

**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, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.10 par value	RM	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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	☐	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 7, 2020, the registrant had outstanding 11,179,003 shares of Common Stock, \$0.10 par value.

	<u>Page No.</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets Dated March 31, 2020 and December 31, 2019	3
Consolidated Statements of Income for the Three Months Ended March 31, 2020 and 2019	4
Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2020 and 2019	5
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2020 and 2019	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	38
Item 4. Controls and Procedures	39
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	40
Item 1A. Risk Factors	40
Item 6. Exhibits	42
SIGNATURE	43

ITEM 1. FINANCIAL STATEMENTS.

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

	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Cash	\$ 14,668	\$ 2,263
Net finance receivables	1,102,285	1,133,404
Unearned insurance premiums	(28,183)	(28,591)
Allowance for credit losses	(142,400)	(62,200)
Net finance receivables, less unearned insurance premiums and allowance for credit losses	931,702	1,042,613
Restricted cash	54,649	54,164
Lease assets	26,729	26,438
Property and equipment	15,155	15,301
Intangible assets	9,144	9,438
Deferred tax asset	20,025	619
Other assets	6,818	7,704
Total assets	\$ 1,078,890	\$ 1,158,540
Liabilities and Stockholders' Equity		
Liabilities:		
Long-term debt	\$ 777,847	\$ 808,218
Unamortized debt issuance costs	(8,581)	(9,607)
Net long-term debt	769,266	798,611
Accounts payable and accrued expenses	29,459	28,676
Lease liabilities	28,803	28,470
Total liabilities	827,528	855,757
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock (\$0.10 par value, 100,000 shares authorized, none issued or outstanding)	—	—
Common stock (\$0.10 par value, 1,000,000 shares authorized, 13,659 shares issued and 11,175 shares outstanding at March 31, 2020 and 13,497 shares issued and 11,013 shares outstanding at December 31, 2019)	1,366	1,350
Additional paid-in capital	103,488	102,678
Retained earnings	196,582	248,829
Treasury stock (2,484 shares at March 31, 2020 and December 31, 2019)	(50,074)	(50,074)
Total stockholders' equity	251,362	302,783
Total liabilities and stockholders' equity	\$ 1,078,890	\$ 1,158,540

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

Assets		
Cash	\$ 178	\$ 152
Net finance receivables	487,492	474,340
Allowance for credit losses	(57,820)	(22,015)
Restricted cash	43,967	44,221
Other assets	34	68
Total assets	\$ 473,851	\$ 496,766
Liabilities		
Net long-term debt	\$ 459,503	\$ 450,297
Accounts payable and accrued expenses	72	86
Total liabilities	\$ 459,575	\$ 450,383

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,	
	2020	2019
Revenue		
Interest and fee income	\$86,997	\$74,322
Insurance income, net	5,949	4,113
Other income	3,128	3,313
Total revenue	<u>96,074</u>	<u>81,748</u>
Expenses		
Provision for credit losses	49,522	23,343
Personnel	29,511	22,393
Occupancy	5,771	6,165
Marketing	1,686	1,651
Other	9,275	7,974
Total general and administrative expenses	46,243	38,183
Interest expense	10,159	9,721
Income (loss) before income taxes	(9,850)	10,501
Income taxes	(3,525)	2,393
Net income (loss)	<u>\$ (6,325)</u>	<u>\$ 8,108</u>
Net income (loss) per common share:		
Basic	<u>\$ (0.58)</u>	<u>\$ 0.69</u>
Diluted	<u>\$ (0.56)</u>	<u>\$ 0.67</u>
Weighted-average shares outstanding:		
Basic	<u>10,897</u>	<u>11,712</u>
Diluted	<u>11,253</u>	<u>12,076</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2020					
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2019	13,497	\$ 1,350	\$ 102,678	\$ 248,829	\$ (50,074)	\$ 302,783
Cumulative effect of accounting standard adoption	—	—	—	(45,922)	—	(45,922)
Issuance of restricted stock awards	186	19	(19)	—	—	—
Exercise of stock options	22	2	—	—	—	2
Shares withheld related to net share settlement	(46)	(5)	(590)	—	—	(595)
Share-based compensation	—	—	1,419	—	—	1,419
Net loss	—	—	—	(6,325)	—	(6,325)
Balance, March 31, 2020	<u>13,659</u>	<u>\$ 1,366</u>	<u>\$ 103,488</u>	<u>\$ 196,582</u>	<u>\$ (50,074)</u>	<u>\$ 251,362</u>

	Three Months Ended March 31, 2019					
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2018	13,323	\$ 1,332	\$ 98,778	\$ 204,097	\$ (25,046)	\$ 279,161
Issuance of restricted stock awards	161	16	(16)	—	—	—
Shares withheld related to net share settlement	(19)	(1)	(449)	—	—	(450)
Share-based compensation	—	—	997	—	—	997
Net income	—	—	—	8,108	—	8,108
Balance, March 31, 2019	<u>13,465</u>	<u>\$ 1,347</u>	<u>\$ 99,310</u>	<u>\$ 212,205</u>	<u>\$ (25,046)</u>	<u>\$ 287,816</u>

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,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (6,325)	\$ 8,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	49,522	23,343
Depreciation and amortization	2,871	2,633
Loss on disposal of property and equipment	19	11
Share-based compensation	1,419	997
Fair value adjustment on interest rate caps	29	200
Deferred income taxes, net	(5,228)	512
Changes in operating assets and liabilities:		
Decrease in other assets	896	2,184
Increase (decrease) in accounts payable and accrued expenses	1,353	(7,292)
Net cash provided by operating activities	44,556	30,696
Cash flows from investing activities:		
Net repayments (originations) of finance receivables	1,289	(5,250)
Purchases of intangible assets	(265)	(224)
Purchases of property and equipment	(1,010)	(1,315)
Net cash provided by (used in) investing activities	14	(6,789)
Cash flows from financing activities:		
Net payments on senior revolving credit facility	(38,684)	(27,713)
Payments on amortizing loan	—	(4,765)
Net advances on revolving warehouse credit facility	8,313	828
Net payments on securitizations	—	(70)
Payments for debt issuance costs	(78)	(280)
Taxes paid related to net share settlement of equity awards	(1,231)	(800)
Net cash used in financing activities	(31,680)	(32,800)
Net change in cash and restricted cash	12,890	(8,893)
Cash and restricted cash at beginning of period	56,427	50,141
Cash and restricted cash at end of period	<u>\$ 69,317</u>	<u>\$ 41,248</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 9,082</u>	<u>\$ 8,572</u>
Income taxes paid	<u>\$ —</u>	<u>\$ —</u>

The following table reconciles cash and restricted cash from the Consolidated Balance Sheets to the statements above:

	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Cash	\$ 14,668	\$ 2,263	\$ 2,331	\$ 3,657
Restricted cash	54,649	54,164	38,917	46,484
Total cash and restricted cash	<u>\$ 69,317</u>	<u>\$ 56,427</u>	<u>\$ 41,248</u>	<u>\$ 50,141</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Notes to Consolidated Financial Statements

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, retail loans, and related payment and collateral protection insurance products. The Company previously offered automobile loans, but it ceased such originations in November 2017. As of March 31, 2020, the Company operated under the name “Regional Finance” in 368 branch locations across 11 states in the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States.

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. 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 half of the year and rise in the second half of the year. The current expected credit loss (“CECL”) accounting model requires earlier recognition of credit losses compared to the prior incurred loss approach. This could result in larger allowance for credit loss releases in quarters of portfolio liquidation, and larger provisions for credit losses in quarters of portfolio growth compared to prior years. Consequently, the Company experiences seasonal fluctuations in its operating results and cash needs. However, the effects of the novel strain of coronavirus (“COVID-19”) could impact the Company’s typical seasonal trends.

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 (the “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 fiscal year ended December 31, 2019, 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.

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 (each, a “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.

Variable interest entities: The Company transfers pools of loans to wholly-owned, bankruptcy-remote, special purpose entities (each, an “SPE”) to secure debt for general funding purposes. These entities have the limited purpose of acquiring finance receivables and holding and making payments on the related debts. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company’s and its affiliates’ creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates. The Company continues to service the finance receivables transferred to the SPEs. The lenders and investors in the debt issued by the SPEs generally only have recourse to the assets of the SPEs and do not have recourse to the general credit of the Company.

The SPEs’ debt arrangements are structured to provide enhancements to the lenders and investors in the form of overcollateralization (the principal balance of the collateral exceeds the balance of the debt) and reserve funds (restricted cash held by the SPEs). These enhancements, along with the isolated finance receivables pools, increase the creditworthiness of the SPEs above that of the Company as a whole. This increases the marketability of the Company’s collateral for borrowing purposes, leading to more favorable borrowing terms, improved interest rate risk management, and additional flexibility to grow the business.

The SPEs are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary of the SPEs because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement 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 the SPEs after each debt is paid.

Consolidation of VIEs results in these transactions being accounted for as secured borrowings; therefore, the pooled receivables and the related debts remain on the consolidated balance sheet of the Company. Each debt is secured solely by the assets of the VIEs and not by any other assets of the Company. The assets of the VIEs are the only source of funds for repayment on each debt, and restricted cash held by the VIEs can only be used to support payments on the debt. The Company recognizes revenue and provision for credit losses on the finance receivables of the VIEs 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, the fair value of share-based compensation, the valuation of deferred tax assets and liabilities, contingent liabilities on litigation matters, and the fair value of financial instruments.

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.

Net finance receivables: The Company's small loan portfolio is comprised of branch small loan receivables and convenience check receivables. Branch small loan receivables are direct loans to customers closed in the branch and are secured by non-essential household goods and, in some instances, an automobile. Convenience checks are direct loans originated by mailing checks to customers based on a pre-screening process that includes a review of the prospective customer's credit profile provided by national credit reporting bureaus or data aggregators. A recipient of a convenience check is able to enter into a loan by endorsing and depositing or cashing the check. Large loan receivables are direct loans to customers, some of which are convenience check receivables and the vast majority of which are secured by non-essential household goods, automobiles, and/or other vehicles. Retail loan receivables consist principally of retail installment sales contracts collateralized by the purchased furniture, appliances, and other retail items, and are initiated by and purchased from retailers, subject to the Company's credit approval. Automobile loan receivables consist of direct automobile purchase loans, which were originated at the dealership and closed in one of the Company's branches, and indirect automobile purchase loans, which were originated and closed at a dealership in the Company's network without the need for the customer to visit one of the Company's branches. In each case, these automobile loans are collateralized primarily by the purchased automobiles and, in the case of indirect loans, were initiated by and purchased from automobile dealerships, subject to the Company's credit approval. The Company ceased originating automobile loans in November 2017.

Prior to January 1, 2020, net finance receivables included the customer's unpaid principal balance ("UPB"), accrued interest on interest-bearing accounts, unamortized deferred origination fees and costs, and unearned insurance premiums. The UPB consisted of the unpaid principal balance on interest-bearing accounts and the remaining contractual payments less the unearned amount of pre-computed interest for pre-compute accounts.

Effective January 1, 2020, with the adoption of CECL accounting, the Company reclassified unearned insurance premiums out of net finance receivables to align its consolidated balance sheet presentation with the amortized cost definition in the new accounting standard. See Note 3, "Finance Receivables, Credit Quality Information, and Allowance for Credit Losses" for further information about the Company's reclassification of unearned insurance premiums.

Credit losses: The Financial Accounting Standards Board (the "FASB") issued an accounting update in June 2016 to change the impairment model for estimating credit losses on financial assets. The previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred. The incurred loss model was replaced by the CECL model, which requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial asset. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. The Company adopted this standard effective January 1, 2020.

The allowance for credit losses is based on historical credit experience, current conditions, and reasonable and supportable economic forecasts. The historical loss experience is adjusted for quantitative and qualitative factors that are not fully reflected in the historical data. In determining its estimate of expected credit losses, the Company evaluates information related to credit metrics, changes in its lending strategies and underwriting practices, and the current and forecasted direction of the economic and business environment. These metrics include, but are not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in underwriting, and operational risks.

The Company selected a static pool Probability of Default ("PD") / Loss Given Default ("LGD") model to estimate its base allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. Historical static pools of net finance receivables are tracked over the term of the pools to identify the incidences of loss (PDs) and the average severity of losses (LGDs).

To enhance the precision of the allowance for credit loss estimate, the Company evaluates its finance receivable portfolio on a pool basis and segments each pool of finance receivables with similar credit risk characteristics. As part of its evaluation, the Company considers portfolio characteristics such as product type, loan size, loan term, internal or external credit scores, delinquency status, geographical location, and vintage. Based on analysis of historical loss experience, the Company selected the following segmentation: product type, Fair Isaac Corporation (“FICO”) score, and delinquency status.

The Company accounts for certain finance receivables that have been modified by bankruptcy proceedings or company loss mitigation policies using a discounted cash flows approach to properly reserve for customer concessions (rate reductions and term extensions).

As finance receivables are originated, provisions for credit losses are recorded in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for estimated losses over the contractual term of the finance receivables. Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable’s expected life. The Company uses its segmentation loss experience to forecast expected credit losses. Historical information about losses generally provides a basis for the estimate of expected credit losses. The Company also considers the need to adjust historical information to reflect the extent to which current conditions differ from the conditions that existed for the period over which historical information was evaluated. These adjustments to historical loss information may be qualitative or quantitative in nature.

Reasonable and supportable macroeconomic forecasts are required for the Company’s allowance for credit loss model. The Company engaged a major rating service to assist with compiling a reasonable and supportable forecast. The Company reviews macroeconomic forecasts to use in its allowance for credit losses. The Company adjusts the historical loss experience by relevant qualitative factors for these expectations. The Company does not require reversion adjustments, as the expected lives of its portfolio are shorter than its available forecast periods.

The Company charges credit losses against the allowance when the account reaches 180 days contractually delinquent, subject to certain exceptions. The Company’s non-titled customer accounts in a confirmed bankruptcy are charged off in the month following the bankruptcy notification or 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. Subsequent recoveries of amounts charged off, if any, are credited to the allowance.

Nonaccrual status: Accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If the account is charged off, the accrued interest income is reversed as a reduction of interest and fee income. Interest received on such loans is accounted for on the cash-basis method, until qualifying for return to accrual. Under the cash-basis, interest income is recorded when the payment is received in cash. Loans resume accruing interest when the past due status is brought below 90 days. The Company made a policy election to not record an allowance for credit losses related to accrued interest because it has nonaccrual and charge-off policies that result in the timely suspension and reversal of accrued interest.

Recent accounting pronouncements: In June 2016, the FASB issued an accounting update significantly changing the impairment model for estimating credit losses on financial assets. While the previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred, the new CECL model requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial assets. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. It uses historical experience, current conditions, and reasonable and supportable economic forecasts to estimate lifetime expected credit losses. The Company adopted the standard as of January 1, 2020.

As a result of the adoption of the new credit loss standard on January 1, 2020, through a modified-retrospective approach, the Company recorded an increase to the allowance for credit losses of \$60.1 million and a one-time, cumulative reduction to retained earnings of \$45.9 million (net of \$14.2 million in taxes). The Company’s allowance for credit losses increased from 5.5% to 10.8% as a percentage of the amortized cost basis on January 1, 2020. The CECL accounting adoption did not result in any changes in the cash flows of the financial assets, did not cause the Company to violate any of its existing debt covenants, and did not inhibit the Company in funding its growth or returning capital to its shareholders.

The following table illustrates the impact of the CECL accounting adoption by product:

<i>In thousands</i>	December 31, 2019	January 1, 2020	
	Pre-CECL Adoption	Impact of Adoption	Post-CECL Adoption
Small loans	\$ 30,588	\$ 24,185	\$ 54,773
Large loans	29,148	33,550	62,698
Automobile loans	820	599	1,419
Retail loans	1,644	1,766	3,410
Allowance for credit losses	\$ 62,200	\$ 60,100	\$ 122,300

In August 2018, the FASB issued an accounting update to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The amendments aligned the capitalization requirements for hosting arrangements that are service contracts with the capitalization principles for internal-use software. This update was effective for annual and interim periods beginning after December 15, 2019, and early adoption was permitted. The Company adopted and applied the update on a prospective basis. The adoption did not have a material impact on its financial statements.

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

Net finance receivables for the periods indicated consisted of the following:

<i>In thousands</i>	March 31, 2020	December 31, 2019
Small loans	\$ 440,286	\$ 467,614
Large loans	632,589	632,067
Automobile loans	7,532	9,640
Retail loans	21,878	24,083
Net finance receivables	\$1,102,285	\$ 1,133,404

Net finance receivables included net deferred origination fees of \$12.2 million and \$13.4 million as of March 31, 2020 and December 31, 2019, respectively.

Effective January 1, 2020, with the adoption of CECL accounting, the Company reclassified unearned insurance premiums out of the net finance receivables line item to align its consolidated balance sheet presentation with the amortized cost definition in the new accounting standard. The tables below illustrate the impacts of this reclassification to the Company's previously reported balance sheet presentation of receivables and other key metrics:

<i>In thousands</i>	Quarterly Trend – As Reported (Pre-CECL Adoption)			
	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Gross finance receivables	\$1,204,495	\$1,300,043	\$1,404,172	\$1,500,962
Unearned finance charges	(273,651)	(305,063)	(337,086)	(367,558)
Unearned insurance premiums	(18,594)	(21,546)	(24,900)	(28,591)
Finance receivables	912,250	973,434	1,042,186	1,104,813
Allowance for credit losses	(56,400)	(57,200)	(60,900)	(62,200)
Net finance receivables	\$ 855,850	\$ 916,234	\$ 981,286	\$1,042,613
Average finance receivables	\$ 924,948	\$ 934,373	\$1,010,515	\$1,071,265
As a % of finance receivables:				
Allowance for credit losses	6.2%	5.9%	5.8%	5.6%
30+ day contractual delinquency	7.0%	6.4%	6.6%	7.2%
As a % of average finance receivables:				
Interest and fee yield (annualized)	32.1%	32.5%	32.9%	32.8%
Operating expense ratio (annualized)	16.5%	16.2%	15.9%	15.3%
Net credit loss ratio (annualized)	10.9%	10.7%	8.2%	9.2%

<i>In thousands</i>	Quarterly Trend – Amortized Cost Basis (Post-CECL Adoption)			
	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Net finance receivables	\$ 930,844	\$ 994,980	\$ 1,067,086	\$ 1,133,404
Unearned insurance premiums	(18,594)	(21,546)	(24,900)	(28,591)
Allowance for credit losses	(56,400)	(57,200)	(60,900)	(62,200)
Net finance receivables, less unearned insurance premiums and allowance for credit losses	\$ 855,850	\$ 916,234	\$ 981,286	\$ 1,042,613
Average net finance receivables	\$ 944,763	\$ 954,940	\$ 1,033,939	\$ 1,098,410
As a % of net finance receivables:				
Allowance for credit losses	6.1%	5.7%	5.7%	5.5%
30+ day contractual delinquency	6.9%	6.3%	6.5%	7.0%
As a % of average net finance receivables:				
Interest and fee yield (annualized)	31.5%	31.8%	32.1%	32.0%
Operating expense ratio (annualized)	16.2%	15.8%	15.5%	14.9%
Net credit loss ratio (annualized)	10.7%	10.4%	8.1%	9.0%

<i>In thousands</i>	Quarterly Trend – Reclassification Change			
	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Net finance receivables	\$ 18,594	\$ 21,546	\$ 24,900	\$ 28,591
Average net finance receivables	\$ 19,815	\$ 20,567	\$ 23,424	\$ 27,145
As a % of net finance receivables:				
Allowance for credit losses	(0.1)%	(0.2)%	(0.1)%	(0.1)%
30+ day contractual delinquency	(0.1)%	(0.1)%	(0.1)%	(0.2)%
As a % of average net finance receivables:				
Interest and fee yield (annualized)	(0.6)%	(0.7)%	(0.8)%	(0.8)%
Operating expense ratio (annualized)	(0.3)%	(0.4)%	(0.4)%	(0.4)%
Net credit loss ratio (annualized)	(0.2)%	(0.3)%	(0.1)%	(0.2)%

The credit quality of the Company's finance receivable portfolio is the result of the Company's ability to enforce sound underwriting standards, maintain diligent servicing of the portfolio, and respond to changing economic conditions as it grows its portfolio. The allowance for credit losses uses FICO scores and delinquency as key data points in estimating the allowance. The Company uses six FICO band categories to assess the FICO scores. The first FICO band category includes the lowest FICO scores, while the sixth FICO band category includes the highest FICO scores.

Net finance receivables by product, FICO band, and origination year as of March 31, 2020 are as follows:

	Net Finance Receivables by Origination Year						Total Net Finance Receivables
<i>In thousands</i>	2020 (1)	2019	2018	2017	2016	Prior	
Small loans:							
FICO Band							
1	\$ 28,858	\$ 71,925	\$ 5,937	\$ 413	\$ 17	\$ 5	\$ 107,155
2	12,978	34,596	3,050	181	9	2	50,816
3	14,015	36,106	3,616	179	5	1	53,922
4	15,166	38,028	3,524	138	4	1	56,861
5	15,840	40,468	4,458	133	5	—	60,904
6	27,399	74,761	8,266	200	2	—	110,628
Total small loans	<u>\$ 114,256</u>	<u>\$ 295,884</u>	<u>\$ 28,851</u>	<u>\$ 1,244</u>	<u>\$ 42</u>	<u>\$ 9</u>	<u>\$ 440,286</u>
Large loans:							
FICO Band							
1	\$ 18,171	\$ 55,211	\$ 11,444	\$ 2,678	\$ 298	\$ 86	\$ 87,888
2	8,265	31,059	5,239	1,317	130	12	46,022
3	17,006	72,020	14,453	3,305	169	13	106,966
4	19,336	82,996	15,553	3,704	158	32	121,779
5	16,612	72,574	15,214	3,732	149	1	108,282
6	25,048	106,575	24,697	5,119	198	15	161,652
Total large loans	<u>\$ 104,438</u>	<u>\$ 420,435</u>	<u>\$ 86,600</u>	<u>\$ 19,855</u>	<u>\$ 1,102</u>	<u>\$ 159</u>	<u>\$ 632,589</u>
Automobile loans:							
FICO Band							
1	\$ —	\$ —	\$ —	\$ 1,535	\$ 1,304	\$ 604	\$ 3,443
2	—	—	—	661	506	204	1,371
3	—	—	—	741	466	123	1,330
4	—	—	—	391	208	94	693
5	—	—	—	127	201	35	363
6	—	—	—	183	141	8	332
Total automobile loans	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,638</u>	<u>\$ 2,826</u>	<u>\$ 1,068</u>	<u>\$ 7,532</u>
Retail loans:							
FICO Band							
1	\$ 523	\$ 1,991	\$ 756	\$ 176	\$ 6	\$ 3	\$ 3,455
2	372	1,581	730	169	3	2	2,857
3	361	1,584	807	186	11	2	2,951
4	561	2,601	1,361	313	6	2	4,844
5	378	2,044	1,112	296	8	1	3,839
6	317	2,094	1,213	295	11	2	3,932
Total retail loans	<u>\$ 2,512</u>	<u>\$ 11,895</u>	<u>\$ 5,979</u>	<u>\$ 1,435</u>	<u>\$ 45</u>	<u>\$ 12</u>	<u>\$ 21,878</u>
Total loans:							
FICO Band							
1	\$ 47,552	\$ 129,127	\$ 18,137	\$ 4,802	\$ 1,625	\$ 698	\$ 201,941
2	21,615	67,236	9,019	2,328	648	220	101,066
3	31,382	109,710	18,876	4,411	651	139	165,169
4	35,063	123,625	20,438	4,546	376	129	184,177
5	32,830	115,086	20,784	4,288	363	37	173,388
6	52,764	183,430	34,176	5,797	352	25	276,544
Total loans	<u>\$ 221,206</u>	<u>\$ 728,214</u>	<u>\$ 121,430</u>	<u>\$ 26,172</u>	<u>\$ 4,015</u>	<u>\$ 1,248</u>	<u>\$ 1,102,285</u>

(1) Includes loans originated during the three month ended March 31, 2020.

