel expense increased \$0.4 million in the three months ended March 31, 2017 from added headcount primarily in our information technology, marketing, and credit risk departments offset by lower recruiting fees. Incentive compensation expense increased \$0.7 million primarily due to the 2016 annual grant of awards under our long-term incentive plan, which have three-year performance targets. The 2016 annual grant of awards were made at the end of the first quarter of 2016 and, therefore, no expense for the 2016 annual grant of awards was incurred during the three months ended March 31, 2016.

Occupancy. Occupancy expenses increased \$0.4 million, or 8.7%, to \$5.3 million during the three months ended March 31, 2017 from \$4.9 million during the prior year period. The increase in occupancy expenses was due to costs related to the opening of 5 net new branches since the prior year period, branch relocations, and expenses associated with a larger home office building. Additionally, we frequently experience increases in rent as we renew existing branch leases.

Marketing. Marketing expenses decreased \$0.3 million, or 20.5%, to \$1.2 million during the three months ended March 31, 2017 from \$1.5 million during the prior year period. The decrease was primarily due to a 17.0% decrease in total direct mail marketing compared to the prior year period. The reduction in total mail quantity was the result of our efforts to fine-tune our processes and shift marketing spend out of the first quarter, when demand is typically lower, and into the latter three quarters, when demand is typically stronger.

Other Expenses. Other expenses increased \$0.5 million, or 7.9%, to \$6.8 million during the three months ended March 31, 2017 from \$6.3 million during the prior year period. The increase was primarily due to a \$0.4 million increase in collection expenses related to higher delinquency in late 2016 and a \$0.1 million increase in bank charges due to a higher branch count and increased fees for accepting debit card payments.

Interest Expense. Interest expense on long-term debt increased \$0.5 million, or 10.7%, to \$5.2 million during the three months ended March 31, 2017 from \$4.7 million during the prior year period. The increase was primarily due to an increase in the average balance of our senior revolving credit facility due to loan growth, offset by lower debt issuance costs, lower rate cap expense, and lower unused line fees. The average cost of our long-term debt decreased 0.34% to 4.37% for the three months ended March 31, 2017 from 4.71% for the prior year period.

Income Taxes. Income taxes decreased \$0.8 million, or 25.8%, to \$2.4 million during the three months ended March 31, 2017 from \$3.2 million during the prior year period. The decrease was primarily due to \$1.5 million in tax benefits related to the exercise of stock options, offset by an increase in our net income before taxes. Our effective tax rates were 23.8% and 38.3% for the three months ended March 31, 2017 and 2016, respectively. The tax benefits reduced the effective tax rate by 14.5% for the three months ended March 31, 2017.

Liquidity and Capital Resources

Our primary cash needs relate to the funding of our lending activities and, to a lesser extent, capital expenditures relating to expanding and maintaining our branch locations. In connection with our plans to expand our branch network and improve our technology infrastructure in future years, we will incur approximately \$4.0 million to \$10.0 million of capital expenditures annually. We have historically financed, and plan to continue to finance, our short-term and long-term operating liquidity and capital needs through a combination of cash flows from operations and borrowings under our senior revolving credit facility and the amortizing loan that we closed in December 2015. We believe that cash flow from operations and borrowings under our senior revolving credit facility and amortizing loan will be adequate to fund the expected cost of opening or acquiring new branches, including funding initial operating losses of new branches and funding finance receivables originated by those branches and our other branches, for the next twelve months. From time to time, we have needed an increase in the borrowing limits under our senior revolving credit facility. We have successfully obtained such increases in the past; however, there can be no assurance that this additional funding will be available (or available on reasonable terms) if and when needed. We continue to seek ways to diversify our long-term funding sources, including through securitization of certain loans and other similar transactions.

