

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 September 30, 2021

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 November 3, 2021, the registrant had outstanding 9,911,784 shares of Common Stock, \$0.10 par value.

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ITEM 1. **FINANCIAL STATEMENTS.**

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

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Cash	\$ 8,146	\$ 8,052
Net finance receivables	1,314,233	1,136,259
Unearned insurance premiums	(44,142)	(34,545)
Allowance for credit losses	(150,100)	(150,000)
Net finance receivables, less unearned insurance premiums and allowance for credit losses	1,119,991	951,714
Restricted cash	103,999	63,824
Lease assets	28,891	27,116
Deferred tax assets, net	12,535	14,121
Property and equipment	12,495	14,008
Intangible assets	9,184	8,689
Other assets	18,317	16,332
Total assets	\$ 1,313,558	\$ 1,103,856
Liabilities and Stockholders' Equity		
Liabilities:		
Debt	\$ 978,803	\$ 768,909
Unamortized debt issuance costs	(10,110)	(6,661)
Net debt	968,693	762,248
Accounts payable and accrued expenses	36,114	40,284
Lease liabilities	31,285	29,201
Total liabilities	1,036,092	831,733
Commitments and contingencies (Note 11)		
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, 14,177 shares issued and 10,007 shares outstanding at September 30, 2021 and 13,851 shares issued and 10,932 shares outstanding at December 31, 2020)	1,418	1,385
Additional paid-in capital	106,319	105,483
Retained earnings	287,825	227,343
Treasury stock (4,170 shares at September 30, 2021 and 2,919 shares at December 31, 2020)	(118,096)	(62,088)
Total stockholders' equity	277,466	272,123
Total liabilities and stockholders' equity	\$ 1,313,558	\$ 1,103,856

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

Assets		
Cash	\$ 315	\$ 236
Net finance receivables	854,036	483,674
Allowance for credit losses	(92,964)	(59,046)
Restricted cash	86,297	51,849
Other assets	134	5
Total assets	\$ 847,818	\$ 476,718
Liabilities		
Net debt	\$ 838,711	\$ 477,822
Accounts payable and accrued expenses	108	87
Total liabilities	\$ 838,819	\$ 477,909

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Interest and fee income	\$ 99,355	\$ 81,306	\$ 275,427	\$ 248,370
Insurance income, net	9,418	6,861	26,059	20,460
Other income	2,687	2,371	7,381	7,632
Total revenue	<u>111,460</u>	<u>90,538</u>	<u>308,867</u>	<u>276,462</u>
Expenses				
Provision for credit losses	26,096	22,089	58,007	99,110
Personnel	29,299	26,207	86,520	82,581
Occupancy	6,027	5,893	17,615	16,728
Marketing	2,488	3,249	9,974	6,373
Other	9,936	8,405	25,873	25,840
Total general and administrative expenses	<u>47,750</u>	<u>43,754</u>	<u>139,982</u>	<u>131,522</u>
Interest expense	8,816	9,300	23,752	28,596
Income before income taxes	<u>28,798</u>	<u>15,395</u>	<u>87,126</u>	<u>17,234</u>
Income taxes	<u>6,577</u>	<u>4,157</u>	<u>19,217</u>	<u>4,851</u>
Net income	<u>\$ 22,221</u>	<u>\$ 11,238</u>	<u>\$ 67,909</u>	<u>\$ 12,383</u>
Net income per common share:				
Basic	<u>\$ 2.25</u>	<u>\$ 1.02</u>	<u>\$ 6.66</u>	<u>\$ 1.13</u>
Diluted	<u>\$ 2.11</u>	<u>\$ 1.01</u>	<u>\$ 6.29</u>	<u>\$ 1.11</u>
Weighted-average common shares outstanding:				
Basic	<u>9,861</u>	<u>10,977</u>	<u>10,199</u>	<u>10,945</u>
Diluted	<u>10,544</u>	<u>11,092</u>	<u>10,800</u>	<u>11,117</u>

See accompanying notes to consolidated financial statements.

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

Three Months Ended September 30, 2021						
	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-In Capital	Earnings	Stock	
Balance, June 30, 2021	14,141	\$ 1,414	\$ 105,509	\$ 268,172	\$ (96,112)	\$ 278,983
Cash dividends	—	—	—	(2,568)	—	(2,568)
Issuance of restricted stock awards	9	1	(1)	—	—	—
Exercise of stock options	65	7	—	—	—	7
Repurchase of common stock	—	—	—	—	(21,984)	(21,984)
Shares withheld related to net share settlement	(38)	(4)	(1,106)	—	—	(1,110)
Share-based compensation	—	—	1,836	—	—	1,836
Short-swing profit disgorgement	—	—	81	—	—	81
Net income	—	—	—	22,221	—	22,221
Balance, September 30, 2021	<u>14,177</u>	<u>\$ 1,418</u>	<u>\$ 106,319</u>	<u>\$ 287,825</u>	<u>\$ (118,096)</u>	<u>\$ 277,466</u>
Three Months Ended September 30, 2020						
	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-In Capital	Earnings	Stock	
Balance, June 30, 2020	13,727	\$ 1,373	\$ 104,530	\$ 204,052	\$ (50,074)	\$ 259,881
Issuance of restricted stock awards	97	9	(9)	—	—	—
Shares withheld related to net share settlement	(3)	—	(48)	—	—	(48)
Share-based compensation	—	—	1,393	—	—	1,393
Net income	—	—	—	11,238	—	11,238
Balance, September 30, 2020	<u>13,821</u>	<u>\$ 1,382</u>	<u>\$ 105,866</u>	<u>\$ 215,290</u>	<u>\$ (50,074)</u>	<u>\$ 272,464</u>
Nine Months Ended September 30, 2021						
	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-In Capital	Earnings	Stock	
Balance, December 31, 2020	13,851	\$ 1,385	\$ 105,483	\$ 227,343	\$ (62,088)	\$ 272,123
Cash dividends	—	—	—	(7,427)	—	(7,427)
Issuance of restricted stock awards	203	20	(20)	—	—	—
Exercise of stock options	415	42	—	—	—	42
Repurchase of common stock	—	—	—	—	(56,008)	(56,008)
Shares withheld related to net share settlement	(292)	(29)	(4,490)	—	—	(4,519)
Share-based compensation	—	—	5,265	—	—	5,265
Short-swing profit disgorgement	—	—	81	—	—	81
Net income	—	—	—	67,909	—	67,909
Balance, September 30, 2021	<u>14,177</u>	<u>\$ 1,418</u>	<u>\$ 106,319</u>	<u>\$ 287,825</u>	<u>\$ (118,096)</u>	<u>\$ 277,466</u>
Nine Months Ended September 30, 2020						
	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-In Capital	Earnings	Stock	
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	351	35	(35)	—	—	—
Exercise of stock options	22	2	—	—	—	2
Shares withheld related to net share settlement	(49)	(5)	(644)	—	—	(649)
Share-based compensation	—	—	3,867	—	—	3,867
Net income	—	—	—	12,383	—	12,383
Balance, September 30, 2020	<u>13,821</u>	<u>\$ 1,382</u>	<u>\$ 105,866</u>	<u>\$ 215,290</u>	<u>\$ (50,074)</u>	<u>\$ 272,464</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 67,909	\$ 12,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	58,007	99,110
Depreciation and amortization	8,466	9,428
Loss on disposal of property and equipment	8	155
Share-based compensation	5,265	3,867
Fair value adjustment on interest rate caps	(491)	181
Deferred income taxes, net	1,586	(8,164)
Changes in operating assets and liabilities:		
Increase in lease assets	(1,775)	(1,417)
Increase in other assets	(1,492)	(7,447)
Increase (decrease) in accounts payable and accrued expenses	(3,541)	15,534
Increase in lease liabilities	2,083	1,513
Net cash provided by operating activities	136,025	125,143
Cash flows from investing activities:		
Net originations of finance receivables	(226,285)	(2,128)
Purchase of intangible assets	(2,247)	(865)
Purchase of property and equipment	(1,960)	(3,564)
Proceeds from disposal of property and equipment	—	2
Net cash used in investing activities	(230,492)	(6,555)
Cash flows from financing activities:		
Net payments on senior revolving credit facility	(155,128)	(122,318)
Net advances (payments) on revolving warehouse credit facilities	46,263	(15,629)
Net advances on securitizations	318,759	29,868
Payments for debt issuance costs	(6,738)	(3,139)
Taxes paid related to net share settlement of equity awards	(5,333)	(1,286)
Short-swing profit disgorgement	81	—
Cash dividends	(7,160)	—
Repurchase of common stock	(56,008)	—
Net cash provided by (used in) financing activities	134,736	(112,504)
Net change in cash and restricted cash	40,269	6,084
Cash and restricted cash at beginning of period	71,876	56,427
Cash and restricted cash at end of period	<u>\$ 112,145</u>	<u>\$ 62,511</u>
Supplemental cash flow and non-cash information:		
Interest paid	\$ 21,165	\$ 24,869
Income taxes paid	\$ 23,083	\$ 4,632
Operating leases paid	\$ 6,387	\$ 6,167
Non-cash lease assets and liabilities acquired	\$ 7,328	\$ 7,002
Non-cash dividends payable	\$ 267	\$ —