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

<i>In thousands</i>	March 31, 2020									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$359,738	81.7%	\$548,477	86.7%	\$5,693	75.6%	\$17,124	78.2%	\$ 931,032	84.4%
1 to 29 days past due	42,886	9.7%	51,911	8.2%	1,331	17.7%	2,768	12.7%	98,896	9.0%
Delinquent accounts										
30 to 59 days	10,011	2.3%	10,142	1.7%	243	3.1%	511	2.3%	20,907	1.9%
60 to 89 days	8,203	1.9%	7,833	1.2%	102	1.4%	318	1.5%	16,456	1.5%
90 to 119 days	6,430	1.5%	5,008	0.7%	61	0.8%	390	1.8%	11,889	1.1%
120 to 149 days	6,657	1.5%	4,950	0.8%	58	0.8%	394	1.8%	12,059	1.1%
150 to 179 days	6,361	1.4%	4,268	0.7%	44	0.6%	373	1.7%	11,046	1.0%
Total delinquency	\$ 37,662	8.6%	\$ 32,201	5.1%	\$ 508	6.7%	\$ 1,986	9.1%	\$ 72,357	6.6%
Total net finance receivables	\$440,286	100.0%	\$632,589	100.0%	\$7,532	100.0%	\$21,878	100.0%	\$1,102,285	100.0%
Net finance receivables in nonaccrual status	\$ 21,941	5.0%	\$ 16,608	2.6%	\$ 275	3.7%	\$ 1,276	5.8%	\$ 40,100	3.6%

<i>In thousands</i>	December 31, 2019									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$377,776	80.7%	\$546,414	86.4%	\$6,921	71.8%	\$18,093	75.1%	\$ 949,204	83.8%
1 to 29 days past due	47,463	10.2%	51,732	8.2%	1,964	20.4%	3,531	14.7%	104,690	9.2%
Delinquent accounts										
30 to 59 days	12,702	2.8%	11,480	1.8%	241	2.5%	853	3.6%	25,276	2.2%
60 to 89 days	9,916	2.1%	8,192	1.3%	110	1.1%	563	2.3%	18,781	1.7%
90 to 119 days	7,518	1.6%	5,894	1.0%	129	1.4%	375	1.5%	13,916	1.2%
120 to 149 days	6,584	1.4%	4,588	0.7%	127	1.3%	357	1.5%	11,656	1.0%
150 to 179 days	5,655	1.2%	3,767	0.6%	148	1.5%	311	1.3%	9,881	0.9%
Total delinquency	\$ 42,375	9.1%	\$ 33,921	5.4%	\$ 755	7.8%	\$ 2,459	10.2%	\$ 79,510	7.0%
Total net finance receivables	\$467,614	100.0%	\$632,067	100.0%	\$9,640	100.0%	\$24,083	100.0%	\$1,133,404	100.0%
Net finance receivables in nonaccrual status	\$ 22,773	4.9%	\$ 17,924	2.8%	\$ 591	6.1%	\$ 1,186	4.9%	\$ 42,474	3.7%

The following table illustrates the impacts to the allowance for credit losses for the periods indicated:

	December 31, 2019	January 1, 2020		Three Months Ended March 31, 2020	
<i>In thousands</i>	Pre-CECL		Post-CECL	Reserve Build	Ending
	Adoption	Impact of Adoption	Adoption	(Release)	Balance
Small loans	\$ 30,588	\$ 24,185	\$ 54,773	\$ 7,681	\$ 62,454
Large loans	29,148	33,550	62,698	12,315	75,013
Automobile loans	820	599	1,419	(172)	1,247
Retail loans	1,644	1,766	3,410	276	3,686
Allowance for credit losses	\$ 62,200	\$ 60,100	\$ 122,300	\$ 20,100	\$ 142,400
Allowance for credit losses as a percentage of net finance receivables	5.5%	5.3%	10.8%		12.9%

In March 2020, the spread of COVID-19 was declared a pandemic. Subsequently, the pandemic was declared a national emergency in the United States and the Coronavirus Aid, Relief, and Economic Security (“[CARES](#)”) Act was signed into law. The CARES Act provides a variety of financial aid to a meaningful portion of the Company’s customer base.

The allowance for credit losses was \$62.2 million, or 5.5% of net finance receivables, as of December 31, 2019. The Company adopted CECL accounting on January 1, 2020, and increased the allowance for credit losses to \$122.3 million, or 10.8% of net finance receivables. During the first quarter of 2020, the Company increased the allowance for credit losses by \$20.1 million of net finance receivables, which included a \$23.9 million allowance for credit losses related to the economic impact of COVID-19. The ending balance of the allowance for credit losses as a percentage of net finance receivables was 12.9% as of March 31, 2020. The Company ran several macroeconomic stress scenarios, and its final forecast included both a 34% peak-to-trough decrease in Gross Domestic Product and unemployment increasing to 20% in the second quarter of 2020, with a decline to 7% by mid-2021. The macroeconomic scenario was adjusted for the potential benefits of the CARES Act, the involuntary unemployment insurance claims coverage of the Company’s portfolio, and internal borrower assistance programs. The Company may experience changes in the macroeconomic assumptions within the forecast, as well as changes to the credit loss performance outlook, both of which could lead to further changes in the allowance for credit losses, reserve rate, and provision for credit losses expense.

[Table of Contents](#)

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

<i>In thousands</i>	Small	Large	Automobile	Retail	Total
Beginning balance at January 1, 2020	\$ 30,588	\$ 29,148	\$ 820	\$ 1,644	\$ 62,200
Impact of CECL adoption	24,185	33,550	599	1,766	60,100
Provision for credit losses	24,550	23,755	98	1,119	49,522
Credit losses	(17,527)	(11,961)	(311)	(881)	(30,680)
Recoveries	658	521	41	38	1,258
Ending balance at March 31, 2020	62,454	75,013	1,247	3,686	142,400
Net finance receivables at March 31, 2020	440,286	632,589	7,532	21,878	1,102,285
Allowance as percentage of net finance receivables at March 31, 2020	14.2%	11.9%	16.6%	16.8%	12.9%

<i>In thousands</i>	Small	Large	Automobile	Retail	Total
Beginning balance at January 1, 2019	\$ 30,759	\$ 23,702	\$ 1,893	\$ 1,946	\$ 58,300
Provision for credit losses	13,954	8,452	109	828	23,343
Credit losses	(15,488)	(9,337)	(652)	(900)	(26,377)
Recoveries	568	400	120	46	1,134
Ending balance at March 31, 2019	29,793	23,217	1,470	1,920	56,400
Net finance receivables at March 31, 2019	425,849	455,119	20,556	29,320	930,844
Allowance as percentage of net finance receivables at March 31, 2019	7.0%	5.1%	7.2%	6.5%	6.1%

Note 4. Interest Rate Caps

The Company has interest rate cap contracts with an aggregate notional principal amount of \$450.0 million. Each contract contains a strike rate against the one-month LIBOR (0.99% and 1.76% as of March 31, 2020 and December 31, 2019, respectively). The interest rate caps have maturities of April 2020 (\$100.0 million with 3.25% strike rate), June 2020 (\$50.0 million with 2.50% strike rate), April 2021 (\$200.0 million with 3.50% strike rate), and March 2023 (\$100.0 million with 1.75% strike rate). When the one-month LIBOR exceeds the strike rate, the counterparty reimburses the Company for the excess over the strike rate. No payment is required by the Company or the counterparty when the one-month LIBOR is below the strike rate. The following is a summary of changes in the rate caps:

<i>In thousands</i>	Three Months Ended March 31,	
	2020	2019
Balance at beginning of period	\$ —	\$ 249
Purchases	114	—
Fair value adjustment included as an increase in interest expense	(29)	(200)
Balance at end of period, included in other assets	\$ 85	\$ 49

Note 5. Long-Term Debt

The following is a summary of the Company's long-term debt as of the periods indicated:

<i>In thousands</i>	March 31, 2020			December 31, 2019		
	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	\$ 312,134	\$ (2,371)	\$ 309,763	\$ 350,818	\$ (2,504)	\$ 348,314
Revolving warehouse credit facility	54,946	(1,730)	53,216	46,633	(1,875)	44,758
RMIT 2018-1 securitization	150,246	(1,234)	149,012	150,246	(1,558)	148,688
RMIT 2018-2 securitization	130,349	(1,456)	128,893	130,349	(1,687)	128,662
RMIT 2019-1 securitization	130,172	(1,790)	128,382	130,172	(1,983)	128,189
Total	\$ 777,847	\$ (8,581)	\$ 769,266	\$ 808,218	\$ (9,607)	\$ 798,611
Unused amount of revolving credit facilities (subject to borrowing base)	\$ 399,518			\$ 369,271		

Senior Revolving Credit Facility: In September 2019, the Company amended and restated its senior revolving credit facility to, among other things, increase the availability under the facility from \$638 million to \$640 million and extend the maturity of the facility from June 2020 to September 2022. 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 VIEs, 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. Advances on the senior revolving credit facility are capped at 85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals (77% of eligible secured finance receivables, 72% of eligible unsecured finance receivables, and 52% of eligible delinquent renewals as of March 31, 2020). As of March 31, 2020, the Company had \$87.6 million of eligible borrowing capacity under the facility and held \$14.7 million in unrestricted cash. Borrowings under the facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a 3.00% margin, increasing to 3.25% when the availability percentage is below 10%. The one-month LIBOR rate was 0.99% and 1.76% at March 31, 2020 and December 31, 2019, respectively. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark, if necessary. The Company pays an unused line fee between 0.375% and 0.65% based upon the average outstanding balance of the facility.

Variable Interest Entity Debt: As part of its overall funding strategy, the Company has transferred certain finance receivables to VIEs for asset-backed financing transactions, including securitizations. The following debt arrangements are issued by the Company's SPEs, which are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement 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 the SPEs after each debt is paid.

These long-term debts are supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these finance receivables are remitted to restricted cash collection accounts, which totaled \$38.5 million and \$39.4 million as of March 31, 2020 and December 31, 2019, respectively. Cash inflows from the finance receivables are distributed to the lenders/investors, the service providers, and/or the residual interest that the Company owns in accordance with a monthly contractual priority of payments. The SPEs pay a servicing fee to the Company, which is eliminated in consolidation. Distributions from the SPEs to the Company are permitted under the debt arrangements.

At each sale of receivables from the Company's affiliates to the SPEs, the Company makes certain representations and warranties about the quality and nature of the collateralized receivables. The debt arrangements require the Company to repurchase the receivables in certain circumstances, including circumstances in which the representations and warranties made by the Company concerning the quality and characteristics of the receivables are inaccurate. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company's and its affiliates' creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates.

Revolving Warehouse Credit Facility: In October 2019, the Company and its wholly-owned SPE, Regional Management Receivables II, LLC ("RMR II"), amended the credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR II. The amendment extended the date at which the facility converts to an amortizing loan and the termination date to April 2021 and April 2022, respectively. The facility has an accordion provision that allows for the expansion of the facility to \$150 million. The debt is secured by finance receivables and other related assets that the Company purchased from its affiliates, which the Company then sold and transferred to RMR II. Advances on the facility are capped at 80% of eligible finance receivables. RMR II held \$1.0 million in restricted cash reserves as of March 31, 2020 to satisfy provisions of the credit agreement. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). The three-month LIBOR was 1.45% and 1.91% at March 31, 2020 and December 31, 2019, respectively. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility.

RMIT 2018-1 Securitization: In June 2018, the Company, its wholly-owned SPE, Regional Management Receivables III, LLC ("RMR III"), and its indirect wholly-owned SPE, Regional Management Issuance Trust 2018-1 ("RMIT 2018-1"), completed a private offering and sale of \$150 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2018-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2018-1. The notes have a revolving period ending in June 2020, with a final maturity date in July 2027. RMIT 2018-1 held \$1.7 million in restricted cash reserves as of March 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2018-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.93%. Prior to maturity in July 2027, the Company may redeem the notes in full, but not in part, at its option on any note payment date on or after the payment date occurring in July 2020. No payments of principal of the notes will be made during the revolving period.

RMIT 2018-2 Securitization: In December 2018, the Company, RMR III, and the Company’s indirect wholly-owned SPE, Regional Management Issuance Trust 2018-2 (“RMIT 2018-2”), completed a private offering and sale of \$130 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2018-2. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2018-2. The notes have a revolving period ending in December 2020, with a final maturity date in January 2028. RMIT 2018-2 held \$1.4 million in restricted cash reserves as of March 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2018-2 securitization bear interest, payable monthly, at a weighted-average rate of 4.87%. Prior to maturity in January 2028, the Company may redeem the notes in full, but not in part, at its option on any note payment date on or after the payment date occurring in January 2021. No payments of principal of the notes will be made during the revolving period.

RMIT 2019-1 Securitization: In October 2019, the Company, RMR III, and the Company’s indirect wholly-owned SPE, Regional Management Issuance Trust 2019-1 (“RMIT 2019-1”), completed a private offering and sale of \$130 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2019-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2019-1. The notes have a revolving period ending in October 2021, with a final maturity date in November 2028. RMIT 2019-1 held \$1.4 million in restricted cash reserves as of March 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2019-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.17%. Prior to maturity in November 2028, the Company may redeem the notes in full, but not in part, at its option on any note payment date on or after the payment date occurring in November 2021. No payments of principal of the notes will be made during the revolving period.

The carrying amounts of consolidated VIE assets and liabilities are as follows:

<i>In thousands</i>	March 31, 2020	December 31, 2019
Assets		
Cash	\$ 178	\$ 152
Net finance receivables	487,492	474,340
Allowance for credit losses	(57,820)	(22,015)
Restricted cash	43,967	44,221
Other assets	34	68
Total assets	\$ 473,851	\$ 496,766
Liabilities		
Net long-term debt	\$ 459,503	\$ 450,297
Accounts payable and accrued expenses	72	86
Total liabilities	\$ 459,575	\$ 450,383

The Company’s debt arrangements are subject to certain covenants, including monthly and annual reporting, 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. At March 31, 2020, the Company was in compliance with all debt covenants.

Note 6. 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.

Net finance receivables: Given the short turnover of our portfolio (approximately 1.2 times per year) and the fact that receivables are originated at prevailing market rates, the Company believed the carrying amount of net finance receivables, less unearned insurance premiums and allowance for credit losses, approximated the fair value of its finance receivable portfolio as of December 31, 2019.

Due to the adoption of CECL in January 2020 and the addition of lifetime losses to the allowance for credit losses, the carrying amount of its finance receivable portfolio no longer approximates fair value. The Company determines the fair value of net finance receivables using a discounted cash flows methodology. The application of these methodologies requires the Company to make certain estimates and judgments. These estimates and judgments include, but are not limited to, prepayment rates, default rates, loss severity, and risk-adjusted discount rates.

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.

Long-term debt: As of December 31, 2019, the Company believed the carrying amount of long-term debt approximated its fair value in consideration of the Company's creditworthiness and frequent long-term debt renewals, amendments, and recent originations.

Effective March 2020, the Company estimates the fair value of long-term debt using estimated credit marks based on an index of similar financial instruments (credit facilities) and projected cash flows from the underlying collateralized finance receivables (securitizations), each discounted using a risk-adjusted discount rate.

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

<i>In thousands</i>	March 31, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Level 1 inputs				
Cash	\$ 14,668	\$ 14,668	\$ 2,263	\$ 2,263
Restricted cash	54,649	54,649	54,164	54,164
Level 2 inputs				
Interest rate caps	85	85	—	—
Level 3 inputs				
Net finance receivables, less unearned insurance premiums and allowance for credit losses	931,702	1,010,426	1,042,613	1,042,613
Liabilities				
Level 3 inputs				
Long-term debt	777,847	774,189	808,218	808,218

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 7. Income Taxes

The Company records the provision for income taxes based on an annual effective tax rate. Due to uncertainty surrounding the impacts of COVID-19, the Company's effective tax rate may fluctuate during the year based on the Company's operating results.

The Company recognizes tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of the consolidated statements of income.

The following table summarizes the components of income taxes for the periods indicated:

<i>In thousands</i>	Three Months Ended March 31,	
	2020	2019
Provision for corporate taxes	\$ (3,577)	\$ 2,493
Tax (benefits) deficiencies from share-based awards	52	(100)
Total income taxes	<u>\$ (3,525)</u>	<u>\$ 2,393</u>

Note 8. 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,	
	2020	2019
Numerator:		
Net income (loss)	<u>\$ (6,325)</u>	<u>\$ 8,108</u>
Denominator:		
Weighted-average shares outstanding for basic earnings per share	10,897	11,712
Effect of dilutive securities	<u>356</u>	<u>364</u>
Weighted-average shares adjusted for dilutive securities	<u>11,253</u>	<u>12,076</u>
Earnings per share:		
Basic	<u>\$ (0.58)</u>	<u>\$ 0.69</u>
Diluted	<u>\$ (0.56)</u>	<u>\$ 0.67</u>

Options to purchase 247 thousand and 248 thousand shares of common stock were outstanding during the three months ended March 31, 2020 and 2019, respectively, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

Note 9. 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”), and on April 27, 2017, the stockholders of the Company re-approved the 2015 Plan, as amended and restated. As of March 31, 2020, 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) 1.55 million shares plus (ii) any shares (A) remaining available for the grant of awards as of the 2015 Plan effective date (April 22, 2015) 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 without the issuance of shares or pursuant to which such shares are forfeited. As of the effectiveness of the 2015 Plan (April 22, 2015), there were 0.9 million 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, 2020, there were 0.8 million shares available for grant under the 2015 Plan.

For the three months ended March 31, 2020 and 2019, the Company recorded share-based compensation expense of \$1.4 million and \$1.0 million, respectively. As of March 31, 2020, unrecognized share-based compensation expense to be recognized over future periods approximated \$6.7 million. This amount will be recognized as expense over a weighted-average period of 2.3 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.

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 non-qualified stock options, performance-contingent restricted stock units (“RSUs”), cash-settled performance units (“CSPUs”), and restricted stock awards (“RSAs”) to certain members of senior management under a long-term incentive program (“LTIP”). The CSPUs are cash incentive awards, and the associated expense is not based on the market price of the Company’s common stock. Recurring annual grants are made at the discretion of the Board. The annual grants are subject to cliff- and graded-vesting, generally concluding at the end of the third calendar year and subject to continued employment or as otherwise provided in the underlying award agreements. The actual value of the RSUs and CSPUs that may be earned can range from 0% to 150% of target based on 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 over a three-year performance period.

The Company also has a key team member incentive program for certain other 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 an RSA, 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 RSA 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 stock awards and other long-term incentive 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 up to five years (subject to continued employment or as otherwise provided in the underlying award agreements).

Non-employee director compensation program: The Company awards its non-employee directors a cash retainer and shares of restricted common stock. The RSAs 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.

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

Non-qualified 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 are subject to various vesting terms, including graded- and cliff-vesting over periods of up to five years. 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 is 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,	
	2020	2019
Expected volatility	44.88%	41.14%
Expected dividends	0.00%	0.00%
Expected term (in years)	6.0	6.0
Risk-free rate	0.71%	2.55%

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.

The following table summarizes the stock option activity for the three months ended March 31, 2020:

<i>In thousands, except per share amounts</i>	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2020	1,067	\$ 19.61		
Granted	124	17.71		
Exercised	(22)	17.72		
Forfeited	(33)	27.98		
Expired	—	—		
Options outstanding at March 31, 2020	1,136	\$ 19.20	6.0	\$ —
Options exercisable at March 31, 2020	963	\$ 18.98	5.3	\$ —

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,	
	2020	2019
Weighted-average grant date fair value per share	\$ 7.58	\$ 12.07
Intrinsic value of options exercised	\$ 219	\$ —
Fair value of stock options that vested	\$ 353	\$ —

[Table of Contents](#)

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

The following table summarizes RSU activity during the three months ended March 31, 2020:

<i>In thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value Per Unit
Non-vested units at January 1, 2020	156	\$ 24.57
Granted (target)	—	—
Achieved performance adjustment (1)	(2)	19.99
Vested	(66)	19.99
Forfeited	(27)	28.03
Non-vested units at March 31, 2020	<u>61</u>	<u>\$ 28.13</u>

(1) The 2017 LTIP RSUs were earned and vested at 96.6% of target, as described in greater detail in the Company's definitive proxy statement filed with the SEC on April 22, 2020.

The following table provides additional RSU information for the periods indicated:

<i>In thousands, except per unit amounts</i>	Three Months Ended March 31,	
	2020	2019
Weighted-average grant date fair value per unit	\$ —	\$ 27.89
Fair value of RSUs that vested	\$ 1,314	\$ 916

Restricted stock awards: The fair value and compensation expense of RSAs are calculated using the Company's closing stock price on the date of grant.

The following table summarizes RSA activity during the three months ended March 31, 2020:

<i>In thousands, except per share amounts</i>	Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested shares at January 1, 2020	126	\$ 26.78
Granted	131	21.27
Vested	(11)	26.43
Forfeited	(11)	27.89
Non-vested shares at March 31, 2020	<u>235</u>	<u>\$ 23.66</u>

The following table provides additional RSA information for the periods indicated:

<i>In thousands, except per share amounts</i>	Three Months Ended March 31,	
	2020	2019
Weighted-average grant date fair value per share	\$ 21.27	\$ 27.58
Fair value of RSAs that vested	\$ 301	\$ 108

Note 10. Commitments and Contingencies

In the normal course of business, the Company has been named as a defendant in legal actions in connection with its activities. Some of the actual or threatened legal actions include claims for compensatory damages or claims for indeterminate amounts of damages. 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.

However, in many legal actions, it is inherently difficult to determine whether any loss is probable, or even reasonably possible, or to estimate the amount of loss. This is particularly true for actions that are in their early stages of development or where plaintiffs seek indeterminate damages. 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. Before a loss, additional loss, range of loss, or range of additional loss can be reasonably estimated for any given action, numerous issues may need to be resolved, including through lengthy discovery, following determination of important factual matters, and/or by addressing novel or unsettled legal questions.