As part of the \$75.7 million amortizing asset-backed loan to Regional Management Receivables, LLC (“RMR”), \$3.7 million of the cash received by RMR in December 2015 was deposited into a restricted cash reserve account to satisfy provisions of the credit agreement. These reserve requirements decreased to \$1.7 million in June 2016 following our satisfaction of certain provisions of the credit agreement. This restricted cash reserve account requirement will remain at \$1.7 million until the termination of the credit agreement. Additionally, the amortizing loan is supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these accounts are remitted to a restricted cash collection account, which totaled \$2.3 million as of March 31, 2017. On the closing date of this loan, RMR made certain representations and warranties about the quality and nature of these receivables. The credit agreement requires RMR to pay the administrative agent a release fee for the release of receivables in certain circumstances, including circumstances in which the representations and warranties made by RMR concerning the quality and characteristics of the receivables are inaccurate.

As a holding company, almost all of the funds generated from our operations are earned by our operating subsidiaries. In addition, our wholly-owned subsidiary, RMC Reinsurance Ltd., is required to maintain cash reserves against life insurance policies ceded to it, as determined by the ceding company, and has also purchased a cash-collateralized letter of credit in favor of the ceding company. As of March 31, 2017, these reserve requirements totaled \$4.9 million.

Cash Flow.

Operating Activities. Net cash provided by operating activities increased by \$8.5 million, or 41.7%, to \$28.8 million during the three months ended March 31, 2017 from \$20.3 million during the prior year period. The increase was primarily due to higher net income, before provision for credit losses, resulting from growth in the business.

Investing Activities. Investing activities consist of finance receivables originated and purchased, net change in restricted cash, the purchase of intangible assets, and the purchase of property and equipment for new and existing branches. Net cash provided by investing activities during the three months ended March 31, 2017 was \$0.8 million compared to \$3.2 million during the prior year period, a net decrease of \$2.4 million. The decrease was primarily due to lower net repayments of finance receivables.

Financing Activities. Financing activities consist of borrowings and payments on our outstanding indebtedness, issuances of common stock, and repurchases of common stock. During the three months ended March 31, 2017, net cash used in financing activities was \$30.5 million, an increase of \$6.8 million compared to the \$23.7 million net cash used in financing activities during the prior year period. The increase was primarily a result of an increase in net payments on long-term debt of \$14.1 million and taxes paid of \$1.6 million related to net share settlements, offset by stock repurchases of \$8.9 million in the three months ended March 31, 2016.

Financing Arrangements.

Senior Revolving Credit Facility. We entered into the fifth amended and restated senior revolving credit facility with a syndicate of banks in September 2015, which we subsequently amended in May 2016 and August 2016. The senior revolving credit facility provides for up to \$585.0 million in availability, with a borrowing base of up to a maximum of 85% of eligible secured finance receivables and up to a maximum of 70% of eligible unsecured finance receivables, in each case, subject to adjustment at certain credit quality levels (82% and 67% as of March 31, 2017, respectively). The facility matures in August 2019 and has an accordion provision that allows for the expansion of the facility to \$650.0 million. Borrowings under the facility bear interest, payable monthly, at rates equal to LIBOR of a maturity we elect between one and six months, with a LIBOR floor of 1.00%, plus a margin of 3.00%. Alternatively, we may pay interest at a rate based on the prime rate (which was 4.00% as of March 31, 2017) plus a margin of 2.00%. We also pay an unused line fee of 0.50% per annum, payable monthly. This fee decreases to 0.375% when the average outstanding balance exceeds \$400.0 million. Excluding the receivables held by RMR, the senior revolving credit facility is secured by substantially all of our finance receivables and equity interests of the majority of our subsidiaries. The credit agreement contains certain restrictive covenants, including maintenance of specified interest coverage and debt ratios, restrictions on distributions, limitations on other indebtedness, maintenance of a minimum allowance for credit losses, and certain other restrictions.

Our outstanding debt under the senior revolving credit facility was \$430.4 million at March 31, 2017, and the amount available for borrowing, but not yet advanced, was \$64.0 million. At March 31, 2017, we were in compliance with our debt covenants. A year or more in advance of its August 2019 maturity date, we intend to extend the maturity date of the amended and restated senior revolving credit facility or take other appropriate action to address repayment upon maturity. See Part II, Item 1A. “Risk Factors” and the filings referenced therein for a discussion of risks related to our amended and restated senior revolving credit facility, including refinancing risk.