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

	September 30, 2021	December 31, 2020	September 30, 2020	December 31, 2019
Cash	\$ 8,146	\$ 8,052	\$ 4,292	\$ 2,263
Restricted cash	103,999	63,824	58,219	54,164
Total cash and restricted cash	<u>\$ 112,145</u>	<u>\$ 71,876</u>	<u>\$ 62,511</u>	<u>\$ 56,427</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 purchase loans, but ceased such originations in November 2017. As of September 30, 2021, the Company operated 372 branch locations under the name “Regional Finance” in 13 states across the 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 periods of portfolio liquidation, and larger provisions for credit losses in periods of portfolio growth, compared to prior years. Consequently, the Company experiences seasonal fluctuations in its operating results. However, changes in borrower assistance programs and customer access to external economic stimulus measures related to the novel strain of coronavirus (“COVID-19”) have impacted the Company’s typical seasonal trends for loan volume and delinquency.

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, 2020, 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 credit enhancements to the lenders and investors, which may include overcollateralization, subordination of interests, excess spread, and reserve funds. 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.

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, 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 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 purchase loans in November 2017.

Allowance for 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 loan 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.

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 life of the finance receivables (considering the effect of prepayments). Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable's contractual life (considering the effect of prepayments). 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 contractual lives of its portfolio (considering the effect of prepayments) are shorter than its available forecast periods.

The Company charges credit losses against the allowance when an 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.

Troubled Debt Restructurings: The Company classifies a finance receivable as a troubled debt restructuring (each, a "TDR") when the Company modifies the finance receivable's contractual terms for economic or other reasons related to the borrower's financial difficulties and grants a concession that it would not otherwise consider (including Chapter 13 bankruptcies and delinquent renewals). Modifications primarily include an interest rate reduction and/or term extension to reduce the borrower's monthly payment. Once a loan is classified as a TDR, it remains a TDR for the purpose of calculating the allowance for credit losses for the remainder of its contractual term.

The Company establishes its allowance for credit losses related to its TDRs by calculating the present value of all expected cash flows (discounted at the finance receivable's effective interest rate prior to modification) less the amortized costs of the aggregated pool. The Company uses the modified interest rates and certain assumptions, including expected credit losses and recoveries, to estimate the expected cash flows from its TDRs.

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 method, interest income is recorded when the payment is received. 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.

Finance receivable origination fees and costs: Non-refundable fees received and direct costs (personnel and digital loan origination costs) incurred for the origination of finance receivables are deferred and recognized to interest income over their contractual lives using the constant yield method. Unamortized amounts are recognized in interest income at the time that finance receivables are paid in full, renewed, or charged off.

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>	September 30, 2021	December 31, 2020
Small loans	\$ 419,602	\$ 403,062
Large loans	882,514	715,210
Automobile loans	1,757	3,889
Retail loans	10,360	14,098
Net finance receivables	<u>\$ 1,314,233</u>	<u>\$ 1,136,259</u>

Net finance receivables included net deferred origination fees and costs of \$12.7 million and \$12.6 million as of September 30, 2021 and December 31, 2020, respectively.

The credit quality of the Company's finance receivable portfolio is dependent on 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 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 September 30, 2021 are as follows:

Net Finance Receivables by Origination Year							
In thousands	2021 (1)	2020	2019	2018	2017	Prior	Total Net Finance Receivables
Small Loans:							
FICO Band							
1	\$ 61,379	\$ 19,124	\$ 3,946	\$ 356	\$ 57	\$ 13	\$ 84,875
2	38,862	10,041	1,471	79	13	3	50,469
3	41,821	10,924	1,420	58	6	1	54,230
4	45,943	11,916	1,338	61	9	3	59,270
5	46,176	14,275	1,320	39	2	1	61,813
6	77,233	29,386	2,282	37	5	2	108,945
Total small loans	<u>\$ 311,414</u>	<u>\$ 95,666</u>	<u>\$ 11,777</u>	<u>\$ 630</u>	<u>\$ 92</u>	<u>\$ 23</u>	<u>\$ 419,602</u>
Large Loans:							
FICO Band							
1	\$ 33,140	\$ 25,015	\$ 12,933	\$ 3,554	\$ 1,353	\$ 583	\$ 76,578
2	33,815	17,377	6,421	915	166	110	58,804
3	84,068	34,859	15,600	2,208	276	49	137,060
4	101,488	44,787	19,907	2,472	312	29	168,995
5	96,468	43,664	18,653	2,645	289	22	161,741
6	169,591	74,697	30,066	4,556	378	48	279,336
Total large loans	<u>\$ 518,570</u>	<u>\$ 240,399</u>	<u>\$ 103,580</u>	<u>\$ 16,350</u>	<u>\$ 2,774</u>	<u>\$ 841</u>	<u>\$ 882,514</u>
Automobile Loans:							
FICO Band							
1	\$ —	\$ —	\$ —	\$ —	\$ 478	\$ 247	\$ 725
2	—	—	—	—	178	119	297
3	—	—	—	—	292	99	391
4	—	—	—	—	110	39	149
5	—	—	—	—	34	63	97
6	—	—	—	—	67	31	98
Total automobile loans	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,159</u>	<u>\$ 598</u>	<u>\$ 1,757</u>
Retail Loans:							
FICO Band							
1	\$ 22	\$ 186	\$ 323	\$ 45	\$ 2	\$ 4	\$ 582
2	34	116	237	29	1	1	418
3	721	452	239	35	6	4	1,457
4	1,217	1,063	517	115	5	2	2,919
5	1,091	844	483	96	9	1	2,524
6	1,078	864	440	73	3	2	2,460
Total retail loans	<u>\$ 4,163</u>	<u>\$ 3,525</u>	<u>\$ 2,239</u>	<u>\$ 393</u>	<u>\$ 26</u>	<u>\$ 14</u>	<u>\$ 10,360</u>
Total Loans:							
FICO Band							
1	\$ 94,541	\$ 44,325	\$ 17,202	\$ 3,955	\$ 1,890	\$ 847	\$ 162,760
2	72,711	27,534	8,129	1,023	358	233	109,988
3	126,610	46,235	17,259	2,301	580	153	193,138
4	148,648	57,766	21,762	2,648	436	73	231,333
5	143,735	58,783	20,456	2,780	334	87	226,175
6	247,902	104,947	32,788	4,666	453	83	390,839
Total loans	<u>\$ 834,147</u>	<u>\$ 339,590</u>	<u>\$ 117,596</u>	<u>\$ 17,373</u>	<u>\$ 4,051</u>	<u>\$ 1,476</u>	<u>\$ 1,314,233</u>

(1) Includes loans originated during the nine months ended September 30, 2021.