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.

While the Company will continue to identify legal actions where it 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 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 strategies, 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," "predicts," "will," "would," "should," "could," "potential," "continue," 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, events, and/or performance 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 SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (which was filed with the SEC on March 16, 2020) and this Quarterly Report on Form 10-Q. The COVID-19 pandemic may also magnify many of these risks and uncertainties. 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 that provides installment loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other lenders. We operate under the name "Regional Finance" in 368 branch locations across 11 states in the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States, serving 423,400 active accounts, as of March 31, 2020. 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. We source our loans through our multiple channel platform, which includes our branches, centrally-managed direct mail campaigns, digital partners, 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. This provides us with frequent in-person contact with our customers, which we believe improves our credit performance and customer loyalty. Our goal is to consistently grow our finance receivables and to soundly manage our portfolio risk, while providing our customers with attractive and easy-to-understand loan products that serve their varied financial needs.

Our products include small, large, and retail installment loans:

- *Small Loans ($\leq \$2,500$)* – As of March 31, 2020, we had 274.5 thousand small installment loans outstanding, representing \$440.3 million in net finance receivables. This included 116.5 thousand small loan convenience checks, representing \$167.5 million in net finance receivables.
- *Large Loans ($> \$2,500$)* – As of March 31, 2020, we had 132.1 thousand large installment loans outstanding, representing \$632.6 million in net finance receivables. This included 5.1 thousand large loan convenience checks, representing \$15.4 million in net finance receivables.
- *Retail Loans* – As of March 31, 2020, we had 15.5 thousand retail purchase loans outstanding, representing \$21.9 million in net 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 loan products and will be the drivers of our future growth. We ceased originating automobile purchase loans in November 2017 to focus on growing our core loan portfolio, but we continue to own and service the automobile loans that we previously originated. As of March 31, 2020, we had 1.3 thousand automobile loans outstanding, representing \$7.5 million in net finance receivables. 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.

Impact of COVID-19 Pandemic on Outlook

The COVID-19 pandemic has resulted in widespread market volatility and economic uncertainty within the United States. Substantially all of our branches remain open as an essential business activity, and our centralized operations continue to support our customers and our branch network. However, we have experienced temporary closure of a few branches due to state regulatory mandates and company-initiated quarantine measures. We have also implemented social distancing measures within our branches.

As a result of the economic downturn related to the pandemic, our branches have experienced a decrease in customer traffic and product demand, and for a period of time during March and April of 2020, we temporarily suspended all direct marketing aimed at acquiring new customers. We are also using our custom scorecards, as well as our legacy internal metrics and data, to tighten our lending and loan renewal criteria, which has further decreased our loan originations and renewals. Though we typically experience seasonal liquidation of our finance receivable portfolio in the first quarter of each year, loan demand normally rebounds in the second quarter of the year. However, due to COVID-19 and the impact of our marketing and credit tightening actions, we do not expect to experience the typical growth in our finance receivable portfolio in the second quarter of 2020, which will negatively impact our future revenue.

In light of the increasing unemployment rate within the United States, we also anticipate slowdowns in our loan collections and increased loan defaults. As a result, during the first quarter of 2020, our provision for credit losses was impacted by a \$23.9 million increase in the allowance for credit losses related to estimated incremental credit losses on customer accounts impacted by COVID-19. In addition, we accrued a \$1.3 million reserve for unemployment insurance claims related to COVID-19, and we expect unemployment insurance claims to remain elevated during 2020. We have implemented several borrower assistance programs in response to the COVID-19 pandemic, and the federal government has enacted significant economic stimulus measures. In April 2020, these programs were successful in driving a 120 basis point improvement in our contractual delinquency as a percentage of net finance receivables, decreasing the rate from 6.6% as of March 31, 2020 to 5.4% as of April 30, 2020. However, the long-term success of these programs is unknown at this time. In the near-term, we may experience further changes to the macroeconomic assumptions within our forecast, as well as changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses, reserve rate, and provision for credit losses expense.

We proactively diversified our funding over the past few years and continue to maintain a strong liquidity profile. As of May 4, 2020, we had \$110 million of immediate liquidity, including \$50 million of cash on hand and \$60 million of immediate availability to draw down cash from our revolving credit facilities. We believe we have enough liquidity to operate through 2021 without needing to access the securitization market. In addition, as of March 31, 2020, we had approximately \$400 million of unused capacity on our various credit facilities, subject to the borrowing base, allowing us substantial runway to fund future growth. In sum, we believe we have more than adequate capacity to support the fundamental operations of our business throughout the COVID-19 pandemic. However, we are not able to estimate the long-term impact of COVID-19 on our business and will continue to assess our liquidity needs as the situation evolves.

Due to stay-at-home mandates related to COVID-19, we are relying more heavily on online operations for customer access and telework for certain of our team members, including our home office and field leadership. We also intend to expand our capabilities for branch team members to work from home and to provide origination capabilities remotely. In addition, as a result of COVID-19, we believe that many of our customers may wish to transact business with us remotely in the future, and therefore, building out these remote loan closing capabilities may also help us meet consumer demand.

The extent to which the pandemic will ultimately impact our business and financial condition will depend on future events that are difficult to forecast, including, but not limited to, the duration and severity of the pandemic, the success of actions taken to contain, treat, and prevent the spread of the virus, the effectiveness of our borrower assistance programs and government economic stimulus measures, and the speed at which normal economic and operating conditions return.

See Part II, Item 1A, “Risk Factors” for an update to our risk factors related to COVID-19.

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 vacation, back-to-school, and holiday spending. 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 half of the year and rise in the second half of the year. The CECL accounting model requires earlier recognition of credit losses compared to the prior incurred loss approach. This could result in larger allowance for credit loss releases in quarters of portfolio liquidation, and larger provisions for credit losses in quarters of portfolio growth compared to prior years. Consequently, we experience seasonal fluctuations in our operating results and cash needs. However, the effects of COVID-19 could impact our typical seasonal trends.

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 net finance receivables grew 15.5% from \$873.0 million in 2018 to \$1.0 billion in 2019. Average net finance receivables grew 18.9% from \$944.8 million in the first three months of 2019 to \$1.1 billion in the first three months of 2020. We source our loans through our branches, direct mail program, retail partners, digital 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 one net new branch in the first three months of 2019 and opened two net new branches in the first three months of 2020. We believe that we have the opportunity to add hundreds of 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 are exposed to different credit risks and charge different interest rates and fees 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. The interest rates and fees vary from state to state, depending on the competitive environment and relevant laws and regulations.

Asset Quality and Allowance for Credit Losses. Our results of operations are highly dependent upon the credit quality of our loan portfolio. The credit 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. Our allowance for credit losses estimate changed on January 1, 2020, as we adopted the CECL accounting model. See Note 2, “Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Part I, Item 1, “Financial Statements” for more information on our allowance for credit losses.

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, loan 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 large loans collateralized by automobiles. We monitor these factors, and the amount and past due status of all loans, 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, as the interest rates that we pay on certain of our credit facilities are variable. As a component of our strategy to manage the interest rate risk associated with future interest payments on our variable-rate debt, we have purchased interest rate cap contracts. As of March 31, 2020, we held four interest rate cap contracts with an aggregate notional principal amount of \$450.0 million. The interest rate caps have maturities of April 2020 (\$100.0 million, 3.25% strike rate), June 2020 (\$50.0 million, 2.50% strike rate), April 2021 (\$200.0 million, 3.50% strike rate), and March 2023 (\$100.0 million, 1.75% strike rate). As of March 31, 2020, the one-month LIBOR was 0.99%. When the one-month LIBOR exceeds the strike rate, the counterparty reimburses us for the excess over the strike rate. No payment is required by us or the counterparty when the one-month LIBOR is below the strike rate. In addition, as described below under “Liquidity and Capital Resources – Financing Arrangements,” the interest rate on a portion of our long-term debt is fixed. As of March 31, 2020, 52.8% of our long-term debt was at a fixed rate.

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 operating expense ratio (annualized general and administrative expenses as a percentage of average net finance receivables) was 16.5% for the first three months of 2020, compared to 16.2% for the first three months of 2019. The three months ended March 31, 2020 included a 1.1% impact resulting from executive transition costs incurred in March 2020 and a 0.3% impact from a loan management system outage. In January 2020, we experienced an isolated information technology infrastructure event that caused an extended outage of our loan management system. We determined that an inadvertent operational failure in information technology allowed a system back-up process to run concurrently and inappropriately with normal nightly processes, resulting in the event. The outage affected our ability to originate branch loans and process certain types of payments. However, during that time, all branches remained open, serviced customers, and accepted payments.

via cash, personal check, money order, and certain electronic payment methods. The outage did not impact the security of customer information or the integrity of company and customer data. The event also did not involve an external breach or the compromise of data by any third party. We, with the assistance of third-party experts, addressed and resolved the issue. Our loan management system has functioned normally since its restoration, and all branches were returned to fully operational status in January 2020.

Components of Results of Operations

Interest and Fee Income. Our interest and fee income consists primarily of interest earned on outstanding loans. Accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If the account is charged off, the accrued interest income is reversed as a reduction of interest and fee income.

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 generally are included in the annual percentage rate shown in the Truth in Lending disclosure that 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 operations are a material part of our overall business and are integral to our lending activities. Insurance income, net consists primarily of earned premiums, net of certain direct costs, from the sale of various optional payment and collateral protection insurance products offered to customers who obtain loans directly from us. Insurance income, net also includes the earned premiums and direct costs associated with the non-file insurance that we purchase to protect us from credit losses where, following an event of default, we are unable to take possession of personal property collateral because our security interest is not perfected. We do not sell insurance to non-borrowers. Direct costs included in insurance income, net are claims paid, claims reserves, ceding fees, and premium taxes paid. We do not allocate to insurance income, net, any other home office or branch administrative costs associated with managing our insurance operations, managing our captive insurance company, marketing and selling insurance products, legal and compliance review, or internal audits.

As reinsurer, we maintain cash reserves for life insurance claims in an amount determined by the unaffiliated insurance company. As of March 31, 2020, the restricted cash balance for these cash reserves was \$10.7 million. The unaffiliated insurance company maintains the reserves for non-life claims.

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, returned check charges, commissions earned from the sale of an auto club product, and interest income from restricted cash 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 lifetime expected credit losses on the related finance receivable portfolio. Credit loss experience, current conditions, reasonable and supportable economic forecasts, delinquency of finance receivables, loan 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 lifetime future credit losses for each finance receivable type. Changes in our delinquency and net credit loss rates may result in changes to our provision for credit losses. Substantial adjustments to the allowance may be necessary if there are significant changes in forecasted economic conditions or loan 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 net finance receivables, which we refer to as our operating expense ratio.

Our personnel expenses are the largest component of our general and administrative expenses and consist primarily of the salaries and wages, overtime, contract labor, relocation costs, incentives, benefits, and related payroll taxes associated with all of our operations 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), digital marketing, and maintaining our consumer website, as well as some local marketing by branches. These costs are expensed as incurred.

Other expenses consist primarily of legal, compliance, audit, and consulting costs, non-employee director compensation, amortization of software licenses and implementation costs, electronic payment processing 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. For a discussion regarding how risks and uncertainties associated with 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 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 in which the change occurs, and the effects of future tax rate changes are recognized in the period in which 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 net finance receivables (annualized):

	1Q 20		1Q 19	
	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables
<i>In thousands</i>				
Revenue				
Interest and fee income	\$86,997	31.0%	\$74,322	31.5%
Insurance income, net	5,949	2.1%	4,113	1.7%
Other income	3,128	1.1%	3,313	1.4%
Total revenue	96,074	34.2%	81,748	34.6%
Expenses				
Provision for credit losses	49,522	17.6%	23,343	9.9%
Personnel	29,511	10.5%	22,393	9.5%
Occupancy	5,771	2.1%	6,165	2.6%
Marketing	1,686	0.6%	1,651	0.7%
Other	9,275	3.3%	7,974	3.4%
Total general and administrative	46,243	16.5%	38,183	16.2%
Interest expense	10,159	3.6%	9,721	4.1%
Income (loss) before income taxes	(9,850)	(3.5)%	10,501	4.4%
Income taxes	(3,525)	(1.2)%	2,393	1.0%
Net income (loss)	<u>\$ (6,325)</u>	<u>(2.3)%</u>	<u>\$ 8,108</u>	<u>3.4%</u>

Information explaining the changes in our results of operations from year-to-year is provided in the following pages.

[Table of Contents](#)

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

Income Statement Quarterly Trend							
<i>In thousands, except per share amounts</i>	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ \$ B(W)	YoY \$ B(W)
Revenue							
Interest and fee income	\$ 74,322	\$ 75,974	\$ 83,089	\$ 87,784	\$ 86,997	\$ (787)	\$ 12,675
Insurance income, net	4,113	5,066	5,087	6,551	5,949	(602)	1,836
Other income	3,313	3,234	3,531	3,649	3,128	(521)	(185)
Total revenue	81,748	84,274	91,707	97,984	96,074	(1,910)	14,326
Expenses							
Provision for credit losses	23,343	25,714	24,515	26,039	49,522	(23,483)	(26,179)
Personnel	22,393	22,511	23,791	25,305	29,511	(4,206)	(7,118)
Occupancy	6,165	6,210	6,367	5,876	5,771	105	394
Marketing	1,651	2,261	2,397	1,897	1,686	211	(35)
Other	7,974	6,761	7,612	7,813	9,275	(1,462)	(1,301)
Total general and administrative	38,183	37,743	40,167	40,891	46,243	(5,352)	(8,060)
Interest expense	9,721	9,771	10,348	10,285	10,159	126	(438)
Income (loss) before income taxes	10,501	11,046	16,677	20,769	(9,850)	(30,619)	(20,351)
Income taxes	2,393	2,677	4,105	5,086	(3,525)	8,611	5,918
Net income (loss)	<u>\$ 8,108</u>	<u>\$ 8,369</u>	<u>\$ 12,572</u>	<u>\$ 15,683</u>	<u>\$ (6,325)</u>	<u>\$ (22,008)</u>	<u>\$ (14,433)</u>
Net income (loss) per common share:							
Basic	\$ 0.69	\$ 0.71	\$ 1.11	\$ 1.44	\$ (0.58)	\$ (2.02)	\$ (1.27)
Diluted	\$ 0.67	\$ 0.70	\$ 1.08	\$ 1.38	\$ (0.56)	\$ (1.94)	\$ (1.23)
Weighted-average shares outstanding:							
Basic	11,712	11,706	11,302	10,893	10,897	(4)	815
Diluted	12,076	12,022	11,677	11,327	11,253	74	823
Net interest margin	\$ 72,027	\$ 74,503	\$ 81,359	\$ 87,699	\$ 85,915	\$ (1,784)	\$ 13,888
Net credit margin	\$ 48,684	\$ 48,789	\$ 56,844	\$ 61,660	\$ 36,393	\$ (25,267)	\$ (12,291)
Balance Sheet Quarterly Trend							
<i>In thousands</i>	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ \$ Inc (Dec)	YoY \$ Inc (Dec)
Total assets	\$ 953,467	\$ 1,019,316	\$ 1,086,172	\$ 1,158,540	\$ 1,078,890	\$ (79,650)	\$ 125,423
Net finance receivables	\$ 930,844	\$ 994,980	\$ 1,067,086	\$ 1,133,404	\$ 1,102,285	\$ (31,119)	\$ 171,441
Allowance for credit losses	\$ 56,400	\$ 57,200	\$ 60,900	\$ 62,200	\$ 142,400	\$ 80,200	\$ 86,000
Long-term debt	\$ 628,786	\$ 689,310	\$ 743,835	\$ 808,218	\$ 777,847	\$ (30,371)	\$ 149,061

Other Key Metrics Quarterly Trend

	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	QoQ Inc (Dec)	YoY Inc (Dec)
Interest and fee yield (annualized)	31.5%	31.8%	32.1%	32.0%	31.0%	(1.0)%	(0.5)%
Efficiency ratio (1)	46.7%	44.8%	43.8%	41.7%	48.1%	6.4%	1.4%
Operating expense ratio (2)	16.2%	15.8%	15.5%	14.9%	16.5%	1.6%	0.3%
30+ contractual delinquency	6.9%	6.3%	6.5%	7.0%	6.6%	(0.4)%	(0.3)%
Net credit loss ratio (3)	10.7%	10.4%	8.1%	9.0%	10.5%	1.5%	(0.2)%
Book value per share (4)	\$ 24.15	\$ 24.88	\$ 26.00	\$ 27.49	\$ 22.49	\$ (5.00)	\$ (1.66)

- (1) Annualized general and administrative expenses as a percentage of total revenue.
(2) Annualized general and administrative expenses as a percentage of average net finance receivables.
(3) Annualized net credit losses as a percentage of average net finance receivables.
(4) Book value per share declined in 1Q 20 primarily as a result of the non-cash impact of CECL accounting.

Comparison of March 31, 2020, Versus March 31, 2019

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

- Small Loans ($\leq \$2,500$)* – Small loans outstanding increased by \$14.4 million, or 3.4%, to \$440.3 million at March 31, 2020, from \$425.9 million at March 31, 2019. The increase was primarily due to increased marketing and growth in receivables in branches opened during 2018 and 2019.
- Large Loans ($> \$2,500$)* – Large loans outstanding increased by \$177.5 million, or 39.0%, to \$632.6 million at March 31, 2020, from \$455.1 million at March 31, 2019. The increase was primarily due to increased marketing and the transition of small loan customers to large loans.
- Automobile Loans* – Automobile loans outstanding decreased by \$13.0 million, or 63.4%, to \$7.5 million at March 31, 2020, from \$20.6 million at March 31, 2019. We ceased originating automobile loans in November 2017 to focus on growing our core loan portfolio.
- Retail Loans* – Retail loans outstanding decreased \$7.4 million, or 25.4%, to \$21.9 million at March 31, 2020, from \$29.3 million at March 31, 2019.

Net Finance Receivables by Product

In thousands	1Q 20	4Q 19	QoQ \$ Inc (Dec)	QoQ % Inc (Dec)	1Q 19	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 440,286	\$ 467,614	\$ (27,328)	(5.8)%	\$ 425,849	\$ 14,437	3.4%
Large loans	632,589	632,067	522	0.1%	455,119	177,470	39.0%
Total core loans	1,072,875	1,099,681	(26,806)	(2.4)%	880,968	191,907	21.8%
Automobile loans	7,532	9,640	(2,108)	(21.9)%	20,556	(13,024)	(63.4)%
Retail loans	21,878	24,083	(2,205)	(9.2)%	29,320	(7,442)	(25.4)%
Total net finance receivables	\$ 1,102,285	\$ 1,133,404	\$ (31,119)	(2.7)%	\$ 930,844	\$ 171,441	18.4%
Number of branches at period end	368	366	2	0.5%	360	8	2.2%
Average net finance receivables per branch	\$ 2,995	\$ 3,097	\$ (102)	(3.3)%	\$ 2,586	\$ 409	15.8%

Comparison of the Three Months Ended March 31, 2020, Versus the Three Months Ended March 31, 2019

Net Income (Loss). Net income decreased \$14.4 million, or 178.0%, resulting in a net loss of \$6.3 million during the three months ended March 31, 2020, from \$8.1 million of net income during the prior-year period. The decrease was primarily due to an increase in provision for credit losses of \$26.2 million, an increase in general and administrative expenses of \$8.1 million, and an increase in interest expense of \$0.4 million, offset by an increase in revenue of \$14.3 million and a decrease in income taxes of \$5.9 million.

Revenue. Total revenue increased \$14.3 million, or 17.5%, to \$96.1 million during the three months ended March 31, 2020, from \$81.7 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 \$12.7 million, or 17.1%, to \$87.0 million during the three months ended March 31, 2020, from \$74.3 million during the prior-year period. The increase was primarily due to an 18.9% increase in average net finance receivables, offset by a 0.5% decrease in average yield.

The following table sets forth the average net finance receivables balance and average yield for our loan products:

<i>In thousands</i>	Average Net Finance Receivables for the Quarter Ended			Average Yields for the Quarter Ended		
	1Q 20	1Q 19	YoY % Inc (Dec)	1Q 20	1Q 19	YoY Inc (Dec)
Small loans	\$ 458,132	\$ 438,891	4.4%	36.7%	37.7%	(1.0)%
Large loans	633,510	452,541	40.0%	27.5%	27.1%	0.4%
Automobile loans	8,618	23,279	(63.0)%	13.5%	14.8%	(1.3)%
Retail loans	23,056	30,052	(23.3)%	17.8%	18.6%	(0.8)%
Total interest and fee yield	<u>\$ 1,123,316</u>	<u>\$ 944,763</u>	<u>18.9%</u>	<u>31.0%</u>	<u>31.5%</u>	<u>(0.5)%</u>

Small loan yields decreased 1.0% compared to the prior-year period as more of our small loan customers have originated loans with larger balances and longer maturities, which typically are priced at lower interest rates. Large loan yields increased 0.4% compared to the prior-year period as a result of adjusted pricing that reflects current market conditions.

As a result of our focus on large loan growth over the last several years, the large loan portfolio has grown faster than the rest of our loan products, and we expect that this trend will continue in the future. Over time, large loan growth will change our product mix, which will reduce our total interest and fee yield.

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

<i>In thousands</i>	Net Loans Originated						
	1Q 20	4Q 19	QoQ \$ Inc (Dec)	QoQ % Inc (Dec)	1Q 19	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 120,024	\$ 180,967	\$ (60,943)	(33.7)%	\$ 129,245	\$ (9,221)	(7.1)%
Large loans	105,648	174,341	(68,693)	(39.4)%	84,068	21,580	25.7%
Retail loans	3,573	3,833	(260)	(6.8)%	6,197	(2,624)	(42.3)%
Total net loans originated	<u>\$ 229,245</u>	<u>\$ 359,141</u>	<u>\$ (129,896)</u>	<u>(36.2)%</u>	<u>\$ 219,510</u>	<u>\$ 9,735</u>	<u>4.4%</u>

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 20 Compared to 1Q 19			
	Increase (Decrease)			
	Volume	Rate	Volume & Rate	Net
Small loans	\$ 1,816	\$ (1,122)	\$ (50)	\$ 644
Large loans	12,258	509	203	12,970
Automobile loans	(543)	(76)	48	(571)
Retail loans	(325)	(56)	13	(368)
Product mix	840	(408)	(432)	—
Total increase in interest and fee income	<u>\$ 14,046</u>	<u>\$ (1,153)</u>	<u>\$ (218)</u>	<u>\$ 12,675</u>

The \$12.7 million increase in interest and fee income during the three months ended March 31, 2020 from the prior-year period was primarily driven by finance receivables growth, offset by a decrease in yield, as illustrated in the table above. We expect future increases in interest and fee income to continue to be driven primarily from growth in our average net finance receivables.