Amortizing Loan. We entered into a credit agreement in December 2015 which provides for a \$75.7 million amortizing loan to RMR that is secured by certain retail installment contracts and promissory notes secured by automobiles, light-duty trucks, minivans, sport utility vehicles, and other passenger vehicles (excluding motorcycles) which either indirectly or directly were originated by certain of our subsidiaries. Our outstanding debt under the credit agreement was \$32.2 million at March 31, 2017.

Interest Rate Caps. We have purchased interest rate cap contracts with an aggregate notional principal amount of \$200.0 million and 2.50% strike rates against the one-month LIBOR. \$150.0 million of these contracts expire in April 2018, with the remaining \$50.0 million expiring in March 2019. When the one-month LIBOR exceeds 2.50%, the counterparty reimburses us for the excess over 2.50%. No payment is required by us or the counterparty when the one-month LIBOR is below 2.50%.

Other Financing Arrangements. We have \$3.0 million in commercial overdraft capability that assists with our cash management needs for intra-day temporary funding.

Off-Balance Sheet Arrangements

Our wholly-owned subsidiary, RMC Reinsurance, Ltd., is required to maintain cash reserves against life insurance policies ceded to it, as determined by the ceding company. As of March 31, 2017, the cash reserves were \$4.9 million. We have also purchased a cash collateralized letter of credit in favor of the ceding company. As of March 31, 2017, the letter of credit was \$2.0 million.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost, except for interest rate caps, which are carried at fair value. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

Critical Accounting Policies

Management’s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and conform to general practices within the consumer finance industry. The preparation of these financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities for the periods indicated in the financial statements. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We set forth below those material accounting policies that we believe are the most critical to an investor’s understanding of our financial results and condition and that involve a higher degree of complexity and management judgment.

Credit Losses.

Provisions for credit losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for future losses on our finance receivables. We charge credit losses against the allowance when an account is contractually delinquent 180 days, subject to certain exceptions. Our policy for non-titled accounts in a confirmed bankruptcy is to charge them off at 60 days contractually delinquent, subject to certain exceptions. Deceased borrower accounts are charged off in the month following the proper notification of passing, with the exception of borrowers with credit life insurance. The updated policy improves consistency and creates better alignment with industry practice. Subsequent recoveries, if any, are credited to the allowance. Loss experience, effective loan life, contractual delinquency of finance receivables by loan type, the value of underlying collateral, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

We initiate repossession proceedings when, in the opinion of management, the customer is unlikely to make further payments. We sell substantially all repossessed vehicle inventory through public sales conducted by independent automobile auction organizations after the required post-repossession waiting period. Losses on the sale of repossessed collateral are charged to the allowance for credit losses.

The allowance for credit losses consists of general and specific components. The general component of the allowance estimates credit losses for groups of finance receivables on a collective basis and relates to probable incurred losses of unimpaired finance receivables. Prior to September 30, 2016, the general component of the allowance was primarily based on historical loss rates. Effective September 30, 2016, it is based on delinquency roll rates. Our finance receivable types are stratified by delinquency stages, and the future monthly delinquency profiles and credit losses are projected forward using historical delinquency roll rates. We record a general allowance for credit losses that includes forecasted future credit losses over the estimated loss emergence period (the interval of time between the event which caused a borrower to default and our recording of the credit loss) for each finance receivable type.

We adjust the computed roll rate forecast as described above for qualitative factors based on an assessment of internal and external influences on credit quality that are not fully reflected in the roll rate forecast. Those qualitative factors include trends in growth in the loan portfolio, delinquency, unemployment, bankruptcy, operational risks, and other economic trends.