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

<i>In thousands</i>	September 30, 2021									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$ 355,777	84.7%	\$ 791,046	89.6%	\$ 1,223	69.6%	\$ 8,429	81.4%	\$ 1,156,475	88.0%
1 to 29 days past due	35,897	8.6%	58,945	6.7%	391	22.3%	1,244	12.0%	96,477	7.3%
Delinquent accounts										
30 to 59 days	8,791	2.1%	11,130	1.3%	75	4.2%	166	1.6%	20,162	1.6%
60 to 89 days	6,991	1.7%	7,906	0.9%	21	1.2%	157	1.5%	15,075	1.1%
90 to 119 days	5,390	1.3%	5,636	0.6%	38	2.2%	138	1.3%	11,202	0.9%
120 to 149 days	3,760	0.9%	4,310	0.5%	5	0.3%	101	1.0%	8,176	0.6%
150 to 179 days	2,996	0.7%	3,541	0.4%	4	0.2%	125	1.2%	6,666	0.5%
Total delinquency	\$ 27,928	6.7%	\$ 32,523	3.7%	\$ 143	8.1%	\$ 687	6.6%	\$ 61,281	4.7%
Total net finance receivables	\$ 419,602	100.0%	\$ 882,514	100.0%	\$ 1,757	100.0%	\$ 10,360	100.0%	\$ 1,314,233	100.0%
Net finance receivables in nonaccrual status	\$ 13,884	3.3%	\$ 16,612	1.9%	\$ 83	4.7%	\$ 452	4.4%	\$ 31,031	2.4%

<i>In thousands</i>	December 31, 2020									
	Small		Large		Automobile		Retail		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Current	\$ 342,744	85.0%	\$ 633,806	88.6%	\$ 2,729	70.2%	\$ 11,188	79.3%	\$ 990,467	87.2%
1 to 29 days past due	32,615	8.1%	50,145	7.0%	864	22.2%	1,718	12.2%	85,342	7.5%
Delinquent accounts										
30 to 59 days	8,195	2.1%	9,808	1.4%	49	1.2%	329	2.3%	18,381	1.6%
60 to 89 days	6,907	1.7%	7,639	1.1%	119	3.1%	290	2.1%	14,955	1.3%
90 to 119 days	4,866	1.2%	5,407	0.8%	29	0.7%	194	1.4%	10,496	0.9%
120 to 149 days	4,193	1.0%	4,648	0.6%	37	1.0%	207	1.5%	9,085	0.8%
150 to 179 days	3,542	0.9%	3,757	0.5%	62	1.6%	172	1.2%	7,533	0.7%
Total delinquency	\$ 27,703	6.9%	\$ 31,259	4.4%	\$ 296	7.6%	\$ 1,192	8.5%	\$ 60,450	5.3%
Total net finance receivables	\$ 403,062	100.0%	\$ 715,210	100.0%	\$ 3,889	100.0%	\$ 14,098	100.0%	\$ 1,136,259	100.0%
Net finance receivables in nonaccrual status	\$ 14,617	3.6%	\$ 16,683	2.3%	\$ 216	5.6%	\$ 723	5.1%	\$ 32,239	2.8%

The accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If a loan is charged off, the accrued interest is reversed as a reduction of interest and fee income. During the three months ended September 30, 2021 and 2020, the Company reversed \$1.8 million and \$2.3 million of accrued interest as a reduction of interest and fee income, respectively. The Company reversed \$6.5 million and \$8.5 million of accrued interest as reductions of interest and fee income for the nine months ended September 30, 2021 and 2020, respectively.

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

<i>In thousands</i>	Three Months Ended (Unaudited)	
	September 30, 2021	September 30, 2020
	\$	\$
Beginning balance	139,400	142,000
COVID-19 reserve release	(2,000)	(1,500)
General reserve build due to portfolio change	12,700	3,500
Ending balance	\$ 150,100	\$ 144,000
Allowance for credit losses as a percentage of net finance receivables	11.4%	13.6%

<i>In thousands</i>	Nine Months Ended (Unaudited)	
	September 30, 2021	September 30, 2020
Beginning balance	\$ 150,000	\$ 62,200
Impact of CECL adoption	—	60,100
COVID-19 reserve build (release)	(14,900)	31,900
General reserve build (release) due to portfolio change	15,000	(10,200)
Ending balance	\$ 150,100	\$ 144,000
Allowance for credit losses as a percentage of net finance receivables	11.4%	13.6%

The Company adopted CECL accounting on January 1, 2020, and increased the allowance for credit losses from \$62.2 million, or 5.5% of net finance receivables, to \$122.3 million, or 10.8% of net finance receivables.

During the three months ended September 30, 2021 and 2020, the allowance for credit losses included net builds of \$12.7 million and \$3.5 million related to portfolio growth, respectively. The allowance for credit losses included a net build of \$15.0 million related to portfolio growth and a net release of \$10.2 million related to portfolio liquidation during the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, the allowance for credit losses included \$15.5 million of reserves related to the expected economic impact of the COVID-19 pandemic. The Company ran several macroeconomic stress scenarios, and its final forecast assumes unemployment rate of 7% at the end of 2021.

The following is a reconciliation of the allowance for credit losses by product for the three and nine months ended September 30, 2021 and 2020:

<i>In thousands</i>	Small	Large	Automobile	Retail	Total
Beginning balance at July 1, 2021	\$ 51,578	\$ 85,649	\$ 455	\$ 1,718	\$ 139,400
Provision for credit losses	13,936	12,195	(101)	66	26,096
Credit losses	(8,190)	(7,897)	(62)	(232)	(16,381)
Recoveries	462	475	27	21	985
Ending balance at September 30, 2021	\$ 57,786	\$ 90,422	\$ 319	\$ 1,573	\$ 150,100
Net finance receivables at September 30, 2021	\$ 419,602	\$ 882,514	\$ 1,757	\$ 10,360	\$ 1,314,233
Allowance as percentage of net finance receivables at September 30, 2021	13.8%	10.2%	18.2%	15.2%	11.4%

<i>In thousands</i>	Small	Large	Automobile	Retail	Total
Beginning balance at July 1, 2020	\$ 58,205	\$ 79,305	\$ 1,160	\$ 3,330	\$ 142,000
Provision for credit losses	9,662	12,507	(102)	22	22,089
Credit losses	(11,549)	(9,331)	(85)	(409)	(21,374)
Recoveries	698	521	22	44	1,285
Ending balance at September 30, 2020	\$ 57,016	\$ 83,002	\$ 995	\$ 2,987	\$ 144,000
Net finance receivables at September 30, 2020	\$ 382,785	\$ 655,932	\$ 4,892	\$ 15,945	\$ 1,059,554
Allowance as percentage of net finance receivables at September 30, 2020	14.9%	12.7%	20.3%	18.7%	13.6%

<i>In thousands</i>	Small	Large	Automobile	Retail	Total
Beginning balance at January 1, 2021	\$ 59,410	\$ 87,275	\$ 783	\$ 2,532	\$ 150,000
Provision for credit losses	26,905	31,378	(292)	16	58,007
Credit losses	(29,918)	(29,769)	(234)	(1,038)	(60,959)
Recoveries	1,389	1,538	62	63	3,052
Ending balance at September 30, 2021	\$ 57,786	\$ 90,422	\$ 319	\$ 1,573	\$ 150,100
Net finance receivables at September 30, 2021	\$ 419,602	\$ 882,514	\$ 1,757	\$ 10,360	\$ 1,314,233
Allowance as percentage of net finance receivables at September 30, 2021	13.8%	10.2%	18.2%	15.2%	11.4%

In thousands

	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	45,729	51,774	10	1,597	99,110
Credit losses	(45,497)	(32,986)	(511)	(2,134)	(81,128)
Recoveries	2,011	1,516	77	114	3,718
Ending balance at September 30, 2020	\$ 57,016	\$ 83,002	\$ 995	\$ 2,987	\$ 144,000
Net finance receivables at September 30, 2020	\$ 382,785	\$ 655,932	\$ 4,892	\$ 15,945	\$ 1,059,554
Allowance as percentage of net finance receivables at September 30, 2020	14.9%	12.7%	20.3%	18.7%	13.6%

The Company classifies a loan as a TDR finance receivable when the Company modifies a loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grants a concession that it would not otherwise consider.

The amount of TDR net finance receivables and the related TDR allowance for credit losses for the periods indicated are as follows:

<i>In thousands</i>	September 30, 2021		September 30, 2020	
	TDR Net Finance Receivables	TDR Allowance for Credit Losses	TDR Net Finance Receivables	TDR Allowance for Credit Losses
Small loans	\$ 3,564	\$ 1,411	\$ 6,006	\$ 2,403
Large loans	13,201	4,154	16,446	5,775
Automobile loans	189	61	352	158
Retail loans	63	20	79	35
Total	\$ 17,017	\$ 5,646	\$ 22,883	\$ 8,371

The following tables provide the number and amount of net finance receivables modified and classified as TDRs during the periods presented:

<i>Dollars in thousands</i>	Three Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	511	\$ 1,008	683	\$ 2,183
Large loans	450	2,524	431	1,359
Automobile loans	—	—	—	—
Retail loans	1	2	6	19
Total	962	\$ 3,534	1,120	\$ 3,561

<i>Dollars in thousands</i>	Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	1,879	\$ 3,548	3,372	\$ 10,353
Large loans	1,533	8,032	2,184	6,821
Automobile loans	2	13	1	3
Retail loans	6	10	26	96
Total	3,420	\$ 11,603	5,583	\$ 17,273

(1) Represents the post-modification net finance receivables balance of loans that have been modified during the period and resulted in a TDR.