Insurance Income, Net. Insurance income, net increased \$1.8 million, or 44.6%, to \$5.9 million during the three months ended March 31, 2020, from \$4.1 million during the prior-year period. Annualized insurance income, net represented 2.1% and 1.7% of average net finance receivables during the three months ended March 31, 2020 and the prior-year period, respectively. During both the three months ended March 31, 2020 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. During the three months ended March 31, 2020, the change in unemployment insurance claims reserves related to COVID-19 represented the largest component of direct insurance expenses. During the three months ended March 31, 2019, non-file insurance claims expense represented the largest component of direct insurance expenses.

The following table summarizes the components of insurance income, net:

<i>In thousands</i>	Insurance Premiums and Direct Expenses for the Quarter Ended			
	1Q 20	1Q 19	YoY \$ B(W)	YoY % B(W)
Earned premiums	\$ 10,519	\$ 7,949	\$ 2,570	32.3%
Claims, reserves, and certain direct expenses	(4,570)	(3,836)	(734)	(19.1)%
Insurance income, net	\$ 5,949	\$ 4,113	\$ 1,836	44.6%

Earned premiums increased by \$2.6 million and claims, reserves, and certain direct expenses increased by \$0.7 million, in each case compared to the prior-year period. The increase in earned premiums was primarily due to loan growth. The increase in claims, reserves, and certain direct expenses was primarily due to a \$1.3 million reserve for COVID-19 unemployment insurance claims, offset by a \$0.8 million reduction of non-file claims expense due to the previously disclosed change in business practice to lower the utilization of non-file insurance. We expect unemployment insurance claims to remain elevated during 2020.

Other Income. Other income decreased \$0.2 million, or 5.6%, to \$3.1 million during the three months ended March 31, 2020, from \$3.3 million during the prior-year period, primarily due to late charges that were waived due to the January 2020 system outage. Late charges of \$2.2 million and \$2.3 million represented 69.0% and 70.9% of total other income for the three months ended March 31, 2020 and the prior-year period, respectively. As large loans continue to represent a greater percentage of our total loan portfolio and we continue to leverage electronic payment options, we expect lower late charges per active account. Annualized other income represented 1.1% and 1.4% of average net finance receivables during both the three months ended March 31, 2020 and the prior-year period, respectively.

Provision for Credit Losses. Our provision for credit losses increased \$26.2 million, or 112.1%, to \$49.5 million during the three months ended March 31, 2020, from \$23.3 million during the prior-year period. The increase was due to an increase in net credit losses of \$4.2 million and the provision for COVID-19 credit losses of \$23.9 million (see “COVID-19 Impact” below), offset by a \$1.9 million increase in the amount of allowance for credit losses released in the current-year period compared to the prior-year period. The annualized provision for credit losses as a percentage of average net finance receivables during the three months ended March 31, 2020 was 17.6%, compared to 9.9% during the prior-year period. The three months ended March 31, 2020 included an 8.5% increase in provision for credit losses related to COVID-19.

The increase in the provision for credit losses is explained in greater detail below.

COVID-19 Impact. During the three months ended March 31, 2020, our provision for credit losses was impacted by a \$23.9 million increase in the allowance for credit losses related to estimated incremental credit losses on customer accounts impacted by COVID-19.

Net Credit Losses. Net credit losses increased \$4.2 million, or 16.6%, to \$29.4 million during the three months ended March 31, 2020, from \$25.2 million during the prior-year period. The increase was primarily due to a \$178.6 million increase in average net finance receivables over the prior-year period and \$0.7 million of net credit losses that were a result of the system outage that impacted our branches during the three months ended March 31, 2020.

Annualized net credit losses as a percentage of average net finance receivables were 10.5% during the three months ended March 31, 2020, compared to 10.7% during the prior-year period. The three months ended March 31, 2020 included a 0.3% impact from the increase in net credit losses related to the system outage. The prior-year period included a 0.4% impact from \$0.9 million in net credit losses resulting from a hurricane in 2018.

Delinquency Performance. Our March 31, 2020 contractual delinquency as a percentage of net finance receivables decreased to 6.6% from 6.9% as of March 31, 2019. Total contractual delinquency as of March 31, 2020 was inclusive of an increase of 0.1% attributable to the impact of our system outage. Total contractual delinquency as of March 31, 2019 was inclusive of an increase of 0.4% attributable to the impact of a hurricane in 2018.

The following tables include delinquency balances by aging category and by product:

<i>In thousands</i>	Contractual Delinquency by Aging			
	1Q 20		1Q 19	
Current	\$ 931,032	84.4%	\$ 780,439	83.8%
1 to 29 days past due	98,896	9.0%	86,497	9.3%
Delinquent accounts:				
30 to 59 days	20,907	1.9%	18,172	2.0%
60 to 89 days	16,456	1.5%	13,924	1.5%
90 to 119 days	11,889	1.1%	11,808	1.2%
120 to 149 days	12,059	1.1%	9,955	1.1%
150 to 179 days	11,046	1.0%	10,049	1.1%
Total contractual delinquency	\$ 72,357	6.6%	\$ 63,908	6.9%
Total net finance receivables	\$ 1,102,285	100.0%	\$ 930,844	100.0%

<i>In thousands</i>	Contractual Delinquency by Product			
	1Q 20		1Q 19	
Small loans	\$ 37,662	8.6%	\$ 35,086	8.2%
Large loans	32,201	5.1%	25,145	5.5%
Automobile loans	508	6.7%	1,535	7.5%
Retail loans	1,986	9.1%	2,142	7.3%
Total contractual delinquency	\$ 72,357	6.6%	\$ 63,908	6.9%

Allowance for Credit Losses. We evaluate delinquency and credit losses in each of our loan products in establishing the allowance for credit losses. As a result of the adoption of the new credit loss accounting standard on January 1, 2020, through a modified-retrospective approach, we recorded an increase to the allowance for credit losses of \$60.1 million and a one-time, cumulative reduction to retained earnings of \$45.9 million (net of \$14.2 million in taxes). Our allowance for credit losses increased from 5.5% to 10.8% as a percentage of the amortized cost basis on January 1, 2020. The CECL accounting adoption does not result in any changes in the cash flows of our financial assets, did not cause us to violate any of our existing debt covenants, and will not inhibit us in funding our growth.

The following table illustrates the impacts to the allowance for credit losses for the periods indicated:

<i>In thousands</i>	December 31, 2019	January 1, 2020		1Q 20	
	Pre-CECL Adoption	Impact of Adoption	Post-CECL Adoption	Reserve Build (Release)	Ending Balance
Small loans	\$ 30,588	\$ 24,185	\$ 54,773	\$ 7,681	\$ 62,454
Large loans	29,148	33,550	62,698	12,315	75,013
Automobile loans	820	599	1,419	(172)	1,247
Retail loans	1,644	1,766	3,410	276	3,686
Allowance for credit losses	\$ 62,200	\$ 60,100	\$ 122,300	\$ 20,100	\$ 142,400
Allowance for credit losses as a percentage of net finance receivables	5.5%	5.3%	10.8%		12.9%

Our current methodology to estimate expected credit losses utilized macroeconomic forecasts as of March 31, 2020, which incorporated the potential impact that the COVID-19 pandemic could have on the U.S. economy. Our forecast utilized economic projections from a major rating service and considered several macroeconomic stress scenarios. Our final forecast included a 34% peak-to-trough decrease in Gross Domestic Product in the second quarter of 2020 and unemployment increasing to 20% in the second quarter of 2020, with a decline to 7% by mid-2021. The macroeconomic scenario was adjusted for the potential impacts of the CARES Act, the involuntary unemployment insurance claims coverage of our portfolio, and our borrower assistance programs. As a result, our allowance for credit losses as a percentage of net finance receivables of 12.9% includes 2.2% related to the \$23.9 million impact from COVID-19 as of March 31, 2020. In the near-term, we may experience further changes to the macroeconomic assumptions within our forecast, as well as changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses, reserve rate, and provision for credit losses expense.

General and Administrative Expenses. Our general and administrative expenses, comprising expenses for personnel, occupancy, marketing, and other expenses, increased \$8.1 million, or 21.1%, to \$46.2 million during the three months ended March 31, 2020, from \$38.2 million during the prior-year period. Our operating expense ratio increased to 16.5% during the three months ended March 31, 2020, from 16.2% during the prior year period. The three months ended March 31, 2020 included a 1.1% impact related to executive transition costs incurred in March 2020 and a 0.3% impact from the system outage occurring in January 2020. The absolute dollar increases in general and administrative expenses are explained in detail below.

Personnel. The largest component of general and administrative expenses is personnel expense, which increased \$7.1 million, or 31.8%, to \$29.5 million during the three months ended March 31, 2020, from \$22.4 million during the prior-year period. Personnel costs increased \$3.0 million compared to the prior-year period due to executive transition costs. Labor expense increased \$2.0 million primarily due to added headcount in our branches to effectively service active account growth that has occurred since March 31, 2019. Additional increases include corporate incentive costs of \$1.3 million, \$0.3 million of personal costs related to our 8 net new branches that opened since the prior-year period, and \$0.2 million of system outage-related expenses.

Occupancy. Occupancy expenses decreased \$0.4 million, or 6.4%, to \$5.8 million during the three months ended March 31, 2020, from \$6.2 million during the prior-year period. The decrease was primarily due to a \$0.6 million decrease in telecommunication expenses, partially offset by a \$0.2 million impact of our 8 net new branches that opened since the prior-year period. Our telecommunication expenses decreased during the three months ended March 31, 2020, compared to the prior-year period due to a new contract with one of our primary telecommunication providers.

Marketing. Marketing expenses remained constant at \$1.7 million during both the three months ended March 31, 2020 and the prior-year period.

Other Expenses. Other expenses increased \$1.3 million, or 16.3%, to \$9.3 million during the three months ended March 31, 2020, from \$8.0 million during the prior-year period. During the three months ended March 31, 2020, we incurred \$0.5 million of professional fees related to our system outage. Additionally, we frequently experience increases in other expenses, including legal and settlement expenses, external fraud, collections expense, bank fees, and certain professional expenses, as we grow our loan portfolio and expand our market footprint.

Interest Expense. Interest expense on long-term debt increased \$0.4 million, or 4.5%, to \$10.2 million during the three months ended March 31, 2020, from \$9.7 million during the prior-year period. The increase was primarily due to an increase in the average balance of our long-term debt facilities from finance receivable growth, offset by a decrease in our average cost of debt. The annualized average cost of our total long-term debt decreased 0.93% to 5.18% during the three months ended March 31, 2020, from 6.11% during the prior-year period, primarily due to lower interest rates.

Income Taxes. Income taxes decreased \$5.9 million, or 247.3%, to a \$3.5 million benefit during the three months ended March 31, 2020, from a \$2.4 million expense during the prior-year period. The decrease was primarily due to a \$20.4 million decrease in income before taxes. Our effective tax rates were 35.8% and 22.8% for the three months ended March 31, 2020 and the prior-year period, respectively. The increase was primarily due to non-deductible items that were not impacted by the decrease in income before taxes.

Liquidity and Capital Resources

Our primary cash needs relate to the funding of our lending activities and, to a lesser extent, expenditures relating to improving our technology infrastructure and expanding and maintaining our branch locations. In connection with our plans to improve our technology infrastructure and to expand our branch network in future years, we expect to incur approximately \$9.0 million to \$12.0 million of 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 debt facilities, including our senior revolving credit facility, revolving warehouse credit facility, and asset-backed securitization transactions, all of which are described below. We had a funded debt-to-equity ratio (long-term debt divided by total stockholders' equity) of 3.1 to 1.0 and a stockholders' equity ratio (total stockholders' equity as a percentage of total assets) of 23.3% as of March 31, 2020.

We believe that cash flow from our operations and borrowings under our long-term debt facilities will be adequate to fund our business for the next twelve months, including initial operating losses of new branches and finance receivable growth of new and existing branches. However, we are not able to estimate the long-term impact of COVID-19 on our business and will continue to assess our liquidity needs as the situation evolves.

From time to time, we have extended the maturity date of and increased the borrowing limits under our senior revolving credit facility. While we have successfully obtained such extensions and increases in the past, there can be no assurance that we will be able to do so if and when needed in the future. In addition, the revolving periods of our warehouse credit facility and RMIT 2018-1, RMIT 2018-2, and RMIT 2019-1 securitizations (each as described below) end in April 2021, June 2020, December 2020, and October 2021, respectively. There can be no assurance that we will be able to secure an extension of the warehouse credit facility or close additional securitization transactions if and when needed in the future. We are continuing to seek ways to diversify our long-term funding sources.

Cash Flow.

Operating Activities. Net cash provided by operating activities during the three months ended March 31, 2020 was \$44.6 million, compared to \$30.7 million provided by operating activities during the prior-year period, a net increase of \$13.9 million. The increase was primarily due to the growth in our business described above, which produced an increase in net income, before provision for credit losses.

Investing Activities. Investing activities consist of originations and purchases of finance receivables, purchases of intangible assets, and purchases of property and equipment for new and existing branches. Net cash provided by (used in) investing activities decreased \$6.8 million from the prior-year period. The decrease in cash used was primarily due to decreased net originations of finance receivables.

Financing Activities. Financing activities consist of borrowings and payments on our outstanding indebtedness. During the three months ended March 31, 2020, net cash used in financing activities was \$31.7 million, a decrease of \$1.1 million compared to \$32.8 million during the prior-year period. The decrease in cash used was primarily a result of a decrease in net payments on debt instruments of \$1.3 million, partially offset by a \$0.2 million increase in debt issuance costs and taxes.

Financing Arrangements.

Senior Revolving Credit Facility. In September 2019, we amended and restated our senior revolving credit facility to, among other things, increase the availability under the facility from \$638 million to \$640 million and extend the maturity of the facility from June 2020 to September 2022. The facility has an accordion provision that allows for the expansion of the facility to \$650 million. Excluding the receivables held by our VIEs, the senior revolving credit facility is secured by substantially all of our finance receivables and equity interests of the majority of our subsidiaries. Advances on the senior revolving credit facility are capped at 85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals (77% of eligible secured finance receivables, 72% of eligible unsecured finance receivables, and 52% of eligible delinquent renewals as of March 31, 2020). As of March 31, 2020, we had \$87.6 million of eligible borrowing capacity under the facility and held \$14.7 million in unrestricted cash. Borrowings under the facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a 3.00% margin, increasing to 3.25% when the availability percentage is below 10%. The one-month LIBOR rate was 0.99% and 1.76% at March 31, 2020 and December 31, 2019, respectively. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark, if necessary. We pay an unused line fee between 0.375% and 0.65% based upon the average outstanding balance of the facility.

Our long-term debt under the senior revolving credit facility was \$312.1 million as of March 31, 2020. In advance of its September 2022 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.

Variable Interest Entity Debt. As part of our overall funding strategy, we have transferred certain finance receivables to affiliated VIEs for asset-backed financing transactions, including securitizations. The following debt arrangements are issued by our wholly-owned, bankruptcy-remote, SPEs, which are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. We are considered to be the primary beneficiary because we have (i) power over the significant activities through our role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through our interest in the monthly residual cash flows of the SPEs after each debt is paid.

These long-term debts are supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these finance receivables are remitted to restricted cash collection accounts, which totaled \$38.5 million and \$39.4 million as of March 31, 2020 and December 31, 2019, respectively. Cash inflows from the finance receivables are distributed to the lenders/investors, the service providers, and/or the residual interest that we own in accordance with a monthly contractual priority of payments. The SPEs pay a servicing fee to us, which is eliminated in consolidation. Distributions from the SPEs to us are permitted under the debt arrangements.

At each sale of receivables from our affiliates to the SPEs, we make certain representations and warranties about the quality and nature of the collateralized receivables. The debt arrangements require us to repurchase the receivables in certain circumstances, including circumstances in which the representations and warranties made by us concerning the quality and characteristics of the receivables are inaccurate. Assets transferred to SPEs are legally isolated from us and our affiliates, and the claims of our and our affiliates’ creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of us or any of our affiliates. See Part II, Item 1A, “Risk Factors” and the filings referenced therein for a discussion of risks related to our variable interest entity debt.

Revolving Warehouse Credit Facility. In October 2019, we and our wholly-owned SPE, RMR II, amended the credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR II. The amendment extended the date at which the facility converts to an amortizing loan and the termination date to April 2021 and April 2022, respectively. The facility has an accordion provision that allows for the expansion of the facility to \$150 million. The debt is secured by finance receivables and other related assets that we purchased from our affiliates, which we then sold and transferred to RMR II. Advances on the facility are capped at 80% of eligible finance receivables. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). The three-month LIBOR was 1.45% and 1.91% at March 31, 2020 and December 31, 2019, respectively. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility. As of March 31, 2020, our long-term debt under the credit facility was \$54.9 million.

RMIT 2018-1 Securitization. In June 2018, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2018-1, completed a private offering and sale of \$150 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2018-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2018-1. The notes have a revolving period ending in June 2020, with a final maturity date in July 2027. Borrowings under the RMIT 2018-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.93%. Prior to maturity in July 2027, we may redeem the notes in full, but not in part, at our option on any note payment date on or after the payment date occurring in July 2020. No payments of principal of the notes will be made during the revolving period. As of March 31, 2020, our long-term debt under the securitization was \$150.2 million.

RMIT 2018-2 Securitization. In December 2018, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2018-2, completed a private offering and sale of \$130 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2018-2. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2018-2. The notes have a revolving period ending in December 2020, with a final maturity date in January 2028. Borrowings under the RMIT 2018-2 securitization bear interest, payable monthly, at a weighted-average rate of 4.87%. Prior to maturity in January 2028, we may redeem the notes in full, but not in part, at our option on any note payment date on or after the payment date occurring in January 2021. No payments of principal of the notes will be made during the revolving period. As of March 31, 2020, our long-term debt under the securitization was \$130.3 million.

RMIT 2019-1 Securitization. In October 2019, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2019-1, completed a private offering and sale of \$130 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2019-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2019-1. The notes have a revolving period ending in October 2021, with a final maturity date in November 2028. Borrowings under the RMIT 2019-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.17%. Prior to maturity in November 2028, we may redeem the notes in full, but not in part, at our option on any note payment date on or after the payment date occurring in November 2021. No payments of principal of the notes will be made during the revolving period. As of March 31, 2020, our long-term debt under the securitization was \$130.2 million.

Our debt arrangements are subject to certain covenants, including monthly and annual reporting, 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. At March 31, 2020, we were in compliance with all debt covenants.

We expect that the LIBOR reference rate will be phased out by the end of 2021. Both our senior revolving credit facility and revolving warehouse credit facility use LIBOR as a benchmark in determining the cost of funds borrowed. Our senior revolving credit facility provides for a process to transition from LIBOR to a new benchmark, if necessary. We plan to work with our banking partners to modify our credit agreements to contemplate the cessation of the LIBOR reference rate. We will also work to identify a replacement rate to LIBOR and look to adjust the pricing structure of our facilities as needed.

Restricted Cash Reserve Accounts.

Revolving Warehouse Credit Facility. The credit agreement governing the revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the eligible pool balance of the facility. As of March 31, 2020, the warehouse facility cash reserve requirement totaled \$1.0 million. The warehouse facility is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$4.2 million as of March 31, 2020.

RMIT 2018-1 Securitization. As required under the transaction documents governing the RMIT 2018-1 securitization, we deposited \$1.7 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$13.3 million as of March 31, 2020.

RMIT 2018-2 Securitization. As required under the transaction documents governing the RMIT 2018-2 securitization, we deposited \$1.4 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$10.4 million as of March 31, 2020.

RMIT 2019-1 Securitization. As required under the transaction documents governing the RMIT 2019-1 securitization, we deposited \$1.4 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$10.7 million as of March 31, 2020.

RMC Reinsurance. 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, 2020, cash reserves for reinsurance were \$10.7 million.

Interest Rate Caps.

As a component of our strategy to manage the interest rate risk associated with future interest payments on our variable-rate debt, we have purchased interest rate cap contracts. As of March 31, 2020, we held four interest rate cap contracts with an aggregate notional principal amount of \$450.0 million. The interest rate caps have maturities of April 2020 (\$100.0 million, 3.25% strike rate), June 2020 (\$50.0 million, 2.50% strike rate), April 2021 (\$200.0 million, 3.50% strike rate), and March 2023 (\$100.0 million, 1.75% strike rate). As of March 31, 2020, the one-month LIBOR was 0.99%. When the one-month LIBOR exceeds the strike rate, the counterparty reimburses us for the excess over the strike rate. No payment is required by us or the counterparty when the one-month LIBOR is below the strike rate.

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 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 understanding of our financial results and condition and that involve a higher degree of complexity and management judgment.

Credit Losses.

The FASB issued an accounting update in June 2016 to change the impairment model for estimating credit losses on financial assets. The previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred. The incurred loss model was replaced by the CECL model, which requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial asset. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. We adopted this standard effective January 1, 2020.

The allowance for credit losses is based on historical credit experience, current conditions, and reasonable and supportable economic forecasts. The historical loss experience is adjusted for quantitative and qualitative factors that are not fully reflected in the historical data. In determining our estimate of expected credit losses, we evaluate information related to credit metrics, changes in our lending strategies and underwriting practices, and the current and forecasted direction of the economic and business environment. These metrics include, but are not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in underwriting, and operational risks.

We selected a static pool Probability of Default ("PD") / Loss Given Default ("LGD") model to estimate our base allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. Historical static pools of net finance receivables are tracked over the term of the pools to identify the incidences of loss (PDs) and the average severity of losses (LGDs).

To enhance the precision of the allowance for credit loss estimate, we evaluate our finance receivable portfolio on a pool basis and segment each pool of finance receivables with similar credit risk characteristics. As part of our evaluation, we consider portfolio characteristics such as product type, loan size, loan term, internal or external credit scores, delinquency status, geographical location, and vintage. Based on analysis of historical loss experience, we selected the following segmentation: product type, FICO score, and delinquency status.

We account for certain finance receivables that have been modified by bankruptcy proceedings or company loss mitigation policies using a discounted cash flows approach to properly reserve for customer concessions (rate reductions and term extensions).

As finance receivables are originated, provisions for credit losses are recorded in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for estimated losses over the contractual term of the finance receivables. Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable's expected life. We use our segmentation loss experience to forecast expected credit losses. Historical information about losses generally provides a basis for the estimate of expected credit losses. We also consider the need to adjust historical information to reflect the extent to which current conditions differ from the conditions that existed for the period over which historical information was evaluated. These adjustments to historical loss information may be qualitative or quantitative in nature.

Reasonable and supportable macroeconomic forecasts are required for our allowance for credit loss model. We engaged a major rating service to assist with compiling a reasonable and supportable forecast. We review macroeconomic forecasts to use in our allowance for credit losses. We adjust the historical loss experience by relevant qualitative factors for these expectations. We do not require reversion adjustments, as the expected lives of our portfolio are shorter than our available forecast periods.

We charge credit losses against the allowance when the account reaches 180 days contractually delinquent, subject to certain exceptions. Our non-titled customer accounts in a confirmed bankruptcy are charged off in the month following the bankruptcy notification or 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. Subsequent recoveries of amounts charged off, if any, are credited to the allowance.