The specific component of the allowance for credit losses relates to impaired finance receivables, which include accounts for which a customer has initiated a bankruptcy filing and finance receivables that have been modified under our loss mitigation policies. Finance receivables that have been modified are accounted for as troubled debt restructurings. At the time of the bankruptcy filing or restructuring pursuant to a loss mitigation policy, a specific valuation allowance is established for such finance receivables within the allowance for credit losses. We compute the estimated loss on our impaired loans by discounting the projected cash flows at the original contract rates on the loan using the terms imposed by the bankruptcy court or restructured by us. This method is applied in the aggregate to each of our four classes of loans. In making the computations of the present value of cash payments to be received on impaired accounts in each product category, we use the weighted-average interest rates and weighted-average remaining term based on data as of each balance sheet date.

For customers in a confirmed Chapter 13 bankruptcy plan, we reduce the interest rate to that specified in the bankruptcy order and we receive payments with respect to the remaining amount of the loan from the bankruptcy trustee. For customers who recently filed for Chapter 13 bankruptcy, we generally do not receive any payments until their bankruptcy plan is confirmed by the court. If the customers have made payments to the trustee in advance of plan confirmation, we may receive a lump sum payment from the trustee once the plan is confirmed. This lump sum payment represents our pro-rata share of the amount paid by the customer. If a customer fails to comply with the terms of the bankruptcy order, we will petition the trustee to have the customer dismissed from bankruptcy. Upon dismissal, we restore the account to the original terms and pursue collection through our normal loan servicing activities.

If a customer files for bankruptcy under Chapter 7 of the bankruptcy code, the bankruptcy court has the authority to cancel the customer's debt. If a vehicle secures a Chapter 7 bankruptcy account, the customer has the option of buying the vehicle at fair value or reaffirming the loan and continuing to pay the loan.

The FASB issued an accounting update in June 2016 to change the impairment model for estimating credit losses on financial assets. The current incurred loss impairment model requires the recognition of credit losses when it is probable that a loss has been incurred. The incurred loss model will be replaced by an expected loss model, which requires entities to estimate the lifetime expected credit loss on such instruments and to record an allowance to offset the amortized cost basis of the financial asset. This update is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The implementation of the accounting update could have a significant impact on the provision for credit losses in the consolidated statements of income and on the allowance for credit losses in the consolidated balance sheets. We are currently evaluating the potential impact of this guidance on its consolidated financial statements.

Income Recognition.

Interest income is recognized using the interest method (constant yield method). Therefore, we recognize revenue from interest at an equal rate over the term of the loan. Unearned finance charges on pre-compute contracts are rebated to customers utilizing statutory methods, which in many cases is the sum-of-the-years' digits method. The difference between income recognized under the constant yield method and the statutory method is recognized as an adjustment to interest income at the time of rebate. Accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent on a contractual basis. The accrual of income is not resumed until the account is less than 90 days contractually delinquent. Interest income is suspended on finance receivables for which collateral has been repossessed. If the account is charged off, the interest income is reversed as a reduction of interest and fee income.

We recognize income on credit life insurance using the sum-of-the-years' digits or actuarial methods over the terms of the policies. We recognize income on credit accident and health insurance using the average of the sum-of-the-years' digits and the straight-line methods over the terms of the policies. We recognize income on credit-related property and automobile insurance using the straight-line or sum-of-the-years' digits methods over the terms of the policies. We recognize income on credit-related involuntary unemployment insurance using the straight-line method over the terms of the policies. Rebates are computed using statutory methods, which in many cases match the GAAP method, and where it does not match, the difference between the GAAP method and the statutory method is recognized in income at the time of rebate.

We defer fees charged to automobile dealers and recognize income using the constant yield method for indirect loans and the straight-line method for direct loans over the lives of the respective loans.

Charges for late fees are recognized as income when collected.

Insurance Operations.

Insurance operations include revenue and expense from the sale of optional insurance products to our customers. These optional products include credit life insurance, credit accident and health insurance, credit personal property insurance, vehicle single interest insurance, and involuntary unemployment insurance.

Share-Based Compensation.