The following tables provide the number of accounts and balance of finance receivables that subsequently defaulted within the periods indicated (that were modified as a TDR in the preceding 12 months). The Company defines payment default as 90 days past due for this disclosure. The respective amounts and activity for the periods indicated are as follows:

<i>Dollars in thousands</i>	Three Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	286	\$ 539	342	\$ 619
Large loans	214	1,100	214	1,045
Automobile loans	—	—	—	—
Retail loans	2	4	3	3
Total	502	\$ 1,643	559	\$ 1,667

<i>Dollars in thousands</i>	Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	692	\$ 1,263	1,506	\$ 2,675
Large loans	484	2,472	908	4,551
Automobile loans	1	10	—	—
Retail loans	5	9	31	54
Total	1,182	\$ 3,754	2,445	\$ 7,280

(1) Only includes defaults occurring within 12 months of a loan being designated as a TDR. Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

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 (0.08% and 0.14% as of September 30, 2021 and December 31, 2020, respectively). 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 the Company's interest rate caps as of September 30, 2021:

Execution Date	Maturity Date	Strike Rate	Notional Amount (in thousands)
03/2020	03/2023	1.75%	\$ 100,000
08/2020	08/2023	0.50%	50,000
09/2020	10/2023	0.50%	100,000
11/2020	11/2023	0.25%	50,000
02/2021	02/2024	0.25%	50,000
03/2021	03/2024	0.25%	50,000
06/2021	06/2024	0.25%	50,000
Total notional amount			<u>\$ 450,000</u>

The following is a summary of changes in fair value of the interest rate caps (included in other assets) for the periods indicated:

<i>In thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Balance at beginning of period	\$ 2,027	\$ 52	\$ 265	\$ —
Purchases	—	280	987	394
Fair value adjustment included as an (increase) decrease in interest expense	(284)	(119)	491	(181)
Balance at end of period	<u>\$ 1,743</u>	<u>\$ 213</u>	<u>\$ 1,743</u>	<u>\$ 213</u>

Note 5. Debt

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

<i>In thousands</i>	September 30, 2021			December 31, 2020		
	Debt	Unamortized Debt Issuance Costs	Net Debt	Debt	Unamortized Debt Issuance Costs	Net Debt
Senior revolving credit facility	\$ 130,985	\$ (1,003)	\$ 129,982	\$ 286,113	\$ (1,687)	\$ 284,426
RMR II revolving warehouse credit facility	23,060	(1,547)	21,513	42,061	(1,486)	40,575
RMR IV revolving warehouse credit facility	23,613	(588)	23,025	—	—	—
RMR V revolving warehouse credit facility	41,651	(571)	41,080	—	—	—
RMIT 2018-2 securitization	—	—	—	130,349	—	130,349
RMIT 2019-1 securitization	130,172	(643)	129,529	130,172	(1,216)	128,956
RMIT 2020-1 securitization	180,214	(1,648)	178,566	180,214	(2,272)	177,942
RMIT 2021-1 securitization	248,916	(2,041)	246,875	—	—	—
RMIT 2021-2 securitization	200,192	(2,069)	198,123	—	—	—
Total	<u>\$ 978,803</u>	<u>\$ (10,110)</u>	<u>\$ 968,693</u>	<u>\$ 768,909</u>	<u>\$ (6,661)</u>	<u>\$ 762,248</u>
Unused amount of revolving credit facilities (subject to borrowing base)	<u>\$ 721,632</u>			<u>\$ 438,082</u>		

Senior Revolving Credit Facility: In September 2019, the Company amended and restated its senior revolving credit facility to, among other things, extend the maturity of the facility from June 2020 to September 2022 and increase the availability under the facility from \$638 million to \$640 million. 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 (85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals as of September 30, 2021). As of September 30, 2021, the Company had \$185.9 million of available liquidity under the facility and held \$8.1 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 effective interest rate was 4.07% at September 30, 2021. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. 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 affiliated VIEs for asset-backed financing transactions, including securitizations. The debt arrangements described below are issued by the Company's wholly-owned, bankruptcy-remote 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.

These 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 \$77.1 million and \$46.6 million as of September 30, 2021 and December 31, 2020, 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.

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.

RMR II Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables II, LLC ("RMR II"), amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to, among other things, extend the date at which the facility converts to an amortizing loan and the termination date to March 2023 and March 2024, respectively, decrease the total facility from \$125 million to \$75 million, increase the cap on facility advances from 80% to 83% of eligible finance receivables, and increase the rate at which borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a margin of 2.35% (2.15% prior to the April 2021 amendment). 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. RMR II held \$0.3 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the credit agreement. The effective interest rate was 2.63% at September 30, 2021. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility. The RMR II revolving warehouse credit facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances.

RMR IV Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables IV, LLC ("RMR IV"), entered into a credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR IV. The facility converts to an amortizing loan in April 2023 and terminates in April 2024. 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 IV. Advances on the facility are capped at 81% of eligible finance receivables. RMR IV held \$0.3 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the credit agreement. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to one-month LIBOR, plus a margin of 2.35%. The effective interest rate was 2.46% at September 30, 2021. RMR IV pays an unused commitment fee between 0.35% and 0.70% based upon the average daily utilization of the facility. The RMR IV revolving warehouse credit facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances.

RMR V Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables V, LLC ("RMR V"), entered into a credit agreement that provides for a \$100 million revolving warehouse credit facility to RMR V. The facility converts to an amortizing loan in October 2022 and terminates in October 2023. 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 V. Advances on the facility are capped at 80% of eligible finance receivables. RMR V held \$0.5 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the credit agreement. Borrowings under the facility bear interest, payable monthly, at a per annum rate, which in the case of a conduit lender is the commercial paper rate, plus a margin of 2.20%. The effective interest rate was 2.38% at September 30, 2021. RMR V pays an unused commitment fee between 0.45% and 0.75% based upon the average daily utilization of the facility.

RMIT 2019-1 Securitization: In October 2019, the Company, its wholly-owned SPE, Regional Management Receivables III ("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 September 30, 2021 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2019-1 securitization bear interest, payable monthly, at an effective interest rate of 3.21% as of September 30, 2021. Prior to maturity in November 2028, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in November 2021. No payments of principal of the notes will be made during the revolving period.

RMIT 2020-1 Securitization: In September 2020, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2020-1 ("RMIT 2020-1"), completed a private offering and sale of \$180 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2020-1. 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 2020-1. The notes have a revolving period ending in September 2023, with a final maturity date in October 2030. RMIT 2020-1 held \$1.9 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2020-1 securitization bear interest, payable monthly, at an effective interest rate of 2.89% as of September 30, 2021. Prior to maturity in October 2030, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in October 2023. No payments of principal of the notes will be made during the revolving period.

RMIT 2021-1 Securitization: In February 2021, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2021-1 ("**RMIT 2021-1**"), completed a private offering and sale of \$249 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-1. 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 2021-1. The notes have a revolving period ending in February 2024, with a final maturity date in March 2031. RMIT 2021-1 held \$2.6 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2021-1 securitization bear interest, payable monthly, at an effective interest rate of 2.10% as of September 30, 2021. Prior to maturity in March 2031, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in March 2024. No payments of principal of the notes will be made during the revolving period.

RMIT 2021-2 Securitization: In July 2021, the Company, its wholly-owned SPE, RMR III, and its indirect wholly-owned SPE, Regional Management Issuance Trust 2021-2 ("**RMIT 2021-2**"), completed a private offering and sale of \$200 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-2. 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 2021-2. The notes have a revolving period ending in July 2026, with a final maturity date in August 2033. RMIT 2021-2 held \$2.1 million in restricted cash reserves as of September 30, 2021 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2021-2 securitization bear interest, payable monthly, at an effective interest rate of 2.32% as of September 30, 2021. Prior to maturity in August 2033, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in August 2026. No payments of principal of the notes will be made during the revolving period.

See Note 12, "Subsequent Events" for information regarding the completion of a private offering and sale of \$125 million of asset-backed notes following the end of the quarter.