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. If the account is charged off, the accrued interest income is reversed as a reduction of interest and fee income.

We recognize income on credit life insurance, credit property insurance, and automobile insurance using the sum-of-the-years' digits or straight-line 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 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. Fee income for non-file insurance is recognized using the sum-of-the-years' digits method over the loan term.

Charges for late fees are recognized as income when collected.

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 record a tax provision for the anticipated tax consequences of our reported operating results. The provision for income taxes is computed using the asset and liability method, under which 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.

We recognize the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the consolidated financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority.

We recognize the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of our consolidated statements of income.

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 either at 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 1.2 times per year from payments, renewals, and net credit losses. Because our large loans have longer maturities than our small loans and typically renew at a slower rate than our small loans, the rate of turnover of the loan portfolio may change as our large loans change as a percentage of our portfolio.

We also are exposed to changes in interest rates as a result of certain borrowing activities. As of March 31, 2020, the interest rates on 52.8% of our long-term debt (the securitizations) were fixed. We maintain liquidity and fund our business operations in part through variable-rate borrowings under a senior revolving credit facility and a revolving warehouse credit facility. At March 31, 2020, the balances of the senior revolving credit facility and the revolving warehouse credit facility were \$312.1 million and \$54.9 million, respectively.

Borrowings under the senior revolving credit facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a margin of 3.00%, increasing to 3.25% when the availability percentage is below 10%. Borrowings under the revolving warehouse credit facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). As of March 31, 2020, the LIBOR rates under the senior revolving credit facility and the revolving warehouse credit facility were 0.99% and 1.45%, respectively.

We have purchased interest rate caps to manage the risk associated with an aggregate notional \$450.0 million of our LIBOR-based borrowings. These interest rate caps are based on the one-month LIBOR and reimburse us for the difference when the one-month LIBOR exceeds the strike rate. The interest rate caps have maturities of April 2020 (\$100.0 million, 3.25% strike rate), June 2020 (\$50.0 million, 2.50% strike rate), April 2021 (\$200.0 million, 3.50% strike rate), and March 2023 (\$100.0 million, 1.75% strike rate).

Effective interest rates for borrowings under the senior revolving credit facility and the revolving warehouse credit facility were 5.09% and 5.06%, respectively, for the three months ended March 31, 2020, including, in each case, an unused line fee. Based on the LIBOR rates and the outstanding balances at March 31, 2020, an increase of 100 basis points in LIBOR rates would result in approximately \$3.6 million of increased interest expense on an annual basis, in the aggregate, under these LIBOR-based borrowings. Our interest rate cap coverage at March 31, 2020 would reduce this increased expense by approximately \$0.2 million on an annual basis.

The nature and amount of our debt may vary as a result of future business requirements, market conditions, and other factors.

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, 2020. 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 SEC’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 officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, 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

Effective January 1, 2020, we adopted ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (referred to herein as “CECL”). In connection with the adoption of CECL, we have designed certain new controls and procedures as well as modified certain existing controls. These additional controls involve expanded controls over loan level data, the review of qualitative factors, and the selection of a macroeconomic forecast. There were no other 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.

The Company is 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.

Other than the risk factors set forth below, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. In addition to the risk factors below and 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, 2019 (which was filed with the SEC on March 16, 2020), 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.

The novel coronavirus (COVID-19) pandemic has had and is expected to continue to have a material adverse effect on our business, liquidity, results of operations, and financial condition.

The COVID-19 pandemic has resulted in widespread market volatility and economic uncertainty within the United States. National, regional, and local economies may suffer long-term disruptions, including after COVID-19 has subsided. The extent to which the pandemic will ultimately impact our business and financial condition will depend on future events that are difficult to forecast, including, but not limited to, the duration and severity of the pandemic, the success of actions taken to contain, treat, and prevent the virus, the effectiveness of government economic stimulus measures, and the speed at which normal economic and operating conditions return.

Governmental authorities have taken, and may continue to take, unprecedented actions in an attempt to limit the spread of the pandemic, including social distancing requirements, stay-at-home orders, quarantines, and closure of non-essential businesses. Such actions negatively impact overall economic activity within the United States and may have material and direct adverse consequences on our business. For example, on April 6, 2020, the New Mexico Department of Health, at the direction of the governor, issued an executive order excluding consumer finance companies like us from the definition of "essential business." As a result, we temporarily closed our branches in the state of New Mexico, but we have since re-opened the branches. Our branches in our other states of operation remain open as an essential business activity. However, we have experienced temporary closure of several locations due to company-initiated quarantine measures. We may choose, or be required by government agencies, to close these same or other locations in the future due to quarantine or other health and/or safety concerns. Multiple or prolonged closures could negatively impact our ability to service our customer accounts and adversely affect our results of operations. We have implemented social distancing measures within our branches and may choose, or be required by government agencies, to implement additional safeguards related to COVID-19 containment in the future that could increase our operating costs and have a negative economic impact on our business.

As a result of the economic downturn related to the pandemic, our branches have experienced a decrease in customer traffic and product demand. We are using our custom scorecards, as well as our legacy internal metrics and data, to tighten our lending and loan renewal criteria, which has further decreased our loan originations and renewals. In light of the increasing unemployment rate within the United States, we also anticipate slowdowns in our loan collections and increased loan defaults. Negative impacts to our loan growth, collections, and defaults could adversely impact our revenues and other results of operations. For a period of time during March and April of 2020, we also temporarily suspended all direct marketing aimed at acquiring new customers. In addition, we have temporarily paused investment in new branches, non-critical hiring, and certain other spending until conditions begin to rebound, all of which may negatively impact our ability to grow our customer base and business.

Due to stay-at-home mandates related to COVID-19, we are relying more heavily on online operations for customer access and telework for certain of our team members, including our home office and field leadership who may currently be working remotely. We also intend to expand our capabilities for branch team members to work from home and to provide full origination capabilities remotely. However, if we experience disruptions in our online operations or are unable to timely expand our remote working or origination capabilities in response to continued or increased COVID-19 restrictions, we may be unable to timely and effectively service accounts and perform key business functions. Disruptions in our business could also result from the inability of key personnel and/or a significant portion of our workforce to fulfill their duties due to COVID-19 related illness or restriction. We maintain continuity plans, but there is no assurance that such plans will effectively mitigate the risks posed by the pandemic.

We have implemented several borrower assistance programs in response to the COVID-19 pandemic. Additionally, federal and state governments are enacting, and may in the future enact, economic stimulus measures. The success of any economic assistance program or stimulus legislation is unknown, and we cannot determine the impact of any such program or legislation on our anticipated credit losses due to COVID-19. New legislation and other governmental regulations could increase our legal compliance costs, create risk for our operations and reputation, and have an overall negative impact on the conduct of our business.

The departure, transition, or replacement of key personnel could significantly impact the results of our operations. If we cannot continue to hire and retain high-quality employees, or do not successfully manage our Chief Executive Officer and Chief Financial Officer transitions, our business and financial results may be negatively affected.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense. Our operating results could be adversely affected by higher employee turnover or increased salary and benefit costs. Like most businesses, our employees are important to our success and we are dependent in part on our ability to retain the services of our key management, operational, finance, and administrative personnel. We have built our business on a set of core values, and we attempt to hire employees who are committed to these values. We want to hire and retain employees who will fit our culture of compliance and of providing exceptional service to our customers. In order to compete and to continue to grow, we must attract, retain, and motivate employees, including those in executive, senior management, and operational positions. As our employees gain experience and develop their knowledge and skills, they become highly desired by other businesses. Therefore, to retain our employees, we must provide a satisfying work environment and competitive compensation and benefits. If costs to retain our skilled employees increase, then our business and financial results may be negatively affected.

Our continued growth is also dependent, in part, on the skills, experience, and efforts of our executive officers and senior management. As previously announced, our former Executive Vice President and Chief Financial Officer, Donald E. Thomas, retired from Regional in the third quarter of 2019, our former Executive Vice President and Chief Credit Risk Officer, Daniel J. Taggart, stepped down from his position at Regional in the first quarter of 2020, and the employment of Peter R. Knitzer, our former President and Chief Executive Officer, was terminated in the first quarter of 2020. Robert W. Beck, who initially succeeded Mr. Thomas as our Chief Financial Officer through March 2020, subsequently succeeded Mr. Knitzer and now serves as our President and Chief Executive Officer. Michael S. Dymski serves as our Vice President, interim Chief Financial Officer, and Chief Accounting Officer, and Manish Parmar serves as our Executive Vice President and Chief Credit Risk Officer.

We may not be successful in retaining the other members of our executive or senior management team or our other key employees. The loss of the services of any of our executive officers, senior management, or key team members, including state vice presidents, or the inability to attract additional qualified personnel as needed, could have an adverse effect on our business, financial condition, and results of operations. We also depend on our district supervisors to supervise, train, and motivate our branch employees. These supervisors have significant experience with our company and within our industry, and would be difficult to replace. If we lose a district supervisor to a competitor, we could also be at risk of losing other employees and customers. Although we have engaged an executive search firm to commence a search for a permanent Chief Financial Officer, the process of identifying management successors creates uncertainty and could become a distraction to senior management and our Board of Directors, and we may not be successful in attracting qualified candidates for this position and other key positions when necessary. The identification and recruitment of candidates to fill senior management positions, and the resulting transition process, may be disruptive to our business and operations.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File Number	Exhibit	Filing Date
10.1	Employment Agreement, dated as of March 26, 2020, by and between Robert W. Beck and Regional Management Corp.		8-K	001-35477	10.1	3/30/20
10.2	Employment Agreement, dated as of January 6, 2020, by and between Manish Parmar and Regional Management Corp.	X				
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, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019; (ii) the Consolidated Statements of Income for the three months ended March 31, 2020 and 2019; (iii) the Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2020 and the year ended December 31, 2019; (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019; and (v) the Notes to the Consolidated Financial Statements.	X				

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.

Date: May 8, 2020

REGIONAL MANAGEMENT CORP.

By: /s/ Michael S. Dymski
Michael S. Dymski, Vice President, Interim Chief Financial Officer,
and Chief Accounting Officer
(Principal Financial Officer, Principal Accounting Officer, and Duly
Authorized Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is entered into as of January 6, 2020 (the “**Effective Date**”), between Manish Parmar (“**Executive**”) and Regional Management Corp., a Delaware corporation (the “**Corporation**”).

RECITALS

A. The Corporation believes that the future growth, profitability, and success of the business of the Corporation will be significantly enhanced by the employment of Executive as Executive Vice President and Chief Credit Risk Officer of the Corporation.

B. The Corporation desires to provide Executive with appropriate incentives and rewards related to the performance by Executive and to encourage the employment of Executive in the service of the Corporation, and Executive desires to accept such employment, on the terms and conditions of this Agreement, from and after the date of this Agreement.

C. The Corporation and Executive desire to enter into an employment agreement, as evidenced in this Agreement, to reflect the terms of Executive’s employment.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the parties hereto hereby agree as follows:

I. DEFINITIONS

1.1 Definitions. In addition to terms defined elsewhere in this Agreement, for purposes of this Agreement, the following terms will have the following respective meanings when used in this Agreement with initial capital letters:

(a) “**2015 Plan**”: as defined in Section 2.4(c).

(b) “**Affiliate**”: with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of this definition, “**control**,” when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any such Person, whether through the ownership of voting securities, by contract, or otherwise, and the terms “**controlling**” and “**controlled**” have the respective meanings correlative to the foregoing. With respect to any natural Person, “**Affiliate**” will also include such Person’s grandparents, any descendants of such Person’s grandparents, the grandparents of such Person’s spouse, and any descendants of the grandparents of such Person’s spouse (in each case, whether by blood, adoption, or marriage).

(c) “**Agreement**”: as defined in the introductory paragraph.

(d) “**Annual Bonus**”: as defined in Section 2.4(b)(i).

(e) “**Annual Incentive Plan**”: the Annual Incentive Plan of the Corporation or any successor plan thereto, as amended and/or restated.

(f) “**Average Bonus**”: the average of the Annual Bonus paid to Executive for each of the three fiscal years preceding the fiscal year in which Executive’s Termination Date occurs (or the average of such lesser number of full fiscal year periods that Executive is employed if less than three full fiscal years prior to the Termination Date); provided, however, that if Executive’s employment terminates before December 31, 2021, then the Average Bonus shall equal the Target Bonus.

(g) “**Board**”: the Board of Directors of the Corporation.

(h) “**Business**”: the business of providing installment, automobile purchase, and retail purchase loans and related payment protection insurance to consumers, and “**Business Services**” means the services related to the Business.

(i) “**Cause**”: (i) the willful or grossly negligent material failure by Executive to perform his duties hereunder (other than arising due to Executive’s Disability); (ii) the conviction of Executive, or the entering into a plea bargain or plea of *nolo contendere* by Executive, of any felony, or of a misdemeanor involving the unlawful theft or conversion of substantial monies or other property or any fraud or embezzlement offense; (iii) personally or on behalf of another Person, willfully receiving a benefit relating to the Corporation or its Subsidiaries or its funds, properties, opportunities, or other assets in violation of applicable law, or constituting fraud, embezzlement, or misappropriation; (iv) the willful or grossly negligent failure by Executive to comply substantially with any lawful written policy of the Corporation or its Subsidiaries that materially interferes with his ability to discharge his duties, responsibilities, or obligations under this Agreement; (v) the knowing misstatement by Executive of the financial records of the Corporation or its Subsidiaries or complicit actions in respect thereof; (vi) the material breach by Executive of any of the terms of this Agreement; (vii) Executive’s habitual drunkenness or substance abuse that interferes with his ability to discharge his duties, responsibilities, or obligations under this Agreement, or his failure to pass a pre-employment drug screening in accordance with the policies of the Corporation; (viii) the knowing failure to disclose material financial or other information to the Board; or (ix) Executive’s engagement in conduct that results in Executive’s obligation to reimburse the Corporation for the amount of any bonus, incentive-based compensation, equity-based compensation, profits realized from the sale of the Corporation’s securities, or other compensation pursuant to application of the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable laws, rules, or regulations, but, in each case for clauses (i) through (ix) herein, only if (1) Executive has been provided with written notice of any assertion that there is a basis for termination for Cause, which notice shall specify in reasonable detail specific facts regarding any such assertion, and in the case of non-willful behavior under clauses (i), (iii), (iv), or (vi), Executive has failed to cure within 30 days of written notice to Executive, (2) such written notice is provided to Executive a reasonable time before the Board meets to consider any possible termination for Cause, (3) at or prior to the meeting of the Board to consider the matters described in the written notice, an opportunity is provided to Executive and his counsel to be heard before the Board with respect to the matters described in the written notice, (4) any resolution or other Board action held with respect to any deliberation regarding or decision to terminate Executive for Cause is duly adopted by a vote of a majority of the entire Board of the Corporation at a meeting of the Board called and held, and (5) Executive is promptly provided with a copy of the resolution or other corporate action taken with respect to such termination. No act or failure to act by Executive shall be considered willful unless done or omitted to be done by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Corporation. Notwithstanding the provisions of this Section 1.1(i), “Cause” will not be deemed to have occurred solely as a result of Executive’s failure to follow any Corporation policy or any Corporation instruction to Executive that would permit Executive to terminate this Agreement under Section 2.7(a) because such policy or instruction constitutes Good Reason.

(j) “**Change of Control**”: except as may be otherwise required, if at all, under Code Section 409A, the occurrence of any of the following:

(i) any entity or person shall have become the beneficial owner of, or shall have obtained voting control over, more than fifty percent (50%) of the total voting power of the Corporation’s then outstanding voting stock;

(ii) the consummation of (A) a merger, consolidation, recapitalization, or reorganization of the Corporation (or similar transaction involving the Corporation), in which the holders of the Corporation’s common stock immediately prior to the transaction have voting control over less than fifty percent (50%) of the voting securities of the surviving corporation immediately after such transaction, or (B) the sale or disposition of all or substantially all of the assets of the Corporation; or

(iii) a change in a majority of the Board within a 12-month period unless the nomination for election by the Corporation’s stockholders or the appointment of each new director was approved by the vote of two-thirds of the members of the Board (or a committee of the Board, if nominations are approved by a Board committee rather than the Board) then still in office who were in office at the beginning of the 12-month period.

For the purposes of the definition of “Change of Control,” the term “**person**” shall mean any individual, corporation, partnership, group, association, or other person, as such term is defined in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than the Corporation, a subsidiary of the Corporation, or any employee benefit plan(s) sponsored or maintained by the Corporation or any subsidiary thereof, and the term “**beneficial owner**” shall have the meaning given the term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

For the purposes of clarity, a transaction shall not constitute a Change of Control if its principal purpose is to change the state of the Corporation’s incorporation, create a holding company that would be owned in substantially the same proportions by the persons who held the Corporation’s securities immediately before such transaction, or is another transaction of other similar effect.

Notwithstanding the preceding provisions, in the event that any compensation paid under this Agreement is deemed to be deferred compensation subject to (and not exempt from) the provisions of Code Section 409A, then payment to be made upon a Change of Control may be permitted, in the Board’s discretion, upon the occurrence of one or more of the following events (as they are defined and interpreted under Code Section 409A): (A) a change in the ownership of the Corporation; (B) a change in effective control of the Corporation; or (C) a change in the ownership of a substantial portion of the assets of the Corporation.

(k) “**COBRA**”: as defined in Section 2.7(f).

(l) “**Code**”: the Internal Revenue Code of 1986, as amended, or any successor thereto. Any reference herein to a specific Code section shall be deemed to include all related regulations or other guidance with respect to such Code section.

- (m) “**Commencement Date**”: as defined in Section 2.1.
- (n) “**Compensation Committee**”: Compensation Committee of the Board.
- (o) “**Confidential Information**”: as defined in Section 3.2.
- (p) “**Corporation**”: as defined in the introductory paragraph.
- (q) “**Corporation Employee**”: as defined in Section 3.5.
- (r) “**Corporation IP**”: as defined in Section 3.1(a).

(s) “**Disability**”: a physical or mental impairment that prevents Executive from performing one or more of the essential functions of his job hereunder, whether with or without reasonable accommodation, (i) for at least 90 consecutive calendar days or for shorter periods of time aggregating 90 or more calendar days in any 12-month period, or (ii) where a licensed physician mutually selected by Executive and the Corporation (with the Corporation responsible for any expenses related thereto) determines that the timeline for Executive’s return to full duty is indeterminable, is indefinite, or is likely to exceed a 90-day period; provided, however, that if Executive and the Corporation cannot agree upon a mutually acceptable licensed physician, then the determination of whether a “Disability” has occurred shall be made by the majority vote of a panel of three licensed physicians, with one physician selected by Executive, one physician selected by the Corporation, and the third physician mutually agreed upon by the two physicians selected by Executive and the Corporation respectively (with each party responsible for his or its related expenses and the parties being equally responsible for the expenses related to the services of the third physician).

- (t) “**Effective Date**”: as defined in the introductory paragraph.
- (u) “**Employment Period**”: as defined in Section 2.1.
- (v) “**Estate**”: as defined in Section 2.7(d).
- (w) “**Executive**”: as defined in the introductory paragraph.
- (x) “**Exempt Person**”: as defined in Section 3.2(g).

(y) “**Good Reason**”: the termination of Executive’s employment by Executive which is due to (i) (A) a material diminution of Executive’s responsibilities, position (as Executive Vice President and Chief Credit Risk Officer of the Corporation, its successor, or ultimate parent entity), office, title, reporting relationships, working conditions, authority, or duties, or (B) the assignment to Executive of titles, authority, duties, or responsibilities that are materially inconsistent with this Agreement and are a material diminution of his title, position, authority, duties, or responsibilities as Executive Vice President and Chief Credit Risk Officer of the Corporation; (ii) a material adverse change in the terms or status (including, but not limited to, a reduction of the Employment Period) of this Agreement; (iii) a material reduction in Executive’s compensation package provided herein, including Salary, Target Bonus, bonus opportunities, or equity award opportunities (other than a reduction in bonus opportunities or equity award opportunities that applies to senior executive officers of the Corporation generally or that is due, in the discretion of the Board or the Compensation Committee, to the failure to attain performance or other business objectives, and subject in all cases to the discretion of the Compensation Committee and other terms of Section

2.4(c) and Section 2.4(d) herein); or (iv) an actual relocation of (A) the Satellite Office to a location outside of a 50-mile radius from its current location, (B) the Corporation's principal office to a location outside of a 50-mile radius from its current location at 979 Batesville, Road, Suite B, Greer, South Carolina 29651, if Executive's principal residence was established in Greenville County, South Carolina prior thereto, or (C) the Corporation's principal office from Greenville County, South Carolina to any location outside of the contiguous United States, if Executive's principal residence was not established in the Dallas–Fort Worth–Arlington, TX Metropolitan Area or Greenville County, South Carolina prior thereto, and in each case of clauses (i) through (iv) herein, without the written consent of Executive. Notwithstanding the preceding, for any of the foregoing events to constitute Good Reason, Executive must provide written notification of his intention to resign for Good Reason within 30 days after Executive knows or has reason to know of the occurrence of any such event, and the Corporation shall have 30 days from the date of receipt of such notice to effect a cure of the condition constituting Good Reason, and, upon cure thereof by the Corporation, such event shall no longer constitute Good Reason.

(z) “**Government Agencies**”: as defined in Section 3.2(e).

(aa) “**Loan Source**”: as defined in Section 3.4(a).

(bb) “**Non-Compete Territory**”: as defined in Section 3.3.

(cc) “**Option**”: as defined in Section 2.4(c)(i).

(dd) “**Performance Unit Award**”: as defined in Section 2.4(c)(iv).

(ee) “**Person**”: an individual, a corporation, a partnership, a limited liability company, an association, a trust, a joint stock corporation, a joint venture, an unincorporated organization, or any federal, state, county, city, municipal, or other local or foreign government or any subdivision, authority, commission, board, bureau, court, administrative panel, or other instrumentality thereof.

(ff) “**RSA**”: as defined in Section 2.4(c)(ii).

(gg) “**RSU**”: as defined in Section 2.4(c)(iii).

(hh) “**Salary**”: as defined in Section 2.4(a).

(ii) “**Satellite Office**”: the Corporation's satellite office, currently located at 400 Parker Square, Suite 205, Flower Mound, Texas 75028.

(jj) “**Severance Period**”: as defined in Section 2.7(a)(ii).

(kk) “**Signing Bonus**”: as defined in Section 2.4(b)(ii).

(ll) “**Stock Plan**”: as defined in Section 2.4(c).

(mm) “**Subsidiary**”: with respect to any Person, (i) any corporation of which a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote generally in the election of directors thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) any limited liability company, partnership, association, or other business entity, of which a majority of the partnership or other similar ownership interests thereof

is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes of this definition, a Person or Persons will be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity if such Person or Persons will be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses, or is or controls the managing member or general partner of such limited liability company, partnership, association, or other business entity.

(nn) “**Target Bonus**”: as defined in Section 2.4(b)(i).