We measure compensation cost for share-based awards at estimated fair value and recognize compensation expense over the service period for awards expected to vest. We use the closing stock price on the date of grant as the fair value of restricted stock awards. The fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate, and expected life, changes to which can materially affect the fair value estimate. We estimate volatility using our historical stock prices. The risk-free rate is based on the zero coupon U.S. Treasury bond rate for the expected term of the award on the grant date. The expected term is calculated by using the simplified method (average of the vesting and original contractual terms) due to insufficient historical data to estimate the expected term. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised.

Income Taxes.

We file income tax returns in the U.S. federal jurisdiction and in various states. We are generally no longer subject to federal, state, or local income tax examinations by taxing authorities before 2013, though we remain subject to examination in New Mexico and Texas for the 2011 and 2012 tax years.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2016, we had not taken any tax position that exceeds the amount described above.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effects of future tax rate changes are recognized in the period when the enactment of new rates occurs.

Pursuant to the adoption of an accounting standard update issued in March 2016 and effective for fiscal year 2017, we now recognize the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of the consolidated statements of income. These tax benefits and deficiencies were previously recognized within additional paid-in-capital on our balance sheet.

Recently Issued Accounting Standards

See Note 2, “Basis of Presentation and Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Part I, Item 1. “Financial Statements” for a discussion of recently issued accounting pronouncements, including information on new accounting standards and the future adoption of such standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect our results of operations and financial condition. We originate finance receivables at either prevailing market rates or at statutory limits. Our finance receivables are structured on a fixed rate, fixed term basis. Accordingly, subject to statutory limits, our ability to react to changes in prevailing market rates is dependent upon the speed at which our customers pay off or renew loans in our existing loan portfolio, which allows us to originate new loans at prevailing market rates. Our loan portfolio turns over approximately 1.4 times per year from payments, renewals, and net credit losses. Because our automobile loans have longer maturities and typically are not refinanced prior to maturity, the rate of turnover of the loan portfolio may change as these loans change as a percentage of our portfolio.

We also are exposed to changes in interest rates as a result of our borrowing activities, which include a senior revolving credit facility with a group of banks used to maintain liquidity and fund our business operations. The nature and amount of our debt may vary as a result of future business requirements, market conditions, and other factors. At March 31, 2017, our outstanding long-term debt under our senior revolving credit facility was \$430.8 million and interest on borrowings under this facility was approximately 4.16% for the three months ended March 31, 2017, including an unused line fee. Borrowings under the facility bear interest, payable monthly, at rates equal to LIBOR of a maturity we elect between one and six months, with a LIBOR floor of 1.00%, plus a margin of 3.00%. Alternatively, we may pay interest at a rate based on the prime rate plus a margin of 2.00%. As of March 31, 2017, our LIBOR rate was at 1.00%. Based on a LIBOR rate of 100 basis points and the outstanding balance at March 31, 2017, an increase of 100 basis points in the LIBOR would result in an increase of 100 basis points to our borrowing costs and would result in approximately \$3.9 million of increased interest expense on an annual basis.

We purchased interest rate caps in April 2015 to manage interest rate risk associated with a notional \$150.0 million of our LIBOR-based borrowings. These interest rate caps are based on the one-month LIBOR, reimburse us for the difference when the one-month LIBOR exceeds 2.50%, and have a maturity of April 2018. In March 2016, we purchased an additional interest rate cap having a notional principal amount of \$50.0 million with a 2.50% strike rate against one-month LIBOR and maturing in March 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2017, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost–benefit relationship of possible controls and procedures.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 30, 2014, a securities class action lawsuit was filed in the United States District Court for the Southern District of New York (the “Court”) against the Company and certain of its current and former directors, executive officers, and stockholders (collectively, the “Defendants”). The complaint alleged violations of the Securities Act of 1933 (the “1933 Act Claims”) and sought unspecified compensatory damages and other relief on behalf of a purported class of purchasers of the Company’s common stock in the September 2013 and December 2013 secondary public offerings. On August 25, 2014, Waterford Township Police & Fire Retirement System and City of Roseville Employees’ Retirement System were appointed as lead plaintiffs (collectively, the “Plaintiffs”). An amended complaint was filed on November 24, 2014. In addition to the 1933 Act Claims, the amended complaint also added claims for violations of the Securities Exchange Act of 1934 (the “1934 Act Claims”) seeking unspecified compensatory damages on behalf of a purported class of purchasers of the Company’s common stock between May 2, 2013 and October 30, 2014, inclusive. On January 26, 2015, the Defendants filed a motion to dismiss the amended complaint in its entirety. In response, the Plaintiffs sought and were granted leave to file an amended complaint. On February 27, 2015, the Plaintiffs filed a second amended complaint. Like the prior amended complaint, the second amended complaint asserts 1933 Act Claims and 1934 Act Claims and seeks unspecified compensatory damages. The Defendants’ motion to dismiss the second amended complaint was filed on April 28, 2015, the Plaintiffs’ opposition was filed on June 12, 2015, and the Defendants’ reply was filed on July 13, 2015.