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

<i>In thousands</i>	September 30, 2021	December 31, 2020
Assets		
Cash	\$ 315	\$ 236
Net finance receivables	854,036	483,674
Allowance for credit losses	(92,964)	(59,046)
Restricted cash	86,297	51,849
Other assets	134	5
Total assets	<u>\$ 847,818</u>	<u>\$ 476,718</u>
Liabilities		
Net debt	\$ 838,711	\$ 477,822
Accounts payable and accrued expenses	108	87
Total liabilities	<u>\$ 838,819</u>	<u>\$ 477,909</u>

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, and certain other restrictions. At September 30, 2021, the Company was in compliance with all debt covenants.

Note 6. Stockholders' Equity

Stock repurchase program: In October 2020, the Company announced that its Board of Directors (the "**Board**") had authorized a stock repurchase program allowing for the repurchase of up to \$30.0 million of the Company's outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extended through October 22, 2022. In May 2021, the Company completed its \$30.0 million stock repurchase program. The Company repurchased a total of 952 thousand shares of common stock pursuant to the program.

In May 2021, the Company announced that its Board had authorized a new stock repurchase program, allowing for the repurchase of up to \$30.0 million of the Company's outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extends through April 29, 2023. In August 2021, the Company announced that its Board had approved a \$20.0

million increase in the amount authorized under the stock repurchase program, from \$30.0 million to \$50.0 million. The authorization was effective immediately and extends through July 29, 2023.

During the three months ended September 30, 2021, the Company repurchased 0.4 million shares of common stock at a total cost of \$22.0 million. During the nine months ended September 30, 2021, the Company repurchased 1.3 million shares of common stock at a total cost of \$56.0 million.

Quarterly cash dividend: The Board may in its discretion declare and pay cash dividends on the Company's common stock. The following table presents the dividends declared per share of common stock for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Dividends declared per common share	\$ 0.25	\$ —	\$ 0.70	\$ —

See Note 12, "Subsequent Events," for information regarding the Company's cash dividend following the end of the fiscal quarter.

Note 7. 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: The Company determines the fair value of net finance receivables using a discounted cash flows methodology. The application of this methodology 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.

Debt: The Company estimates the fair value of 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.

Certain of the Company's assets estimated 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 estimated 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.

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

<i>In thousands</i>	September 30, 2021		December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Level 1 inputs				
Cash	\$ 8,146	\$ 8,146	\$ 8,052	\$ 8,052
Restricted cash	103,999	103,999	63,824	63,824
Level 2 inputs				
Interest rate caps	1,743	1,743	265	265
Level 3 inputs				
Net finance receivables, less unearned insurance premiums and allowance for credit losses	1,119,991	1,214,400	951,714	1,032,558
Liabilities				
Level 3 inputs				
Debt	978,803	970,752	768,909	767,185

Note 8. Income Taxes

The Company records interim provisions for income taxes based on an estimated annual effective tax rate. The Company recognizes discrete tax benefits or deficiencies in the income tax line of the consolidated statements of income. These discrete benefits or deficiencies are primarily the result of exercises or vestings of share-based awards.

The following tables summarize the components of income taxes for the periods indicated:

<i>In thousands</i>	Three Months Ended September 30,	
	2021	2020
Provision for corporate taxes	\$ 7,129	\$ 4,137
Discrete tax (benefits) deficiencies	(552)	20
Total income taxes	<u>\$ 6,577</u>	<u>\$ 4,157</u>

<i>In thousands</i>	Nine Months Ended September 30,	
	2021	2020
Provision for corporate taxes	\$ 21,710	\$ 4,699
Discrete tax (benefits) deficiencies	(2,493)	152
Total income taxes	<u>\$ 19,217</u>	<u>\$ 4,851</u>

Note 9. 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income	\$ 22,221	\$ 11,238	\$ 67,909	\$ 12,383
Denominator:				
Weighted-average shares outstanding for basic earnings per share	9,861	10,977	10,199	10,945
Effect of dilutive securities	683	115	601	172
Weighted-average shares adjusted for dilutive securities	10,544	11,092	10,800	11,117
Earnings per share:				
Basic	\$ 2.25	\$ 1.02	\$ 6.66	\$ 1.13
Diluted	\$ 2.11	\$ 1.01	\$ 6.29	\$ 1.11

Options to purchase 12 thousand and 0.6 million shares of common stock were outstanding during the three and nine months ended September 30, 2021 and 2020, respectively, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

Note 10. 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 each of April 27, 2017 and May 20, 2021, the stockholders of the Company re-approved the 2015 Plan, as amended and restated on each respective date. As of September 30, 2021, 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) 2.6 million shares (such amount reflecting an increase of 1.05 million additional or “new” shares in connection with the May 20, 2021 re-approval of the 2015 Plan) plus (ii) any shares 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, plus (iii) any shares subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cash-settled, cancelled, terminated, expires, or lapses for any reason 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 September 30, 2021, there were 1.2 million shares available for grant under the 2015 Plan.

For the three months ended September 30, 2021 and 2020, the Company recorded share-based compensation expense of \$1.8 million and \$1.4 million, respectively. The Company recorded \$5.3 million and \$3.9 million in share-based compensation for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, unrecognized share-based compensation expense to be recognized over future periods approximated \$11.0 million. This amount will be recognized as expense over a weighted-average period of 1.9 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 basic earnings per share (for the 2019 LTIP) or the percentile ranking of the Company’s compound annual growth rate of pre-provision net income and pre-provision net income per share (for the 2020 LTIP and 2021 LTIP), in each case compared to a public company peer group over a three-year performance period.

Key team member incentive program: 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 (so long as the period between the date of the annual stockholders' meeting related to the grant date and the date of the next annual stockholders' meeting is not less than 50 weeks).

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:

	Nine Months Ended September 30,	
	2021	2020
Expected volatility	47.83%	44.99%
Expected dividends	2.63%	0.00%
Expected term (in years)	6.0	6.0
Risk-free rate	0.64%	0.70%

Expected volatility is based on the Company's historical stock price volatility. Expected dividends are calculated using the expected dividend yield (annualized dividends divided by the grant date stock price). 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 nine months ended September 30, 2021:

<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, 2021	908	\$ 19.73		
Granted	137	30.44		
Exercised	(415)	19.73		
Forfeited	—	—		
Expired	(3)	16.30		
Options outstanding at September 30, 2021	627	\$ 22.09	6.6	\$ 22,622
Options exercisable at September 30, 2021	371	\$ 19.47	5.0	\$ 14,355

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

<i>In thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted-average grant date fair value per share	\$ —	\$ 6.82	\$ 10.52	\$ 7.56
Intrinsic value of options exercised	\$ 2,634	\$ —	\$ 10,026	\$ 219
Fair value of stock options that vested	\$ 8	\$ 33	\$ 8	\$ 385

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 nine months ended September 30, 2021:

<i>In thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value Per Unit
Non-vested units at January 1, 2021	124	\$ 21.89
Granted (target)	45	30.22
Achieved performance adjustment (1)	2	28.25
Vested	(42)	28.25
Forfeited	—	—
Non-vested units at September 30, 2021	129	\$ 22.84

(1) The 2018 LTIP RSUs were earned and vested at 105.6% of target, as described in greater detail in the Company's definitive proxy statement filed with the SEC on April 16, 2021.

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

<i>In thousands, except per unit amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted-average grant date fair value per unit	\$ —	\$ —	\$ 30.22	\$ 15.86
Fair value of RSUs that vested	\$ —	\$ —	\$ 1,199	\$ 1,314

Restricted stock awards: The fair value and compensation expense of the primary portion of the Company's RSAs are calculated using the Company's closing stock price on the date of grant. These RSAs include director awards, inducement awards, and RSAs granted pursuant to the Company's long-term incentive program.

The fair value and compensation expense of RSAs granted pursuant to the Company's performance-based key team member incentive program are calculated using 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 RSA activity during the nine months ended September 30, 2021:

<i>In thousands, except per share amounts</i>	Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested shares at January 1, 2021	266	\$ 19.34
Granted	175	33.19
Vested	(72)	17.15
Forfeited	(14)	23.60
Non-vested shares at September 30, 2021	355	\$ 26.44

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

<i>In thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted-average grant date fair value per share	\$ 53.61	\$ 17.65	\$ 33.19	\$ 18.79
Fair value of RSAs that vested	\$ 179	\$ 235	\$ 1,231	\$ 1,356

Note 11. 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.