(oo) “**Termination Date**”: as defined in Section 2.1.

II. TERMS OF EMPLOYMENT

2.1 Employment Period. The Corporation shall employ Executive, and Executive accepts employment with the Corporation, upon the terms and conditions set forth in this Agreement for the period beginning on Executive’s date of commencement of employment, which date shall be on or before January 6, 2020 (the “**Commencement Date**”). The term of the Agreement shall commence on the Commencement Date, and the Agreement will terminate on the third anniversary of the Commencement Date, unless sooner terminated in accordance with Section 2.7. The term of this Agreement as determined under the preceding sentence is referred to herein as the “**Employment Period**,” and the date on which Executive’s employment terminates is referred to herein as the “**Termination Date**.”

2.2 Duties During Employment Period. Executive will be an employee of, and serve as the Executive Vice President and Chief Credit Risk Officer of, the Corporation and will report directly to the Chief Executive Officer of the Corporation. In such capacity, Executive will perform such duties and exercise such powers that are consistent with the position of Executive Vice President and Chief Credit Risk Officer in accordance with the amended and restated bylaws of the Corporation and as are assigned to Executive by the Chief Executive Officer of the Corporation or the Board. Executive agrees that to the best of his ability and experience he shall at all times conscientiously perform all of his duties and obligations under the terms of this Agreement. Executive understands and agrees that he shall be required to perform the duties and responsibilities of his position on a full-time basis at the Satellite Office, although it is understood that he shall also be required to travel in connection with the performance of his duties and responsibilities.

2.3 Activities During Employment Period.

(a) Executive will devote substantially all of his full business time, energy, ability, attention, and skill to his employment hereunder and to the Business of the Corporation and, absent the prior written approval of the Board, which approval shall not be unreasonably withheld, Executive will not engage in any business activity, whether as an employee, investor, officer, director, consultant, independent contractor, or otherwise, that would interfere with his duties and responsibilities pursuant to Section 2.2. Executive agrees to comply with all lawful rules and policies established by the Corporation and its Subsidiaries throughout the Employment Period.

(b) Provided that the following activities do not interfere with Executive’s duties and responsibilities as Chief Credit Risk Officer of the Corporation, Executive may (i) engage in charitable and community affairs, trade activities, and trade organizations, and teach and/or lecture, so long as such activities are consistent with his duties and responsibilities under this Agreement, (ii) manage his personal investments, and (iii) serve on the boards of directors of other companies with the Board’s prior written consent (which will not be unreasonably withheld).

(c) Executive will act in accordance with laws, ordinances, regulations, professional standards, or rules of any governmental, regulatory, or administrative body, agent or authority, any court or judicial authority, or any public, private, or industry regulatory authority.

2.4 Compensation.

(a) Salary. For Executive's services under this Agreement, the Corporation will pay to Executive an annualized base salary (the "**Salary**") of \$335,000 (prorated for any partial year based on a fraction, the numerator of which shall be the number of days employed in such year and the denominator of which shall be 365 (or 366 in a leap year)). The Board or the Compensation Committee may review the amount of Salary from time to time and may adjust Salary upwards after any such review, with any such upward adjustments effective as of the dates determined by the Board or the Compensation Committee. Executive's Salary will be payable to Executive periodically in accordance with the normal practices of the Corporation.

(b) Bonus.

(i) Annual Bonus. For each fiscal year during the Employment Period, Executive shall be eligible for participation in the Annual Incentive Plan with a target bonus thereunder equal to no less than one hundred percent (100%) of Executive's Salary in effect at the beginning of the fiscal year (the "**Target Bonus**") and which will be prorated for any partial fiscal year based on a fraction, the numerator of which shall be the number of days employed in such partial fiscal year and the denominator of which shall be 365 (or 366 in a leap year). The Compensation Committee shall establish and communicate to Executive performance criteria for the Corporation and/or Executive and one or more formula(s) for determining the annual bonus, if any, earned by Executive under the Annual Incentive Plan (the "**Annual Bonus**") for each fiscal year. Unless otherwise addressed in Section 2.7, if Executive is employed by the Corporation in good standing on the last day of the applicable fiscal year, Executive will be entitled to receive an Annual Bonus for such year, to the extent earned, in an amount determined in accordance with such formula(s) set by the Compensation Committee based on the actual performance of the Corporation and/or Executive relative to the performance criteria established by the Compensation Committee for that year. Any Annual Bonus due to Executive pursuant to this Section 2.4(b)(i) shall be paid in cash in a lump sum no later than 70 days following the fiscal year during which Executive's right to the Annual Bonus vests (or otherwise in a manner compliant with, or exempt from, Code Section 409A). Unless otherwise addressed under Section 2.7, Annual Bonus entitlement (to the extent earned) vests and is fully payable if Executive is employed by the Corporation on the last day of the applicable fiscal year, even if Executive is no longer employed at the time the Annual Bonus is scheduled to be paid.

(ii) Signing Bonus. In order to offset Executive's loss of his annual bonus opportunity with his immediate past employer, Executive shall be paid a bonus (the "**Signing Bonus**") in the amount of \$250,000 in the first full pay period following the Commencement Date. Executive agrees that if he voluntarily terminates his employment with the Corporation before the third anniversary of the Commencement Date, he shall be obligated to repay, and he hereby promises to pay, to the Corporation a ratable portion of the Signing Bonus (calculated based on a fraction, the numerator of which shall be the number of days remaining between the Termination Date and the third anniversary of the Commencement Date and the denominator of which shall be 1,097).

(c) Long-Term Incentive Compensation. Subject to Executive's continued employment, Executive shall be eligible to participate in and receive long-term incentive, equity, and/or equity-based awards under the Corporation's 2015 Long-Term Incentive Plan, as amended and/or restated (the "**2015 Plan**"), or any successor or other applicable plan or arrangement (the 2015 Plan and such other plans or arrangements collectively, the "**Stock Plan**"), as provided in Section 2.4(c) and Section 2.4(d) herein. Any such long-term incentive, equity, or equity-based awards described herein shall be subject to the terms of the Stock Plan and applicable award agreements in form acceptable to the Compensation Committee and such other terms as may be established by the Compensation Committee.

(i) Nonqualified Stock Option ("**Option**"). The Corporation shall grant to Executive an Option to purchase such number of shares of the Corporation's common stock as may be determined by dividing \$125,625 by the fair value of each Option share (calculated on or as close in time as practicable to the grant date in accordance with generally accepted accounting principles in the United States using the Black-Scholes option pricing model), at an exercise price per share equal to the fair market value per share of the Corporation's common stock on the grant date, which grant date shall be a date determined by the Compensation Committee to occur on or as soon as practicable after the Commencement Date. The Option shall vest with respect to one-third of the number of shares subject to the Option on each of (A) December 31, 2020, (B) December 31, 2021, and (C) December 31, 2022, so long as Executive's employment continues from the grant date until the applicable vesting date or as otherwise provided in the applicable award agreement. The term of the Option will be ten years from the grant date, subject to earlier termination in the event Executive's employment terminates. The Option shall be subject to the terms of the Stock Plan and the applicable nonqualified stock option award agreement in form acceptable to the Compensation Committee.

(ii) Restricted Stock Award ("**RSA**"). The Corporation shall grant to Executive an RSA for such number of shares of the Corporation's common stock as may be determined by dividing \$147,625 by the closing price of the common stock on the grant date, which grant date shall be a date determined by the Compensation Committee to occur on or as soon as practicable after the Commencement Date. The RSA shall vest with respect to one-third of the number of shares subject to the RSA on each of (A) December 31, 2020, (B) December 31, 2021, and (C) December 31, 2022, so long as Executive's employment continues from the grant date until the applicable vesting date or as otherwise provided in the applicable award agreement. The RSA shall be subject to the terms of the Stock Plan and the applicable restricted stock award agreement in form acceptable to the Compensation Committee.

(iii) Performance-Contingent Restricted Stock Unit ("**RSU**") Award. Subject to Executive's continued employment from the Commencement Date until the grant date and the availability of sufficient shares of the Corporation's common stock under the 2015 Plan, the Corporation shall grant to Executive an RSU award at the time the Corporation grants its long-term incentive awards for 2020 to other members of senior management. The number of shares subject to the RSU shall be determined by dividing \$125,625 by the closing price of the Corporation's common stock on or as close in time as practicable to the grant date. The RSU award will be eligible for vesting on December 31, 2022, based upon the achievement, if at all, of performance criteria established by the Compensation Committee and Executive's continued employment from the grant date until the vesting date or as otherwise provided in the applicable award agreement. The RSU award (including the distribution of any shares of the Corporation's common stock issuable pursuant thereto) shall be subject to the terms of the Stock Plan and the applicable restricted stock unit award agreement in form acceptable to the Compensation Committee.

(iv) Cash-Settled Performance Unit Award (“**Performance Unit Award**”). Subject to Executive’s continued employment from the Commencement Date until the grant date, the Corporation shall grant to Executive a Performance Unit Award at the time the Corporation grants its annual long-term incentive awards for 2020 to other members of senior management. The Performance Unit Award will be eligible for vesting on December 31, 2022, based upon the achievement, if at all, of performance criteria established by the Compensation Committee and Executive’s continued employment from the grant date until the vesting date or as otherwise provided in the applicable award agreement. The target cash settlement value of the Performance Unit Award at vesting shall be equal to \$125,625. The Performance Unit Award shall be subject to the terms of the Stock Plan and the applicable performance unit award agreement in form acceptable to the Compensation Committee.

(v) Future Long-Term Incentive Compensation. Commencing in 2021, and subject to Section 2.4(d) herein and Executive’s continued employment, Executive shall be eligible to participate in and receive long-term incentive, equity, and/or equity-based awards under the Stock Plan in the sole discretion of the Board or the Compensation Committee.

(d) Future Compensation Opportunities. Commencing in 2021, and for the remainder of the Employment Period, the Corporation undertakes and agrees to provide Executive with an annual Salary, cash incentive compensation opportunity, and equity or long-term incentive compensation opportunity of no less than \$1,172,500 in the aggregate (inclusive of the grant date fair value of long-term incentive awards and prorated for any partial fiscal year); provided, however, that (i) Executive’s Salary shall be subject to the provisions of Section 2.4(a) herein, (ii) the Compensation Committee shall have sole discretion to determine any allocation between cash incentive opportunities and equity or equity-based incentive opportunities, (iii) such cash incentive opportunities and equity or equity-based incentive opportunities shall be subject to the terms of the applicable Corporation plan (including the Annual Incentive Plan and/or the Stock Plan) and any related award agreement, including any performance or multi-year service criteria established by the Compensation Committee under any such plan or award agreement, and (iv) the Compensation Committee shall have sole discretion to determine if and to the extent that any such equity or equity-based incentive opportunities and/or cash incentive opportunities are deemed earned and payable based on the attainment of performance criteria and such other terms and conditions as may be established by the Compensation Committee (including, without limitation, multi-year vesting requirements if applicable under any such plan or award agreement and so determined by the Compensation Committee).

2.5 Benefits; Additional Terms.

(a) Benefit Plans. Except as otherwise addressed in this Section 2.5, during the Employment Period, Executive shall be entitled to participate in all pension, medical, disability, retirement, and other benefit plans and programs generally available to the Corporation’s other employees, provided that Executive meets all eligibility requirements under those plans and programs. Executive shall be subject to the terms and conditions of the plans and programs, including, without limitation, the Corporation’s right to amend or terminate the plans and programs at any time and without advance notice to the participants. Notwithstanding the foregoing, Executive will not during the Employment Period be entitled to participate in any severance pay plan of the Corporation. Executive’s severance benefits are to be solely as set forth in Section 2.7.

(b) Vacation; Leave. Executive shall be entitled to paid vacation time of not less than 20 business days for each calendar year of the Employment Period (prorated for any partial year, based on a fraction, the numerator of which shall be the number of days employed in such partial year and the denominator of which shall be 365 (or 366 in a leap year)). Executive shall also be entitled to all paid holidays and to reasonable personal and sick leave in accordance with the policies of the Corporation applicable to its executive management. Unused vacation and personal and/or sick leave may not be carried over by Executive from one calendar year to the next, except as otherwise provided in the policies of the Corporation applicable to its executive management. Notwithstanding the foregoing, such vacation, holidays, and personal and/or sick leave shall not accrue as a monetary liability of the Corporation.

(c) Expenses; Reimbursements. Subject to compliance with the Corporation's policies as from time to time in effect regarding the incurrence, substantiation, verification, and reimbursement of business expenses, the Corporation will promptly pay or reimburse Executive for all reasonable expenses incurred in connection with the performance of Executive's duties hereunder or for promoting, pursuing, or otherwise furthering the Business of the Corporation, including Executive's reasonable expenses for travel (including reasonable expenses associated with Executive's periodic travel between the Corporation's Satellite Office and the Corporation's headquarters in Greenville County, South Carolina), entertainment, and similar items. Executive acknowledges and agrees that the provisions of Section 2.5(d) below provide the exclusive reimbursement terms for Executive's use of any personal vehicles in connection with the performance of his duties as an employee of the Corporation. All expenses eligible for reimbursements in connection with Executive's employment with the Corporation must be incurred by Executive during the term of employment or service to the Corporation and must be in accordance with the Corporation's expense reimbursement policies. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. Each category of reimbursement shall be paid as soon as administratively practicable, but in no event shall any such reimbursement be paid after the last day of Executive's taxable year following the taxable year in which the expense was incurred. No right to reimbursement is subject to liquidation or exchange for other benefits.

(d) Mileage Reimbursement. The Corporation will, in accordance with the Corporation's general personal vehicle use reimbursement policy (and consistent with the provisions of Section 2.5(c) herein), promptly reimburse Executive an amount equal to \$0.50 (or such higher amount as may apply pursuant to the Corporation's mileage reimbursement policy as it may be in effect from time to time) for each mile he drives a personal car in connection with the performance of his duties as an employee of the Corporation.

(e) Use of Mobile Phone. The Corporation will, at its option, either (i) provide Executive with a mobile phone (including monthly service fees), the reasonable costs of which shall be paid by the Corporation directly to the service provider, or (ii) promptly reimburse Executive for the expense that Executive incurs in providing for his own mobile phone, not to exceed \$75 per month (or such higher amount as may apply pursuant to the Corporation's mobile phone reimbursement policy as it may be in effect from time to time).

(f) Disability Insurance Premiums. The Corporation may, at its option, provide Executive with the opportunity to elect to include the amount of any disability insurance premiums paid by the Corporation pursuant to any disability insurance, plan, or policy provided by the

Corporation to or for the benefit of Executive as taxable income to Executive. If Executive so elects, the Corporation shall pay to Executive an additional amount necessary to put Executive in substantially the same after-tax position that he would have been in had he not elected to include such disability insurance premiums in income (taking into account all federal, state, and local income and employment taxes due as a result of the inclusion of such disability insurance premiums in income). Payment of the additional amount, if any, shall be made to Executive in the same pay periods in which the disability insurance premiums are included in income.

(g) Residence; Relocation Expenses. Executive understands and agrees that he is required to relocate to, and reside in, the Dallas–Fort Worth–Arlington, TX Metropolitan Area on a full-time basis commencing on or before June 30, 2020. Executive is eligible to receive relocation benefits in connection with his relocation to the Dallas–Fort Worth–Arlington, TX Metropolitan Area in accordance with the Corporation’s relocation policies for executive officers and the provisions of Section 2.5(c) herein. Prior to Executive’s permanent relocation on or before June 30, 2020, the Corporation will promptly reimburse Executive for his reasonable commuting expenses to the Corporation’s Satellite Office (or the Corporation’s headquarters, as applicable) from his residence and his reasonable temporary living expenses in the Dallas–Fort Worth–Arlington, TX Metropolitan Area, subject to the provisions of Section 2.5(c) herein. In addition, in the event that Executive is required to reimburse his immediate past employer for all or a portion of his previously-reimbursed relocation expenses, the Corporation shall reimburse Executive for such amounts, not to exceed \$50,000. Executive agrees that if he voluntarily terminates his employment with the Corporation before the third anniversary of the Commencement Date, he shall be obligated to repay, and he hereby promises to pay, to the Corporation a ratable portion of such relocation expense reimbursement (calculated based on a fraction, the numerator of which shall be the number of days remaining between the Termination Date and the third anniversary of the Commencement Date and the denominator of which shall be 1,097).

2.6 Deductions and Withholdings. All amounts payable or that become payable under this Agreement will be subject to any deductions and withholdings previously authorized by Executive or required by law. Executive will be responsible for any and all taxes resulting from the benefits provided hereunder.

2.7 Termination.

(a) Termination by the Corporation without Cause or by Executive for Good Reason.

(i) Notice of Termination. The Corporation may terminate Executive’s employment hereunder without Cause at any time, upon 30 calendar days’ written notice to Executive. Executive may terminate Executive’s employment hereunder for Good Reason upon 30 calendar days’ written notice to the Corporation, subject to the additional notice provisions of Section 1.1(y) herein. The Corporation may elect to pay to Executive his portion of Salary for the notice period in lieu of permitting Executive to continue working.

(ii) Severance Payments. If Executive is terminated by the Corporation without Cause or if Executive terminates his employment for Good Reason, the Corporation will pay to Executive (A) accrued but unpaid Salary through the Termination Date, (B) an amount equal to Executive’s Salary in effect on the Termination Date, to be paid over a period of twelve (12) months from and after the Termination Date (such 12-month period, the “**Severance Period**”), (C) an amount equal to Executive’s Average Bonus as determined as of the Termination Date, to be paid over the Severance Period,

(D) a pro-rata portion of the Annual Bonus for the year in which Executive's Termination Date occurs, to the extent earned (such amount to be calculated by determining the amount of the Annual Bonus earned as of the end of the year in which the Termination Date occurs and pro-rating such amount by the portion of such year Executive was employed by the Corporation), plus, if Executive's termination occurs after year-end but before the Annual Bonus for the preceding year is paid, the Annual Bonus for the preceding year, to the extent earned, and (E) COBRA premiums as described in Section 2.7(f).

(iii) Change of Control Adjustment. If Executive is terminated by the Corporation without Cause or if Executive terminates his employment for Good Reason, and such termination occurs within six (6) months before or one (1) year after the effective date of a Change of Control, the amounts described in Section 2.7(a)(ii)(B)–(C) shall be increased by a factor of one hundred percent (100%) (for a total of 200% of Salary and Average Bonus).

(iv) Timing of Payments. The payment required by Section 2.7(a)(ii)(A) will be made as and at such times as Executive would have otherwise received his Salary had he remained an employee of the Corporation (that is, in accordance with Corporation payroll practices). The payments required by Section 2.7(a)(ii)(B)–(C) will be made in equal installments over the Severance Period as and at such times as Executive would have otherwise received his Salary had he remained an employee of the Corporation (that is, in accordance with Corporation payroll practices), subject to execution of an irrevocable release as provided in Section 4.18 and provided that such amounts shall be paid commencing with the first payroll date that occurs on or after 45 calendar days following the Termination Date. Any additional amounts payable pursuant to Section 2.7(a)(iii) attributable to a Change of Control occurring within six (6) months following Executive's termination of employment shall be added to the remaining balance of the amounts payable under Section 2.7(a)(ii)(B)–(C) and shall be paid as provided in this Section 2.7(a)(iv) over the remainder of the Severance Period. The payment required by Section 2.7(a)(ii)(D) will be made as and at such time as Executive would have otherwise received his Annual Bonus had he remained an employee of the Corporation, subject to execution of an irrevocable release as provided in Section 4.18.

(v) Additional Payments. In addition, the Corporation will pay to Executive all unreimbursed expenses incurred by Executive prior to his termination pursuant to Section 2.7(a) for which Executive is entitled to reimbursement pursuant to and in accordance with Section 2.5(c). Further, during the Severance Period, the Corporation shall pay reasonable outplacement service expenses of Executive in an amount not to exceed \$25,000.

(vi) Liquidated Damages. The payments to be made in accordance with this Section 2.7(a) will constitute liquidated damages, and Executive will not be entitled to any other compensation from the Corporation under this Agreement or otherwise except as provided in this Section 2.7(a).

(vii) Compliance with Article III. The Corporation's obligation to make any payments under this Section 2.7(a), except for accrued but unpaid Salary through the Termination Date, any Annual Bonus that was previously earned but unpaid as of the Termination Date, and reimbursement of unreimbursed expenses, is contingent upon Executive's compliance with Article III herein, and Executive and the Corporation agree that the Corporation shall have the right, in addition to any other rights of the Corporation, to terminate or suspend such payments in the event of Executive's breach of Article III herein.

(viii) Termination of Agreement. Upon termination of Executive's employment pursuant to this Section 2.7(a), except for the payments required by this Section 2.7(a) or as required by applicable law, the Corporation will have no additional obligations to Executive hereunder or otherwise and, except as otherwise provided in this Agreement (including but not limited to Executive's obligations under Article III herein), this Agreement will terminate.

(b) Termination by the Corporation for Cause. The Corporation will have the right to terminate Executive's employment hereunder for Cause upon written notice to Executive and Executive's failure to cure during any applicable cure period as set forth in this Agreement. If Executive's employment is terminated for Cause, the Corporation will pay to Executive (i) accrued but unpaid Salary through the Termination Date (payable 45 calendar days after the Termination Date), and (ii) all unreimbursed expenses incurred by Executive prior to the Termination Date for which Executive is entitled to reimbursement pursuant to and in accordance with Section 2.5(c). Upon termination of Executive's employment pursuant to this Section 2.7(b), except for the payments required by this Section 2.7(b) or as required by applicable law, the Corporation will have no additional obligations to Executive hereunder or otherwise and, except as otherwise provided in this Agreement (including but not limited to Executive's obligations under Article III herein), this Agreement will terminate as of the Termination Date.

(c) Voluntary Termination by Executive. If Executive voluntarily terminates his employment, the Corporation will pay to Executive (i) accrued but unpaid Salary through the Termination Date (payable as and at such times as Executive would have otherwise received his Salary had he remained an employee of the Corporation (that is, in accordance with Corporation payroll practices)), (ii) if Executive's termination occurs after year-end but before the Annual Bonus for the preceding year is paid, the Annual Bonus for the preceding year, to the extent earned (payable as and at such time as Executive would have otherwise received his Annual Bonus had he remained an employee of the Corporation), and (iii) all expenses incurred by Executive prior to the Termination Date for which Executive is entitled to reimbursement pursuant to and in accordance with Section 2.5(c). Upon termination of Executive's employment pursuant to this Section 2.7(c), except for the payments required by this Section 2.7(c) or as required by applicable law, the Corporation will have no additional obligations to Executive hereunder or otherwise and, except as otherwise provided in this Agreement (including but not limited to Executive's obligations under Article III herein), this Agreement will terminate.