On March 30, 2016, the Court granted the Defendants’ motion to dismiss the second amended complaint in its entirety. On May 23, 2016, the Plaintiffs moved for leave to file a third amended complaint. The Defendants’ opposition brief was filed on June 9, 2016, and the Plaintiffs’ reply was filed on June 20, 2016. On January 27, 2017, the Court denied the Plaintiffs’ motion for leave to file a third amended complaint and directed entry of final judgment in favor of the Defendants. On January 30, 2017, the Court entered final judgment in favor of the Defendants. On March 1, 2017, Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit. Plaintiffs/Appellants’ appellate brief is due on or before June 13, 2017. The Company believes that the claims against it are without merit and will continue to defend against the litigation vigorously.

The Company’s primary insurance carrier during the applicable time period has (i) denied coverage for the 1933 Act Claims and (ii) acknowledged coverage of the Company and other insureds for the 1934 Act Claims under a reservation of rights and subject to the terms and conditions of the applicable insurance policy. The parties plan to negotiate an allocation between denied and acknowledged claims, as appropriate.

The Company is also involved in various legal proceedings and related actions that have arisen in the ordinary course of its business that have not been fully adjudicated. The Company’s management does not believe that these matters, when ultimately concluded and determined, will have a material adverse effect on its financial condition, liquidity, or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors from those included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (which was filed with the SEC on February 10, 2017), which could materially affect our business, financial condition, and/or future operating results. The risks described in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially and adversely affect the Company’s business, financial condition, and/or operating results.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying exhibit index are filed as part of this Quarterly Report on Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGIONAL MANAGEMENT CORP.

Date: May 2, 2017

By: /s/ Donald E. Thomas

Donald E. Thomas,
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
			<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
31.1	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer	—	—	—	—	X
31.2	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer	—	—	—	—	X
32.1	Section 1350 Certifications	—	—	—	—	X
101	The following materials from our Quarterly Report on Form 10-Q for the three months ended March 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016; (ii) the Consolidated Statements of Income for the three months ended March 31, 2017 and 2016; (iii) the Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2017 and the year ended December 31, 2016; (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016; and (v) the Notes to the Consolidated Financial Statements.	—	—	—	—	X

CERTIFICATION

I, Peter R. Knitzer, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Regional Management Corp.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2017

/s/ Peter R. Knitzer

Peter R. Knitzer
Chief Executive Officer

CERTIFICATION

I, Donald E. Thomas, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Regional Management Corp.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2017

/s/ Donald E. Thomas

Donald E. Thomas

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies that to his knowledge: (i) the Quarterly Report on Form 10-Q of Regional Management Corp. (the “Company”) for the quarter ended March 31, 2017 (the “Report”), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company on the dates and for the periods presented therein.

Date: May 2, 2017

/s/ Peter R. Knitzer

Peter R. Knitzer

Chief Executive Officer

Date: May 2, 2017

/s/ Donald E. Thomas

Donald E. Thomas

Executive Vice President and Chief Financial Officer