Note 12. Subsequent Events

RMIT 2021-3 Securitization: In October 2021, the Company, its wholly-owned SPE, RMR III, and its indirect wholly-owned SPE, Regional Management Issuance Trust 2021-3 (“RMIT 2021-3”), completed a private offering and sale of \$125 million of asset-backed notes. The transaction consisted of the issuance of fixed-rate asset-backed notes by RMIT 2021-3. 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 2021-3. The notes have a revolving period ending in September 2026, with a final maturity date in October 2033. Borrowings under the RMIT 2021-3 securitization bear interest, payable monthly, at a fixed rate of 3.875%. Prior to maturity in October 2033, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in October 2024. No payments of principal of the notes will be made during the revolving period.

Quarterly cash dividend: In November 2021, the Company announced that the Board declared a quarterly cash dividend of \$0.25 per share. The dividend will be paid on December 15, 2021 to shareholders of record at the close of business on November 24, 2021. The declaration, amount, and payment of any future cash dividends on shares of the Company’s common stock will be at the discretion of the Board.

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, 2020 (which was filed with the SEC on February 25, 2021), our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021 (which was filed with the SEC on May 6, 2021), our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2021 (which was filed with the SEC on August 3, 2021), 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 372 branch locations in 13 states across the United States, serving 435,800 active accounts as of September 30, 2021. We assessed our legacy branch network for clear opportunities to consolidate operations into larger branches within close geographic proximity. As a result, we closed 31 branches in October and November 2021. 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 omni-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 September 30, 2021, we had 257.0 thousand small installment loans outstanding, representing \$419.6 million in net finance receivables. This included 127.8 thousand small loan convenience checks, representing \$184.0 million in net finance receivables.
- **Large Loans ($> \$2,500$)** – As of September 30, 2021, we had 171.3 thousand large installment loans outstanding, representing \$882.5 million in net finance receivables. This included 13.0 thousand large loan convenience checks, representing \$39.6 million in net finance receivables.
- **Retail Loans** – As of September 30, 2021, we had 7.1 thousand retail purchase loans outstanding, representing \$10.4 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. 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 economic disruption and uncertainty. At the beginning of the pandemic, during the second quarter of 2020, we experienced a decrease in demand. Since that time, our loan growth has steadily increased. As of September 30, 2021, our net finance receivables were \$1.3 billion, \$254.7 million higher than the prior-year period. Future consumer demand remains subject to the uncertainty around the extent and duration of the pandemic.

As a result of the pandemic, we experienced temporary closure of some branches in the third quarter of 2021 due to company-initiated quarantine measures. However, substantially all of our branches currently remain open, and our centralized operations continue to support our customers and our branch network.

We have employed a data-driven approach to managing our risk throughout the pandemic, which is essential during periods of market volatility. We manage this risk through our custom risk and response scorecards, analysis of early payment activity, and detailed geographic and customer segmentation to ensure that incremental direct mail loan volume is capable of absorbing credit losses at two to three times our historical levels while still providing positive contribution margin.

We proactively adjusted our underwriting criteria at the start of the pandemic in 2020 to adapt to the new environment and have continued to originate loans with appropriately enhanced lending criteria. As we have progressed through the pandemic and acquired additional data, we have continued to update and sharpen our underwriting standards, paying close attention to those geographies and industries that have been most affected by the virus and related economic disruption. As of September 30, 2021, our allowance for loan losses included \$15.5 million of reserves related to the expected economic impact of the COVID-19 pandemic. Our contractual delinquency as a percentage of net finance receivables increased to 4.7% as of September 30, 2021, up from the historically low level of 3.6% as of June 30, 2021 and on par with the delinquency experienced as of September 30, 2020. We believe this increase corresponds to the decrease in pandemic-related government stimulus. Going forward, we may experience changes to the macroeconomic assumptions within our forecast and 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. In the third quarter of 2021, we successfully closed a \$200 million asset-backed securitization that consisted of the issuance of four classes of fixed-rate asset backed notes with a five-year revolving period. As of September 30, 2021, we had \$194.0 million of immediate liquidity, comprised of unrestricted cash on hand and immediate availability to draw down cash from our revolving credit facilities. This represented a \$0.6 million improvement in our liquidity position since September 30, 2020. In addition, we had \$721.6 million of unused capacity on our revolving credit facilities (subject to the borrowing base) as of September 30, 2021. We believe our liquidity position provides us substantial runway to fund our growth initiatives and to support the fundamental operations of our business.

We continue to rely more heavily on online operations for customer access, including remote loan closings. On the digital front, we continue to build and expand upon our end-to-end online and mobile origination capabilities for new and existing customers, along with additional digital servicing functionality. Combined with remote loan closings, we believe that these omni-channel sales and service capabilities will expand the market reach of our branches, increase our average branch receivables, and improve our revenues and operating efficiencies, while at the same time increasing customer satisfaction.

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 (including as a result of waves of outbreak or variant strains of the virus), the success of actions taken to contain, treat, and prevent the spread of the virus, and the speed at which normal economic and operating conditions return and are sustained.

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. Delinquency levels generally reach their lowest point in the first half of the year and rise in the second half of the year. In addition, 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 periods of loan portfolio liquidation, and larger provisions for credit losses in periods of loan portfolio growth, compared to prior years. Consequently, we experience seasonal fluctuations in our operating results. However, changes in borrower assistance programs and

customer access to external economic stimulus measures related to COVID-19 have impacted our typical seasonal trends for volume and delinquency.

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 were \$1.2 billion for the first nine months of 2021 and \$1.1 billion for the prior-year period. 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 our state footprint allows us to increase the number of loans that we are able to service. In April 2021, we opened our first branch in Illinois, our twelfth state, and in September 2021, we opened our first branch in Utah, our thirteenth state. We expect to enter an additional five to seven states by the end of 2022. We assessed our legacy branch network for clear opportunities to consolidate operations into larger branches within close geographic proximity. This branch optimization is consistent with our omni-channel strategy and builds upon our recent successes in entering new states with a lighter branch footprint, while still providing customers with best-in-class service. We can add additional branches in states where it is favorable for us to conduct business.

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, "Basis of Presentation and 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.

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 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 September 30, 2021, we held seven interest rate cap contracts with an aggregate notional principal amount of \$450.0 million.

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 within our consolidated statements of income.

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 management of insurance operations, management of 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 September 30, 2021, the restricted cash balance for these cash reserves was \$17.7 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 expected 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 financial results are impacted by the costs of operations and home office functions. Those costs are included in general and administrative expenses within our consolidated statements of income. 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, and the utility, depreciation of leasehold improvements and furniture and fixtures, communication services, 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, maintaining our consumer website, and some local marketing by branches. These costs are expensed as incurred.

Other expenses consist primarily of legal, compliance, audit, and consulting costs, as well as non-employee director compensation, amortization of software licenses and implementation costs, electronic payment processing costs, bank service charges, office supplies, software maintenance and support, and credit bureau charges. We frequently experience fluctuations in other expenses as we grow our loan portfolio and expand our market footprint. 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 debt, unused line fees, and amortization of debt issuance costs on 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):

<i>In thousands</i>	3Q 21		3Q 20		YTD 21		YTD 20	
	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables
Revenue								
Interest and fee income	\$ 99,355	32.0%	\$ 81,306	31.5%	\$ 275,427	31.6%	\$ 248,370	31.0%
Insurance income, net	9,418	3.0%	6,861	2.7%	26,059	3.0%	20,460	2.6%
Other income	2,687	0.9%	2,371	0.9%	7,381	0.8%	7,632	0.9%
Total revenue	<u>111,460</u>	<u>35.9%</u>	<u>90,538</u>	<u>35.1%</u>	<u>308,867</u>	<u>35.4%</u>	<u>276,462</u>	<u>34.5%</u>
Expenses								
Provision for credit losses	26,096	8.4%	22,089	8.6%	58,007	6.6%	99,110	12.4%
Personnel	29,299	9.4%	26,207	10.2%	86,520	9.9%	82,581	10.3%
Occupancy	6,027	1.9%	5,893	2.3%	17,615	2.0%	16,728	2.1%
Marketing	2,488	0.8%	3,249	1.3%	9,974	1.1%	6,373	0.8%
Other	9,936	3.3%	8,405	3.2%	25,873	3.0%	25,840	3.2%
Total general and administrative	47,750	15.4%	43,754	17.0%	139,982	16.0%	131,522	16.4%
Interest expense	8,816	2.8%	9,300	3.5%	23,752	2.8%	28,596	3.5%
Income before income taxes	28,798	9.3%	15,395	6.0%	87,126	10.0%	17,234	2.2%
Income taxes	6,577	2.1%	4,157	1.6%	19,217	2.2%	4,851	0.7%
Net income	<u>\$ 22,221</u>	<u>7.2%</u>	<u>\$ 11,238</u>	<u>4.4%</u>	<u>\$ 67,909</u>	<u>7.8%</u>	<u>\$ 12,383</u>	<u>1.5%</u>