(d) Termination by Death of Executive. If Executive dies during the Employment Period, the Corporation will pay to such Person or Persons as Executive may designate in writing or, in the absence of such designation, to the estate of Executive (as the case may be, the "*Estate*") the sum of (i) accrued but unpaid Salary earned prior to Executive's death, (ii) expenses incurred by Executive prior to his death for which Executive is entitled to reimbursement pursuant to and in accordance with Section 2.5(c), and (iii) a pro-rata portion of the Annual Bonus for the year in which Executive's death occurs, to the extent earned (such amount to be calculated by determining the amount of the Annual Bonus earned as of the end of the year in which the death occurs and pro-rating such amount by the portion of such year Executive was employed by the Corporation), plus, if Executive's death occurs after year-end but before the Annual Bonus for the preceding year is paid, the Annual Bonus for the preceding year, to the extent earned. The payments described in clauses (i) and (ii) in the preceding sentence will be made within 45 calendar days following the date of Executive's death. Any Annual Bonus will be paid as and at such times as Executive would

have otherwise received his Annual Bonus had he remained an employee of the Corporation. This Agreement in all other respects will terminate upon the death of Executive, and all rights of Executive and his heirs, legatees, descendants, testamentary executors, and testamentary administrators regarding compensation and other benefits under this Agreement shall cease.

(e) Termination for Disability. Executive acknowledges and agrees that his position is unique and critical to the Corporation and that the Corporation would suffer grievous economic injury or other undue hardship if Executive becomes unable to perform one or more essential functions of his job due to a Disability, as defined by Section 1.1(s). The parties, therefore, agree to the following termination provisions to avoid grievous economic injury and/or other undue hardship to the Corporation in the event of the Disability of Executive.

(i) Notice of Termination. Subject to a municipal, state, or federal law expressly providing to the contrary, the Corporation will have the right to terminate Executive's employment hereunder at any time upon the Disability of Executive during the Employment Period.

(ii) Severance Payments. If Executive's employment is terminated because of Executive's Disability, the Corporation will pay to Executive (A) accrued but unpaid Salary through the Termination Date, (B) an amount equal to Executive's Salary in effect on the Termination Date, to be paid over the Severance Period, (C) an amount equal to Executive's Average Bonus as determined as of the Termination Date, to be paid over the Severance Period, (D) a pro-rata portion of the Annual Bonus for the year in which Executive's termination due to Disability occurs, to the extent earned (such amount to be calculated by determining the amount of the Annual Bonus earned as of the end of the year in which Executive's termination due to Disability occurs and pro-rating such amount by the portion of such year Executive was employed by the Corporation), plus, if Executive's termination due to Disability occurs after year-end but before the Annual Bonus for the preceding year is paid, the Annual Bonus for the preceding year, to the extent earned, and (E) COBRA premiums as described in Section 2.7(f).

(iii) Timing of Payments. The payment required by Section 2.7(e)(ii)(A) will be made as and at such times as Executive would have otherwise received his Salary had he remained an employee of the Corporation (that is, in accordance with Corporation payroll practices). The payments required by Section 2.7(e)(ii)(B)–(C) will be made in equal installments over the Severance Period as and at such times as Executive would have otherwise received his Salary had he remained an employee of the Corporation (that is, in accordance with Corporation payroll practices), subject to execution of an irrevocable release as provided in Section 4.18 and provided that such amounts shall be paid commencing with the first payroll date that occurs on or after 45 calendar days following the Termination Date. The payment required by Section 2.7(e)(ii)(D) will be made as and at such time as Executive would have otherwise received his Annual Bonus had he remained an employee of the Corporation, subject to execution of an irrevocable release as provided in Section 4.18.

(iv) Additional Payments. In addition, the Corporation will pay to Executive all unreimbursed expenses incurred by Executive prior to his termination pursuant to Section 2.7(e) for which Executive is entitled to reimbursement pursuant to and in accordance with Section 2.5(c). Further, during the Severance Period, the Corporation shall pay reasonable outplacement service expenses of Executive in an amount not to exceed \$25,000.

(v) Offset for Disability Benefits. The payment obligations of the Corporation set forth in this Section 2.7(e) will be reduced by the amount of any disability benefits paid to Executive pursuant to any disability insurance, plan, or policy provided and paid for by the Corporation. In the event that any such disability insurance, plan, or policy pays disability benefits to Executive that are not subject to local, state, or federal taxation, the payment obligations of the Corporation set forth in this Section 2.7(e) will be reduced by an amount equal to the gross taxable amount that the Corporation would have been required to pay in order to yield the net, after-tax benefit that Executive actually received pursuant to the disability insurance, plan, or policy.

(vi) Liquidated Damages. The payments to be made in accordance with this Section 2.7(e) will constitute liquidated damages, and Executive will not be entitled to any other compensation from the Corporation under this Agreement or otherwise except as provided in this Section 2.7(e).

(vii) Compliance with Article III. The Corporation's obligation to make any payments under this Section 2.7(e), except for accrued but unpaid Salary through the Termination Date, any Annual Bonus that was previously earned but unpaid as of the Termination Date, and reimbursement of unreimbursed expenses, is contingent upon Executive's compliance with Article III herein, and Executive and the Corporation agree that the Corporation shall have the right, in addition to any other rights of the Corporation, to terminate or suspend such payments in the event of Executive's breach of Article III herein.

(viii) Termination of Agreement. Upon termination of Executive's employment pursuant to this Section 2.7(e), except for the payments required by this Section 2.7(e) or as required by applicable law, the Corporation will have no additional obligations to Executive hereunder or otherwise and, except as otherwise provided in this Agreement (including but not limited to Executive's obligations under Article III herein), this Agreement will terminate.

(f) Payment of COBRA Premiums; No Effect on Vested and Accrued Benefits. During the Severance Period and provided that Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), the Corporation shall reimburse Executive for the monthly COBRA premium paid by Executive for himself and his dependents for continuation coverage under the Corporation's group medical plan; provided, however, that if at any time during the Severance Period Executive becomes eligible to receive health insurance from a subsequent employer or is no longer eligible to receive COBRA continuation coverage under the Corporation's group medical plan, the Corporation's obligation to continue to reimburse Executive for his COBRA premium payments shall terminate immediately. Such reimbursement shall be paid to Executive on the 20th day of the month immediately following the month in which Executive timely remits the required COBRA premium payment. Notwithstanding anything to the contrary herein and subject to the terms of any benefit plan or program of the Corporation, no termination of Executive's employment with the Corporation shall in any manner whatsoever result in any termination, curtailment, reduction, or cessation of any vested benefits or other entitlements to which Executive is entitled under the terms of any such benefit plan or program of the Corporation in respect of which Executive is a participant as of the Termination Date.

(g) No Mitigation; No Offset. In the event of any termination of Executive's employment under this Section 2.7, Executive shall be under no obligation to seek other

employment and there shall be no offset against amounts due Executive under this Agreement on account of any compensation attributable to any subsequent employment that he may obtain, except as specifically provided in this Section 2.7. Notwithstanding anything contained in this Agreement to the contrary, any compensation and/or benefits payable to Executive under any other severance or change-in-control plan, program, policy, or arrangement of the Corporation in which Executive is a participant (other than the Stock Plan or the Annual Incentive Plan, or any award granted thereunder) shall be reduced by the amount of all compensation and benefits payable under this Section 2.7.

(h) Survival. In the event that the Corporation becomes obligated during the Employment Period to make post-termination payments to Executive pursuant to this Section 2.7, the Corporation's obligation to continue to make such payments in accordance with this Section 2.7 shall survive the termination of the Agreement and the Employment Period, subject to the other provisions of this Agreement (including but not limited to Executive's compliance with Article III). For the avoidance of doubt, Executive will not be entitled to any payment pursuant to this Section 2.7 if Executive's termination of employment occurs after the end of the Employment Period.

III. RESTRICTIVE COVENANTS

3.1 Patents, Inventions, and Other Intellectual Property.

(a) If at any time during the Employment Period or (if applicable) prior thereto at any time that Executive was an employee, agent, director, or officer of or consultant to the Corporation or its Subsidiaries, Executive, whether alone or with any other Person, makes, discovers, produces, conceives, or first reduces to practice any invention, process, development, design, or improvement that relates to, affects, or, in the opinion of the Board, is capable of being used or adapted for use in or in connection with the Business or any product, process, or intellectual property right of the Corporation or its Subsidiaries, (i) Executive acknowledges and agrees that such invention, process, development, design, or improvement (collectively, "**Corporation IP**") will be the sole property of the Corporation or such Subsidiaries, as appropriate, and is hereby irrevocably assigned by Executive to the Corporation or such Subsidiaries, as appropriate, and (ii) Executive will immediately disclose in confidence all Corporation IP to the Corporation in writing. The Corporation shall have the right to use all such Corporation IP, whether original or derivative, in any matter it chooses without any related royalty, licensure, or other obligation. Executive acknowledges that all such Corporation IP shall be considered as "work made for hire" as provided under the United States Copyright Act, 17 U.S.C. Section 101, et seq., and shall belong exclusively to the Corporation. Executive agrees further that in the event that any Corporation IP should be deemed not to be work made for hire belonging exclusively to the Corporation, he shall promptly assign and transfer such Corporation IP to the Corporation so that the Corporation shall be, in fact, the exclusive owner.

(b) Executive will, if and when reasonably required to do so by the Corporation (whether during the Employment Period or thereafter), at the Corporation's expense and, if after the expiration of the Employment Period, subject to Executive's availability and reimbursement by the Corporation of Executive's reasonable out-of-pocket expenses and payment to Executive of a reasonable per diem to compensate Executive for time spent in connection therewith: (i) apply, or join with the Corporation or a Subsidiary thereof, as appropriate, in applying, for patents or other protection in any jurisdiction in the world for any Corporation IP; (ii) execute or procure to be executed all instruments, and do or procure to be done all things, that are necessary or, in the opinion of the Corporation, advisable for vesting such patents or other protection in the name of the Corporation or a Subsidiary thereof or any nominee thereof, or subsequently for renewing and

maintaining the same in the name of the Corporation, a Subsidiary thereof, or its nominees; and (iii) assist in defending any proceedings relating to, or any application for, such patents or other protection.

(c) Executive irrevocably appoints the Corporation as his attorney in his name (with full power of substitution and re-substitution) and on his behalf to execute all documents, and do all things, required in order to give full effect to the provisions of this Section 3.1.

3.2 Confidentiality.

(a) Executive acknowledges that during the Employment Period and (if applicable) prior thereto when he was an employee, agent, director, or officer of or consultant to the Corporation, Executive has been given and will continue to have, in connection with the conduct of the Business, access and exposure to trade secrets and other confidential information in written, oral, electronic, and other form regarding the Corporation and its Subsidiaries, and their respective Affiliates, businesses, operations, equipment, products, and employees (“**Confidential Information**”), including, but not limited to:

(i) the identities of customers and key accounts and relationships and potential customers and key accounts and relationships, including, without limitation, the identity of customers and key accounts and potential customers and key accounts cultivated or maintained by Executive while providing services to the Corporation or its Subsidiaries, or that Executive cultivates or maintains while providing services at the Corporation or its Subsidiaries using the Corporation’s (or its Subsidiaries’) products, name, and infrastructure, and the identities of contact persons at those customers and key accounts and potential customers and key accounts, as well as other such confidential information related to the Business to which Executive is exposed during the course of his employment or service;

(ii) the particular preferences, likes, dislikes, and needs of those customers and key accounts and relationships, and potential customers and key accounts and contact persons with respect to service types, financing terms, pricing, sales calls, timing, sales terms, rental terms, lease terms, service plans, and other marketing terms and techniques;

(iii) the business methods, practices, strategies, forecasts, pricing, and marketing techniques;

(iv) the identities of brokers, licensors, vendors, and other suppliers and the identities of contact persons at such brokers, licensors, vendors, and other suppliers;

(v) the identities of key sales representatives and personnel and other employees;

(vi) advertising and sales materials, research, technology, intellectual property rights, training materials and techniques, computer software, and related materials;

(vii) other facts and financial and other business information concerning such Persons or relating to their business, operations, financial condition, results of operations, and prospects; and

(viii) all other information the Corporation or its Subsidiaries try to keep confidential and that has commercial value or is of such a nature that its unauthorized disclosure would be detrimental to the Corporation's or any of its Subsidiaries' interests.

(b) Notwithstanding the foregoing, "Confidential Information" will not include information that is approved for public release by the Corporation or its Subsidiaries or information that Executive can demonstrate (i) is already in or has subsequently entered the public domain, other than as a result of any breach of this Agreement by Executive; (ii) was in the possession of or known to Executive prior to Executive's employment or other service with the Corporation and is not subject to confidentiality restrictions; (iii) was obtained from a third party not in violation of any agreement with, or duty of confidentiality to, the Corporation; or (iv) was independently developed by Executive without use of or reference to the Corporation's Confidential Information.

(c) During the Employment Period and thereafter, Executive will not at any time, except as directed by the Corporation, use for himself or others, directly or indirectly, any such Confidential Information, and, except as required by law or as directed by the Corporation, Executive will not disclose such Confidential Information, directly or indirectly, to any other Person or use, lecture upon, or publish any of the Confidential Information.

(d) All physical property and all notes, memoranda, files, records, writings, documents, and other materials of any and every nature, written or electronic, that Executive has prepared, developed, or received, or will prepare, develop, or receive in the course of his association with the Corporation or its Subsidiaries and that relate to or are useful in any manner to the Business or any other business now or hereafter conducted by the Corporation or its Subsidiaries, are and will remain the sole and exclusive property of such Persons. Except as may be required in the performance of Executive's duties under this Agreement, Executive will not remove from such Person's premises any such physical property, the original, "soft copy," or any reproduction of any such materials nor the information contained therein, and all such physical property, materials, and information in his possession or under his custody or control will, on the Termination Date, be immediately turned over to the Corporation or its Subsidiaries.

(e) Notwithstanding the foregoing, (i) nothing in this Agreement or other agreement prohibits Executive from reporting possible violations of law or regulation to any federal, state, or local governmental agency or entity (the "**Government Agencies**"), or communicating with Government Agencies or otherwise participating in any investigation or proceeding that may be conducted by Government Agencies, including providing documents or other information; (ii) Executive does not need the prior authorization of the Corporation to take any action described in (i), and Executive is not required to notify the Corporation that he has taken any action described in (i); and (iii) the Agreement does not limit Executive's right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission.

(f) Further, notwithstanding the foregoing, Executive will not be held criminally or civilly liable under any Government Agency's trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

(g) Further, Executive may disclose Confidential Information (i) to the extent required by a court of law, by any governmental agency having supervisory authority over the business of the Corporation, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose, or make accessible such information (provided, however, that the Corporation is given reasonable prior notice of such proposed disclosure and a reasonable period of time to secure a protective order or take other action to protect such Confidential Information (at the Corporation's expense)); or (ii) to Executive's spouse, attorney, and/or his personal tax and financial advisors as necessary or appropriate to advance Executive's tax, financial, and other personal planning (each, an "**Exempt Person**"), provided, however, that (A) each such Exempt Person is notified of the confidential nature of the Confidential Information, (B) such disclosure to an Exempt Person does not violate applicable laws, rules, or regulations, and (C) any disclosure or use of Confidential Information by an Exempt Person shall be deemed to be a breach of this Section 3.2 by Executive.

3.3 Covenant Not to Compete. Executive agrees that during his employment with the Corporation, and for a period of one (1) year immediately following the termination thereof, whether voluntary or involuntary, he shall not, directly or indirectly, on behalf of himself or any other person or entity, (a) work, whether on a full-time, part-time, consulting, or contractor basis, as a chief credit risk officer or in another capacity similar to his management position with the Corporation for, (b) provide Business Services consulting to, (c) operate or manage, or (d) have an ownership interest in, any entity (including a sole proprietorship) in the Non-Compete Territory (as hereinafter defined) that operates a Business that is competitive with the Business of the Corporation or its Subsidiaries or that provides Business Services that are competitive with those provided by the Corporation or its Subsidiaries. Although Executive acknowledges that the market area of the Corporation and its Subsidiaries extends throughout much of the United States and that he shall regularly be exposed to customers, Loan Sources, and related Confidential Information throughout that market area, the restriction in this Section 3.3 shall apply only to the area that is within a twenty-five (25)-mile radius of any branch or other office of the Corporation or its Subsidiaries ("**Non-Compete Territory**"). Moreover, the restriction in this Section 3.3 shall not prevent Executive from owning, for personal investment purposes, up to one percent (1%) of the stock of any entity whose securities are listed on a national or regional securities exchange or have been registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934, as amended.

3.4 Covenant Not to Solicit Competitive Business Services Through or From Loan Sources.

(a) Executive agrees that during his employment with the Corporation, and for a period of one (1) year immediately following the termination thereof, whether voluntary or involuntary, he shall not, directly or indirectly, on behalf of himself or any other person or entity, solicit the provision of, or otherwise provide, Business Services that are competitive with those provided by or to the Corporation or its Subsidiaries, through any Loan Source. "**Loan Source**," as used in this Agreement, shall mean any automobile dealership, online credit application network, retailer, or other Business Services source that the Corporation or its Subsidiaries uses at any time during the last year of Executive's employment with the Corporation and that Executive has contact with or is exposed to Confidential Information about through his employment with the Corporation.

(b) Executive agrees that during his employment with the Corporation, and for a period of one (1) year immediately following the termination thereof, whether voluntary or involuntary, he shall not, directly or indirectly, on behalf of himself or any other person or entity, solicit any Loan Source for the purpose of providing or receiving Business Services that are competitive with those provided by or to the Corporation or its Subsidiaries.

3.5 Covenant Not to Hire or Solicit Employees. Executive agrees that during his employment with the Corporation, and for a period of one (1) year immediately following the termination thereof, whether voluntary or involuntary, he shall not, directly or indirectly, on behalf of himself or any other person or entity, hire any Corporation Employee for, or solicit any Corporation Employee for the purpose of offering employment with, any entity or person (including himself) that operates a Business that is competitive with the Business of the Corporation or its Subsidiaries or that provides Business Services that are competitive with those provided by the Corporation or its Subsidiaries. “**Corporation Employee**,” as used in this Agreement, shall mean any employee who (a) is employed with the Corporation or any of its Subsidiaries at any time during the last six (6) months of Executive’s employment with the Corporation, and (b) either (1) has been exposed to Confidential Information or (2) has had contact with Executive through Executive’s employment with the Corporation.

3.6 Reasonableness of Restrictions.

(a) Executive has carefully read and considered the provisions of Sections 3.2, 3.3, 3.4, and 3.5 and, having done so, agrees that the restrictions, set forth in these Sections, including, but not limited to, the time period of restriction and the geographical area restriction, are fair and reasonable and are reasonably required for the protection of the interests of the Corporation.

(b) In the event that, notwithstanding the foregoing, either Section 3.2, 3.3, 3.4, or 3.5 above shall be held to be invalid or unenforceable, the remaining paragraph(s) thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable paragraph(s) had not been included therein.

(c) In the event that any provision of Sections 3.2, 3.3, 3.4, or 3.5 above shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable provision(s) had not been included therein.

(d) In the event that any provision of Sections 3.2, 3.3, 3.4, or 3.5 relating to the time period of restriction, the geographic area restriction, and/or any related aspects is found by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, then it is the express desire and intent of both the Corporation and Executive that such provision not be rendered invalid thereby, but rather that the duration, geographic area, scope, or nature of the restriction be deemed reduced or modified to the extent necessary to render such provision reasonable, valid, and enforceable. The time period restriction, geographic area restriction, and/or any related aspects deemed reasonable and enforceable by the court shall then become, and thereafter be, the maximum restriction in such regard, and the provision, as reformed, shall remain valid and enforceable. The Corporation and Executive acknowledge that this Section 3.6(d) is contractual in nature and expressly grant a court of competent jurisdiction the authority to effectuate this contractual provision.

3.7 Non-Disparagement. During the term of Executive’s employment, and thereafter, Executive shall not make any disparaging remarks, or any remarks that could reasonably be construed as disparaging, regarding the Corporation, its Subsidiaries, or its or their officers, directors, employees, stockholders, representatives, or agents. The Corporation shall, except to the extent otherwise required by applicable laws, rules, or regulations or as appropriate in the exercise of the Board’s fiduciary duties (as determined by the Board with advice of counsel), exercise reasonable efforts to cause the following

individuals to refrain from making any disparaging statements, orally or in writing, regarding Executive from and after the termination of the Employment Period: the Corporation's executive officers and the members of the Board.

3.8 Use of Name. Executive will not have the rights to and may not use the name "Regional Management Corp." or any other name used by the Corporation or its Subsidiaries or any derivative or abbreviation thereof in any manner, including but not limited to in any activity prohibited under Sections 3.3, 3.4, or 3.5, or in any manner that could reasonably be expected to be adverse to the interests of the Corporation or its Subsidiaries. This covenant shall survive indefinitely without limitation to time.

3.9 Breach of Restrictive Covenants. Executive acknowledges that this Agreement is designed and intended to protect the legitimate business interests of the Corporation and that the restrictions imposed by this Agreement are necessary, fair, and reasonably designed to protect those interests. Executive further acknowledges that the Corporation has given him access to certain Confidential Information and that the use of such Confidential Information by him on behalf of some other entity (including himself) would cause irreparable harm to the Corporation. Executive also acknowledges that the Corporation has invested considerable time and resources in developing its relationships with its Loan Sources and customers and in training Corporation Employees, the loss of which similarly would cause irreparable harm to the Corporation. Without limitation, Executive agrees that if he should breach or threaten to breach any of the restrictive covenants contained in Sections 3.2, 3.3, 3.4, 3.5, and 3.7 of this Agreement, the Corporation may, in addition to seeking other available remedies (including but in no way limited to the Corporation's rights under Sections 2.7(a) and (e)), apply, consistent with Section 4.7 below, for the immediate entry of an injunction restraining any actual or threatened breaches or violations of said provisions or terms by Executive. If, for any reason, any of the restrictive covenants or related provisions contained in Sections 3.2, 3.3, 3.4, 3.5, or 3.7 of this Agreement should be held invalid or otherwise unenforceable, it is agreed the court shall construe the pertinent Section(s) or provision(s) so as to allow its enforcement to the maximum extent permitted by applicable law. Executive further agrees that any claimed breach of this Agreement by the Corporation shall not prevent, or otherwise be a defense against, the enforcement of any restrictive covenant or other Executive obligation herein.

3.10 Executive Representations. Executive represents that the restrictions on his business provided in this Agreement are fair and protect the legitimate business interests of the Corporation. Executive represents further that the consideration for this Agreement is fair and adequate, and that even if the restrictions in this Agreement are applied to him, he shall still be able to earn a good and reasonable living from those activities, areas, and opportunities not restricted by this Agreement. In addition, Executive represents he has had an opportunity to consult with independent counsel concerning this Agreement and is not relying on the Corporation or its counsel for any related legal, tax, or other advice.

3.11 No Prior Obligations. The Corporation represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm, or organization. Executive represents he is not subject to any contractual or other obligations, including but not limited to any non-competition, non-solicitation, confidentiality, and/or other restrictive covenants, that preclude him from entering into this Agreement or would in any way restrict his work activities as required under this Agreement. Executive represents further that he does not possess any prior employer or other third-party proprietary information and shall not use or disclose any such information in his work for the Corporation. In the event that said representations should be untrue to any material extent and a related action should be initiated against the Corporation or its Subsidiaries, Executive agrees to promptly indemnify the Corporation for any resulting liability and costs, including attorneys' fees, as they are incurred in full.

3.12 Survival; Subsequent Employer Notice. The provisions contained in this Article III and in Section 4.4 and Section 4.7 will survive termination of this Agreement regardless of whether such termination is initiated by the Corporation or Executive. In the event of the termination of his employment with the Corporation and subsequent employment with, or work for, another entity or person, Executive agrees to notify the Corporation of his new employment or work, including the name and address of the new employer or entity or person he intends to work for, before commencing work for the new employer or other entity or person. In addition, Executive authorizes the Corporation to provide notice of his obligations under this Agreement, including a copy of this Agreement, to his new employer or other entity or person for whom he intends to work or provide services.

IV. MISCELLANEOUS

4.1 Notices. All notices and other communications required or permitted hereunder will be in writing and, unless otherwise provided in this Agreement, will be deemed to have been duly given when delivered in person or by a nationally recognized overnight courier service or when dispatched if during normal business hours by electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched) to the appropriate party at the address specified below:

(a) If to the Corporation, to:

Regional Management Corp.
979 Batesville Road, Suite B
Greer, SC 29651
Facsimile No.: (864) 729-4261
Attention: General Counsel

With a copy to:

Womble Bond Dickinson (US) LLP
One Wells Fargo Center
301 South College Street, Suite 3500
Charlotte, NC 28202-6037
Facsimile No.: (704) 338-7823
Attention: Jane Jeffries Jones

(b) If to Executive, to:

Regional Management Corp.
979 Batesville Road, Suite B
Greer, SC 29651
Facsimile No.: (864) 329-8392
Attention: Manish Parmar

With a copy to Executive's address on file with the Corporation.

or to such other address or addresses as any such party may from time to time designate as to itself or himself by like notice.

4.2 Amendments and Waivers.

(a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

4.3 Expenses. Unless expressly set forth to the contrary elsewhere in this Agreement, the parties will pay all of their respective expenses incurred in connection with any legal proceeding concerning a dispute arising out of this Agreement. Notwithstanding the foregoing, the Corporation shall pay the reasonable fees and expenses of Executive's attorney not to exceed \$7,500 in connection with the negotiation of this Agreement.

4.4 Indemnification. The Corporation will provide indemnification no less favorable than that set forth in the Corporation's amended and restated bylaws as in effect on the Effective Date. The Corporation agrees to use its best efforts to maintain a directors' and officers' liability insurance policy covering Executive to the extent the Corporation provides such coverage for its other executive officers and such policy is available on commercially reasonable terms. Notwithstanding any indemnification rights provided under this Section 4.4, Executive shall not be entitled to any indemnification as to any matter where the Corporation has brought an action or has otherwise asserted a claim against Executive that Executive has breached this Agreement. Notwithstanding anything contained in this Agreement to the contrary, this Section 4.4 shall survive the termination of the Agreement and the Employment Period.

4.5 Successors and Assigns. The provisions, obligations and rights of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, and administrators; provided, however, that Executive may not assign, delegate, or otherwise transfer any of his rights or obligations under this Agreement without the prior written consent of the Corporation.

4.6 No Third Party Beneficiaries. Except as otherwise expressly provided for herein, this Agreement is for the sole benefit of the parties hereto and their permitted assigns, and nothing herein expressed or implied will give or be construed to give to any Person, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

4.7 Choice of Law; Forum Selection; Jury Waiver. This Agreement, including its interpretation, performance, breach, or any statutory or other claim relating to Executive's employment with the Corporation, the termination thereof, or his work for the Corporation, shall be governed by, and construed in accordance with, the laws of the State of Delaware without giving any force or effect to the provisions of any conflict of law rule thereof, and unless superseded by federal law. The parties knowingly and voluntarily agree that any controversy or dispute arising out of or otherwise related to this Agreement, including any statutory or other claim relating to Executive's employment with the Corporation, the termination thereof, or his work for the Corporation, shall be tried exclusively, without jury, and consent to personal jurisdiction, in the state courts of Greenville, South Carolina or the United States District Court for the District of South Carolina, Greenville division. Consistent with 6 Del. Code Ann. Section 2708(a), the parties consent to the jurisdiction of said South Carolina courts and the service of legal process on them for any civil action arising out of or otherwise related to this Agreement, including any statutory or other claim related to Executive's employment with the Corporation or the termination thereof.

4.8 Controlling Document. Except with respect to the Stock Plan, the Annual Incentive Plan, or any award agreement under any such plan, if any provision of any agreement, plan, program, policy, arrangement, or other written document between or related to the Corporation and Executive conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail. The provisions of the Stock Plan, the Annual Incentive Plan, and any award agreements under such plans shall control over this Agreement. Notwithstanding anything contained in this Agreement to the contrary, this Section 4.8 shall survive the termination of the Agreement and the Employment Period.

4.9 No Limitation of Rights. Nothing in this Agreement shall limit or prejudice any rights of the Corporation under any other laws.

4.10 Counterparts. This Agreement may be signed in any number of counterparts, including via facsimile transmission, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

4.11 Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

4.12 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance is held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality, or unenforceability will not affect any other provision hereof. If any provision of this Agreement is finally judicially determined to be invalid, ineffective, or unenforceable, the determination will apply only in the jurisdiction in which such final adjudication is made, and such provision will be deemed severed from this Agreement for purposes of such jurisdiction only, but every other provision of this Agreement will remain in full force and effect, and there will be substituted for any such provision held invalid, ineffective, or unenforceable, a provision of similar import reflecting the original intent of the parties to the extent permitted under applicable law.

4.13 Certain Interpretive Matters.

(a) Unless the context otherwise requires, (i) all references to sections are to sections of this Agreement, (ii) each term defined in this Agreement has the meaning assigned to it, (iii) words in the singular include the plural and vice versa, and (iv) the terms “herein,” “hereof,” “hereby,” “hereunder,” and words of similar import shall mean references to this Agreement as a whole and not to any individual section or portion hereof. All references to \$ or dollar amounts will be to lawful currency of the United States.

(b) No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or his or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

4.14 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both oral and written, including but not limited to any term sheet, offer letter, or other similar summary of proposed terms, between the parties with respect to the subject matter of this Agreement.

4.15 Full Understanding. Executive represents and agrees that Executive fully understands Executive’s right to discuss all aspects of this Agreement with Executive’s private attorney, and that to the extent, if any, that Executive desired, Executive utilized this right. Executive further represents and agrees that: (i) Executive has carefully read and fully understands all of the provisions of

this Agreement; (ii) Executive is competent to execute this Agreement; (iii) Executive's agreement to execute this Agreement has not been obtained by any duress, and Executive freely and voluntarily enters into it; (iv) Executive is not subject to any covenants, agreements, or restrictions arising out of Executive's prior employment (other than with the Corporation) that would be breached or violated by Executive's execution of this Agreement or performance of duties hereunder; and (v) Executive has read this document in its entirety and fully understands the meaning, intent, and consequences of this document. Executive agrees and acknowledges that the obligations owed to Executive under this Agreement are solely the obligations of the Corporation and that none of the Corporation's stockholders, directors, or lenders will have any obligation or liabilities in respect of this Agreement and the subject matter hereof.

4.16 Code Section 409A. Notwithstanding any other provision in this Agreement to the contrary, if and to the extent that Code Section 409A is deemed to apply to any benefit under this Agreement, it is the general intention of the Corporation that such benefits shall, to the extent practicable, comply with, or be exempt from, Code Section 409A, and this Agreement shall, to the extent practicable, be construed in accordance therewith. Deferrals of benefits distributable pursuant to this Agreement that are otherwise exempt from Code Section 409A in a manner that would cause Code Section 409A to apply shall not be permitted unless such deferrals are in compliance with or otherwise exempt from Code Section 409A. In the event that the Corporation (or a successor thereto) has any stock which is publicly traded on an established securities market or otherwise and Executive is determined to be a "specified employee" (as defined under Code Section 409A), any payment of deferred compensation subject to Code Section 409A to be made to Executive upon a separation from service may not be made before the date that is six months after Executive's separation from service (or death, if earlier). To the extent that Executive becomes subject to the six-month delay rule, all payments of deferred compensation subject to Code Section 409A that would have been made to Executive during the six months following his separation from service, if any, will be accumulated and paid to Executive during the seventh month following his separation from service, and any remaining payments due will be made in their ordinary course as described in this Agreement. For the purposes herein, the phrase "termination of employment" or similar phrases will be interpreted in accordance with the term "separation from service" as defined under Code Section 409A if and to the extent required under Code Section 409A. Whenever payments under the Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Code Section 409A. Further, (i) in the event that Code Section 409A requires that any special terms, provisions, or conditions be included in this Agreement, then such terms, provisions, and conditions shall, to the extent practicable, be deemed to be made a part of this Agreement, and (ii) terms used in this Agreement shall be construed in accordance with Code Section 409A if and to the extent required. Further, in the event that this Agreement or any benefit thereunder shall be deemed not to comply with Code Section 409A, then neither the Corporation, its Subsidiaries, the Board, the Compensation Committee, nor its or their designees or agents shall be liable to Executive or any other person for actions, decisions, or determinations made in good faith.

4.17 Compliance with Recoupment, Ownership, and Other Policies or Agreements. As a condition to entering into this Agreement, Executive agrees that he shall abide by all provisions of any equity retention policy, compensation recovery policy, stock ownership guidelines, and/or other similar policies maintained by the Corporation, each as in effect from time to time and to the extent applicable to Executive from time to time. In addition, Executive shall be subject to such compensation recovery, recoupment, forfeiture, or other similar provisions as may apply at any time to Executive under applicable law.

4.18 Waiver and Release. Executive acknowledges and agrees that the Corporation may at any time require, as a condition to receipt of benefits payable under this Agreement, including but not limited to the payment of termination benefits pursuant to Sections 2.7(a), 2.7(d), 2.7(e), and 2.7(f) herein, that Executive (or a representative of his Estate) execute a waiver and release discharging the

Corporation and its Subsidiaries, and their respective Affiliates, and its and their officers, directors, managers, employees, agents, and representatives and the heirs, predecessors, successors, and assigns of all of the foregoing, from any and all claims, actions, causes of action, or other liability, whether known or unknown, contingent or fixed, arising out of or in any way related to Executive's employment, or the termination of Executive's employment with the Corporation or the benefits thereunder, including, without limitation, any claims under this Agreement or other related instruments. The waiver and release shall be in a form substantially similar to the form of release attached to this Agreement as Exhibit A and shall be executed prior to the expiration of the time period provided for payment of such benefits (including those provided under Section 2.7 herein).

4.19 Tax Matters. The Corporation has made no warranties or representations to Executive with respect to the tax consequences (including but not limited to income tax consequences) contemplated by this Agreement and/or any benefits to be provided pursuant thereto. Executive acknowledges that there may be adverse tax consequences related to the transactions contemplated hereby and that Executive should consult with his own attorney, accountant, and/or tax advisor regarding the decision to enter into this Agreement and the consequences thereof. Executive also acknowledges that the Corporation has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for Executive.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective as of the day and year first above written.

REGIONAL MANAGEMENT CORP.

By: /s/ Peter R. Knitzer

Name: Peter R. Knitzer

Title: President and Chief Executive Officer

EXECUTIVE

/s/ Manish Parmar

Manish Parmar

[Signature Page to Employment Agreement]

EXHIBIT A
RELEASE OF CLAIMS

This Release of Claims (the “**Agreement**”) is made and entered into by and between Regional Management Corp. (the “**Corporation**”) and Manish Parmar (the “**Executive**”).

BACKGROUND

A. The Corporation and Executive are parties to an Employment Agreement dated as of January 6, 2020 (the “**Employment Agreement**”) that, among its terms, provides that the Corporation will pay Executive certain individually-tailored severance benefits (the “**Severance**”) under certain circumstances in connection with the termination of Executive’s employment thereunder.

B. Under the Employment Agreement, the Corporation is not obligated to pay the Severance unless Executive has signed a release of claims in favor of the Corporation. The parties intend this Agreement to be that release of claims.

NOW, THEREFORE, based on the foregoing and the terms and conditions below, the Corporation and Executive, desiring to amicably resolve any and all existing and potential disputes between them as of the date each executes this Agreement, and in consideration of the obligations and undertakings set forth below and intending to be legally bound, agree as follows.

1. Corporation’s Obligations. In return for “**Executive’s Obligations**” (as described in Section 2 below), and provided that Executive signs this Agreement and does not exercise Executive’s rights to revoke or rescind Executive’s waivers of certain discrimination claims (as described in Section 5 below), the Corporation will pay to Executive the Severance.

2. Executive’s Obligations. In return for the Corporation’s Obligations in Section 1 above, Executive knowingly and voluntarily agrees to the following:

(a) Executive hereby fully, finally, and forever releases, waives, and discharges, to the maximum extent that the law permits, any and all legal, equitable, and administrative claims, actions, causes of action, suits, debts, accounts, judgments, and demands (collectively, “**Claims**”) against the Corporation or any of its direct or indirect subsidiaries or affiliates that Executive has or may have through the date on which Executive signs this Agreement. This full and final release, waiver, and discharge extends to all and each of every legal, equitable, and administrative Claim(s) of any kind or nature whatsoever including, without limitation, the following:

- (i) All Claims that Executive has or may have now, whether Executive now knows about or suspects such claims;
- (ii) All Claims for attorney’s fees;
- (iii) All rights and Claims of age discrimination and retaliation under the Age Discrimination in Employment Act (“**ADEA**”), as amended by the Older Workers Benefit Protection Act of 1990 (“**OWBPA**”);
- (iv) All rights and Claims of any other forms of discrimination and retaliation of any kind or nature whatsoever under federal, state, or local law, including but not limited to Claims of discrimination and retaliation under Title VII of the Civil Rights Act of 1964, and the Americans With Disabilities Act (“**ADA**”);

- (v) All Claims, whether in contract or tort, arising out of Executive's employment and Executive's termination of employment with the Corporation, including but not limited to any alleged breach of contract, breach of implied contract, wrongful or illegal termination, defamation, invasion of privacy, fraud, promissory estoppel, and infliction of emotional distress;
- (vi) All Claims for any other compensation, including but not limited to front pay, back pay, bonus, fringe benefits, vacation pay, other paid time off, severance pay, other severance benefits, incentive opportunity pay, other grants of incentive compensation, and grants of stock, stock options, and other equity awards and equity-based awards;
- (vii) All Claims under the Employee Retirement Security Act of 1974, as amended ("**ERISA**"), subject to Section 4(c) herein;
- (viii) All Claims for any other alleged unlawful employment practices arising out of or relating to Executive's employment or termination of employment with the Corporation;
- (ix) All Claims for emotional distress, pain and suffering, compensatory damages, punitive damages, and liquidated damages; and
- (x) All Claims for reinstatement or re-employment.

Notwithstanding the foregoing, nothing in this Section 2(a) shall constitute a waiver of (i) any Claims that arise as a result of conduct that occurs after the date that Executive signs this Agreement, (ii) any Claims for continuation rights under COBRA, or (iii) any Claims that do not exist as of the date that Executive signs this Agreement.

(b) Executive will not commence any civil actions against the Corporation except as necessary to enforce his obligations under this Agreement and the Employment Agreement. The Severance that Executive is receiving in the Employment Agreement has a value that is greater than anything to which Executive is entitled. Other than what Executive is receiving in the Employment Agreement, the Corporation owes Executive nothing else in return for Executive's Obligations.

(c) Executive relinquishes any right to future employment with the Corporation, and the Corporation shall have the right to refuse to re-employ Executive without liability.

(d) Executive agrees to continue to adhere to the terms and conditions set forth in Article III (Restrictive Covenants) of the Employment Agreement. Executive agrees that such terms and conditions are reasonable and necessary to protect the legitimate interests of the Corporation and that any violation of Article III of the Employment Agreement by Executive may cause substantial and irreparable harm to the Corporation. Executive agrees that the Corporation may seek any remedies set forth in Section 2.7(a)(vii), Section 2.7(e)(vii), and/or Article III of the Employment Agreement should Executive violate Article III of the Employment Agreement. The Corporation and Executive specifically agree that Section 2.7(a)(vii), Section 2.7(e)(vii), and Article III of the Employment Agreement are incorporated hereto by reference and integrated herein.

3. Certain Definitions. For purposes of Section 2, “**Executive**” means Manish Parmar and any person or entity that has or obtains any legal rights or claims through Manish Parmar. Further, the “**Corporation**” means Regional Management Corp. and any parent, subsidiary, and affiliated organization or entity in the present or past related to Regional Management Corp., and any past and present officers, directors, members, governors, attorneys, employees, agents, insurers, successors, and assigns of, and any person who acted on behalf of or instruction of, Regional Management Corp.

4. Other Provisions.

(a) The Corporation has paid or will pay Executive in full for all reimbursable business expenses, earned annualized salary, earned unpaid bonus pay, and any other earnings through the last day of Executive’s employment (if and to the extent such payments are required to be made pursuant to the terms of the Employment Agreement).

(b) This Agreement does not prohibit Executive from filing an administrative charge of discrimination with, or cooperating or participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission or other federal or state regulatory or law enforcement agency. However, Executive agrees not to seek or accept any money damages or other relief should any such charge be filed.

(c) Nothing in this Agreement affects Executive’s rights in any qualified retirement or welfare benefit plan or program in which Executive was a participant while employed by the Corporation. In addition, any equity, equity-based, or other long-term incentive awards granted to Executive shall be governed by the terms of the applicable Stock Plan (as defined in the Employment Agreement) and related award agreement. The terms of such plans, programs, and award agreements control Executive’s rights with respect thereto.

(d) The Corporation will indemnify Executive as permitted by and pursuant to any agreement or policy that the Corporation has adopted relating to indemnification of directors, officers, and employees, and as permitted by and pursuant to any provision of the Corporation’s certificate of incorporation or by-laws relating to such indemnification. Executive will continue to be covered as permitted by and pursuant to any policy of directors and/or officers liability insurance policy on the terms and conditions of the applicable policy documents. For the avoidance of doubt, nothing in Section 2(a) of this Agreement waives any right to claims for such indemnification or insurance coverage.

(e) Notwithstanding the foregoing, (i) nothing in this Agreement or other agreement prohibits Executive from reporting possible violations of law or regulation to any federal, state, or local governmental agency or entity (the “**Government Agencies**”), or communicating with Government Agencies or otherwise participating in any investigation or proceeding that may be conducted by Government Agencies, including providing documents or other information; (ii) Executive does not need the prior authorization of the Corporation to take any action described in (i), and Executive is not required to notify the Corporation that he has taken any action described in (i); and (iii) the Agreement does not limit Executive’s right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. Further, notwithstanding the foregoing, Executive will not be held criminally or civilly liable under any Government Agency’s trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation or law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

(f) The terms and obligations of the Employment Agreement and this Agreement shall inure to the benefit of Executive's heirs and estate.

5. Executive's Rights to Counsel, Consider, Revoke, and Rescind.

(a) The Corporation hereby advises Executive to consult with an attorney prior to signing this Agreement.

(b) Executive further understands that Executive has 21 days to consider Executive's release of rights and claims of age discrimination under the ADEA and OWBPA, beginning the date on which Executive receives this Agreement. Executive agrees that he was provided this Agreement on _____, 20__ for consideration. If Executive signs this Agreement, Executive understands that Executive is entitled to revoke Executive's release of any rights or claims under the ADEA and OWBPA within seven days after Executive has executed it, and Executive's release of any rights or claims under the ADEA and OWBPA will not become effective or enforceable until the seven-day period has expired. To revoke such release, Executive must put the rescission in writing and deliver it to the Corporation by hand or mail within the seven-day period. If Executive delivers the rescission by mail, it must be: (i) postmarked within seven calendar days after the date on which Executive signs this Agreement; (ii) addressed to the Corporation, c/o General Counsel, 979 Batesville Road, Suite B, Greer, SC 29651; and (iii) sent by certified mail return receipt requested. If Executive revokes or rescinds Executive's waivers of discrimination claims as provided above, Executive shall not be entitled to receive the Severance.

6. Non-Admission. The Corporation and Executive enter into this Agreement expressly disavowing fault, liability, and wrongdoing, liability at all times having been denied. Neither this Agreement, nor anything contained in it, will be construed as an admission by either of them of any liability, wrongdoing, or unlawful conduct whatsoever. If this Agreement is not executed, no term of this Agreement will be deemed an admission by either party of any right that he/it may have with or against the other.

7. No Oral Modification or Waiver. This Agreement may not be changed orally. No breach of any provision hereof can be waived by either party unless in writing. Waiver of any one breach by a party will not be deemed to be a waiver of any other breach of the same or any other provision hereof.

8. Governing Law. This Agreement will be governed by the substantive laws of the State of Delaware without regard to conflicts of law principles.

9. Forum Selection, Jurisdiction, and Venue. Executive and the Corporation knowingly and voluntarily agree that any controversy or dispute arising out of or otherwise related to this Agreement, including any employment or statutory claim, shall be tried exclusively, without jury, and consent to personal jurisdiction, in the state courts of Greenville, South Carolina or the United States District Court for the District of South Carolina, Greenville division.

10. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart will be deemed to be an original instrument, and all such counterparts together will constitute but one agreement.

11. Blue Pencil Doctrine. In the event that any provision of this Agreement is unenforceable under applicable law, the validity or enforceability of the remaining provisions will not be affected. To the extent any provision of this Agreement is judicially determined to be unenforceable, a court of competent jurisdiction may reform any such provision to make it enforceable. The provisions of this Agreement will, where possible, be interpreted so as to sustain its legality and enforceability.

12. Agreement Freely Entered Into. Executive and the Corporation have voluntarily and free from coercion entered into this Agreement. Each has read this Agreement carefully and understands all of its terms, and has had the opportunity to discuss this Agreement with his/its own attorney prior to its execution. In agreeing to sign this Agreement, neither party has relied on any statements or explanations made by the other party, their respective agents, or attorneys except as set forth in this Agreement. Both parties agree to abide by this Agreement.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the dates set forth below.

By: _____
Manish Parmar
Dated: _____

Regional Management Corp.

By: _____
Name: _____
Its: _____
Dated: _____

CERTIFICATION

I, Robert W. Beck, 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 8, 2020

/s/ Robert W. Beck

Robert W. Beck
President and Chief Executive Officer

CERTIFICATION

I, Michael S. Dymski, 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 8, 2020

/s/ Michael S. Dymski

Michael S. Dymski
Vice President, Interim Chief Financial Officer and Chief
Accounting 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, 2020 (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 8, 2020

/s/ Robert W. Beck

Robert W. Beck

President and Chief Executive Officer

Date: May 8, 2020

/s/ Michael S. Dymski

Michael S. Dymski

Vice President, Interim Chief Financial Officer and Chief
Accounting Officer