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

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

	Income Statement Quarterly Trend						
<i>In thousands, except per share amounts</i>	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	QoQ \$ B(W)	YoY \$ B(W)
Revenue							
Interest and fee income	\$ 81,306	\$ 86,845	\$ 87,279	\$ 88,793	\$ 99,355	\$ 10,562	\$ 18,049
Insurance income, net	6,861	7,889	7,985	8,656	9,418	762	2,557
Other income	2,371	2,710	2,467	2,227	2,687	460	316
Total revenue	90,538	97,444	97,731	99,676	111,460	11,784	20,922
Expenses							
Provision for credit losses	22,089	24,700	11,362	20,549	26,096	(5,547)	(4,007)
Personnel	26,207	26,979	28,851	28,370	29,299	(929)	(3,092)
Occupancy	5,893	5,900	6,020	5,568	6,027	(459)	(134)
Marketing	3,249	3,984	2,710	4,776	2,488	2,288	761
Other	8,405	7,931	8,262	7,675	9,936	(2,261)	(1,531)
Total general and administrative	43,754	44,794	45,843	46,389	47,750	(1,361)	(3,996)
Interest expense	9,300	9,256	7,135	7,801	8,816	(1,015)	484
Income before income taxes	15,395	18,694	33,391	24,937	28,798	3,861	13,403
Income taxes	4,157	4,347	7,869	4,771	6,577	(1,806)	(2,420)
Net income	\$ 11,238	\$ 14,347	\$ 25,522	\$ 20,166	\$ 22,221	\$ 2,055	\$ 10,983
Net income per common share:							
Basic	\$ 1.02	\$ 1.32	\$ 2.42	\$ 1.98	\$ 2.25	\$ 0.27	\$ 1.23
Diluted	\$ 1.01	\$ 1.28	\$ 2.31	\$ 1.87	\$ 2.11	\$ 0.24	\$ 1.10
Weighted-average shares outstanding:							
Basic	10,977	10,882	10,543	10,200	9,861	339	1,116
Diluted	11,092	11,228	11,066	10,797	10,544	253	548
Net interest margin	\$ 81,238	\$ 88,188	\$ 90,596	\$ 91,875	\$ 102,644	\$ 10,769	\$ 21,406
Net credit margin	\$ 59,149	\$ 63,488	\$ 79,234	\$ 71,326	\$ 76,548	\$ 5,222	\$ 17,399
	Balance Sheet Quarterly Trend						
<i>In thousands</i>	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	QoQ \$ Inc (Dec)	YoY \$ Inc (Dec)
Total assets	\$ 1,037,559	\$ 1,103,856	\$ 1,098,295	\$ 1,191,305	\$ 1,313,558	\$ 122,253	\$ 275,999
Net finance receivables	\$ 1,059,554	\$ 1,136,259	\$ 1,105,603	\$ 1,183,387	\$ 1,314,233	\$ 130,846	\$ 254,679
Allowance for credit losses	\$ 144,000	\$ 150,000	\$ 139,600	\$ 139,400	\$ 150,100	\$ 10,700	\$ 6,100
Debt	\$ 700,139	\$ 768,909	\$ 752,200	\$ 853,067	\$ 978,803	\$ 125,736	\$ 278,664
	Other Key Metrics Quarterly Trend						
	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	QoQ Inc (Dec)	YoY Inc (Dec)
Interest and fee yield (annualized)	31.5%	31.9%	31.1%	31.6%	32.0%	0.4%	0.5%
Efficiency ratio (1)	48.3%	46.0%	46.9%	46.5%	42.8%	(3.7)%	(5.5)%
Operating expense ratio (2)	17.0%	16.4%	16.3%	16.5%	15.4%	(1.1)%	(1.6)%
30+ contractual delinquency	4.7%	5.3%	4.3%	3.6%	4.7%	1.1%	—
Net credit loss ratio (3)	7.8%	6.9%	7.7%	7.4%	5.0%	(2.4)%	(2.8)%
Book value per share	\$ 24.03	\$ 24.89	\$ 26.28	\$ 26.93	\$ 27.73	\$ 0.80	\$ 3.70

(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.

Comparison of September 30, 2021, Versus September 30, 2020

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

- Small Loans ($\leq \$2,500$)** – Small loans outstanding increased by \$36.8 million, 9.6%, to \$419.6 million at September 30, 2021, from \$382.8 million at September 30, 2020. The increase was the result of new growth initiatives, improved customer loan demand, and increased marketing, offset by the general transition of small loan customers to large loans.
- Large Loans ($> \$2,500$)** – Large loans outstanding increased by \$226.6 million, or 34.5%, to \$882.5 million at September 30, 2021, from \$655.9 million at September 30, 2020. The increase was due to new growth initiatives, improved customer loan demand, increased marketing, and the transition of small loan customers to large loans.
- Automobile Loans** – Automobile loans outstanding decreased by \$3.1 million, or 64.1%, to \$1.8 million at September 30, 2021, from \$4.9 million at September 30, 2020. We ceased originating automobile loans in November 2017 to focus on growing our core loan portfolio.
- Retail Loans** – Retail loans outstanding decreased \$5.6 million, or 35.0%, to \$10.4 million at September 30, 2021, from \$15.9 million at September 30, 2020.

In thousands	Net Finance Receivables by Product			
	3Q 21	3Q 20	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 419,602	\$ 382,785	\$ 36,817	9.6%
Large loans	882,514	655,932	226,582	34.5%
Total core loans	1,302,116	1,038,717	263,399	25.4%
Automobile loans	1,757	4,892	(3,135)	(64.1)%
Retail loans	10,360	15,945	(5,585)	(35.0)%
Total net finance receivables	\$ 1,314,233	\$ 1,059,554	\$ 254,679	24.0%
Number of branches at period end	372	368	4	1.1%
Average net finance receivables per branch	\$ 3,533	\$ 2,879	\$ 654	22.7%

Comparison of the Three Months Ended September 30, 2021, Versus the Three Months Ended September 30, 2020

Net Income. Net income increased \$11.0 million, or 97.7%, resulting in net income of \$22.2 million during the three months ended September 30, 2021, from \$11.2 million during the prior-year period. The increase was due to an increase in revenue of \$20.9 million and a decrease in interest expense of \$0.5 million, offset by an increase in provision for credit losses of \$4.0 million, an increase in general and administrative expenses of \$4.0 million, and an increase in income taxes of \$2.4 million.

Revenue. Total revenue increased \$20.9 million, or 23.1%, to \$111.5 million during the three months ended September 30, 2021, from \$90.5 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 \$18.0 million, or 22.2%, to \$99.4 million during the three months ended September 30, 2021, from \$81.3 million during the prior-year period. The increase was primarily due to a 20.3% increase in average net finance receivables and a 0.5% increase in annualized average yield.

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

In thousands	Average Net Finance Receivables for the Three Months Ended			Average Yields for the Three Months Ended (Annualized)		
	3Q 21	3Q 20	YoY % Inc (Dec)	3Q 21	3Q 20	YoY % Inc (Dec)
Small loans	\$ 394,888	\$ 377,390	4.6%	38.9%	37.7%	1.2%
Large loans	834,470	632,106	32.0%	28.9%	28.3%	0.6%
Automobile loans	2,036	5,492	(62.9)%	13.4%	13.5%	(0.1)%
Retail loans	10,291	17,145	(40.0)%	18.8%	18.9%	(0.1)%
Total interest and fee yield	\$ 1,241,685	\$ 1,032,133	20.3%	32.0%	31.5%	0.5%

Small and large loan yields increased 1.2% and 0.6%, respectively, compared to the prior-year period primarily due to improved credit performance across the portfolio as a result of tightened underwriting during the pandemic, and our overall mix shift towards higher credit quality customers, resulting in fewer loans in non-accrual status and fewer interest accrual reversals.

Total interest and fee yield during the three months ended September 30, 2021 included a 0.1% impact related to the incremental amortization of digital loan origination costs.

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 could reduce our total interest and fee yield.

We continue to originate new loans with enhanced lending criteria. Demand for our loan products has continued to recover as total originations increased to \$420.7 million during the three months ended September 30, 2021, from \$312.5 million during the prior-year period. The following tables represent the principal balance of loans originated and refinanced:

<i>In thousands</i>	Loans Originated for the Three Months Ended					
	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21
Loans originated	\$ 174,202	\$ 312,518	\$ 363,986	\$ 234,846	\$ 377,727	\$ 420,658
Year-over-year change	(50.8)%	(11.6)%	—	1.0%	116.8%	34.6%

<i>In thousands</i>	Loans Originated for the Three Months Ended			
	3Q 21	3Q 20	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 173,390	\$ 147,882	\$ 25,508	17.2%
Large loans	245,062	162,804	82,258	50.5%
Retail loans	2,206	1,832	374	20.4%
Total loans originated	\$ 420,658	\$ 312,518	\$ 108,140	34.6%

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 3Q 21 Compared to 3Q 20 Increase (Decrease)			
	Volume	Rate	Volume & Rate	Net
Small loans	\$ 1,651	\$ 1,116	\$ 52	\$ 2,819
Large loans	14,309	1,033	331	15,673
Automobile loans	(117)	(3)	2	(118)
Retail loans	(323)	(3)	1	(325)
Product mix	987	(862)	(125)	—
Total increase in interest and fee income	\$ 16,507	\$ 1,281	\$ 261	\$ 18,049

The \$18.0 million increase in interest and fee income during the three months ended September 30, 2021 from the prior-year period, was driven by growth in our average net finance receivables and improved credit performance across the portfolio, which resulted in fewer loans in non-accrual status and fewer interest accrual reversals. These benefits were partially offset by the intended product mix shift toward large loans and the portfolio composition shift toward higher credit quality customers with lower interest rates due to the use of enhanced credit standards during the pandemic.

Insurance Income, Net. Insurance income, net increased \$2.6 million, or 37.3%, to \$9.4 million during the three months ended September 30, 2021, from \$6.9 million during the prior-year period. During both the three months ended September 30, 2021 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. Life insurance claims expense represented the largest component of direct insurance expenses for both the three months ended September 30, 2021 and the prior-year period.

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

<i>In thousands</i>	Insurance Premiums and Direct Expenses for the Three Months Ended			
	3Q 21	3Q 20	YoY \$ B(W)	YoY % B(W)
Earned premiums	\$ 13,902	\$ 10,574	\$ 3,328	31.5%
Claims, reserves, and certain direct expenses	(4,484)	(3,713)	(771)	(20.8)%
Insurance income, net	\$ 9,418	\$ 6,861	\$ 2,557	37.3%

Earned premiums increased by \$3.3 million and claims, reserves, and certain direct expenses increased by \$0.8 million, in each case compared to the prior-year period. The increase in earned premiums was primarily due to loan growth and adjusted pricing. The increase in claims, reserves, and certain direct expenses compared to the prior-year period was primarily due to a \$0.6 million increase in reserves for expected insurance claims during the three months ended September 30, 2021.

Other Income. Other income increased \$0.3 million, or 13.3%, to \$2.7 million during the three months ended September 30, 2021, from \$2.4 million during the prior-year period, primarily due to a \$0.2 million increase in commissions earned from the sale of our auto club product.

Provision for Credit Losses. Our provision for credit losses increased \$4.0 million, or 18.1%, to \$26.1 million during the three months ended September 30, 2021, from \$22.1 million during the prior-year period. The increase was due to an increase in the allowance for credit losses of \$8.7 million, offset by a decrease in net credit losses of \$4.7 million compared to the prior-year period. The increase in the provision for credit losses is explained in greater detail below.

Allowance for Credit Losses. We evaluate delinquency and losses in each of our loan products in establishing the allowance for credit losses. The following table sets forth our allowance for credit losses compared to the related finance receivables as of the end of the periods indicated:

<i>In thousands</i>	Allowance for Credit Losses for the Three Months Ended	
	3Q 21	3Q 20
Beginning balance	\$ 139,400	\$ 142,000
COVID-19 reserve release	(2,000)	(1,500)
General reserve build due to portfolio change	12,700	3,500
Ending balance	\$ 150,100	\$ 144,000
Allowance for credit losses as a percentage of net finance receivables	11.4%	13.6%

Our methodology to estimate expected credit losses utilized macroeconomic forecasts as of September 30, 2021, which incorporated the potential impact that the COVID-19 pandemic could have on the economy. Our forecast utilized economic projections from a major rating service and considered several macroeconomic stress scenarios, with our final forecast assuming unemployment of 7% at the end of 2021. As of September 30, 2021, our allowance for credit losses included \$15.5 million of reserves related to the expected economic impact of the COVID-19 pandemic. During the three months ended September 30, 2021 and the prior-year period, the allowance for credit losses included net builds of \$12.7 million and \$3.5 million, respectively, related to portfolio growth.

Net Credit Losses. Net credit losses decreased \$4.7 million, or 23.4%, to \$15.4 million during the three months ended September 30, 2021, from \$20.1 million during the prior-year period. The decrease was primarily due to historically low delinquency levels. Annualized net credit losses as a percentage of average net finance receivables were 5.0% during the three months ended September 30, 2021, compared to 7.8% during the prior-year period.

Delinquency Performance. Our contractual delinquency as a percentage of net finance receivables remained consistent at 4.7% as of September 30, 2021, compared to the prior-year period. Our credit performance continues to be strong due to the quality and adaptability of our underwriting criteria.

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

<i>In thousands</i>	Contractual Delinquency by Aging			
	3Q 21		3Q 20	
Current	\$ 1,156,475	88.0%	\$ 929,778	87.8%
1 to 29 days past due	96,477	7.3%	79,838	7.5%
Delinquent accounts:				
30 to 59 days	20,162	1.6%	16,105	1.5%
60 to 89 days	15,075	1.1%	11,014	1.0%
90 to 119 days	11,202	0.9%	8,375	0.8%
120 to 149 days	8,176	0.6%	7,967	0.8%
150 to 179 days	6,666	0.5%	6,477	0.6%
Total contractual delinquency	\$ 61,281	4.7%	\$ 49,938	4.7%
Total net finance receivables	\$ 1,314,233	100.0%	\$ 1,059,554	100.0%

<i>In thousands</i>	Contractual Delinquency by Product			
	3Q 21		3Q 20	
Small loans	\$ 27,928	6.7%	\$ 22,904	6.0%
Large loans	32,523	3.7%	25,489	3.9%
Automobile loans	143	8.1%	337	6.9%
Retail loans	687	6.6%	1,208	7.6%
Total contractual delinquency	\$ 61,281	4.7%	\$ 49,938	4.7%

General and Administrative Expenses. Our general and administrative expenses increased \$4.0 million, or 9.1%, to \$47.8 million during the three months ended September 30, 2021, from \$43.8 million during the prior-year period. The absolute dollar increase in general and administrative expenses is explained in greater detail below.

Personnel. The largest component of general and administrative expenses was personnel expense, which increased \$3.1 million, or 11.8%, to \$29.3 million during the three months ended September 30, 2021, from \$26.2 million during the prior-year period. We had several offsetting increases and decreases in personnel expenses during the three months ended September 30, 2021. Incentive costs and labor expenses increased \$2.5 million and \$1.9 million, respectively, compared to the prior-year period. Additionally, the three months ended September 30, 2021 included branch optimization costs of \$0.3 million. Capitalized loan origination costs, which reduce personnel expenses, increased by \$0.6 million compared to the prior-year period due to an increase in loans originated. Additionally, in the three months ended September 30, 2020, we incurred \$0.8 million of non-operating severance expense related to workforce actions.

Occupancy. Occupancy expenses increased \$0.1 million, or 2.3%, to \$6.0 million during the three months ended September 30, 2021, from \$5.9 million during the prior-year period. The increase was due to branch optimization costs of \$0.5 million. The increase was offset by expenses in the prior-year period related to an improvement to our technology infrastructure capabilities of \$0.3 million.

Marketing. Marketing expenses decreased \$0.8 million, or 23.4%, to \$2.5 million during the three months ended September 30, 2021, from \$3.2 million during the prior-year period. The decrease was primarily due to incremental deferrals associated with digital loan origination costs of \$1.5 million, offset by increased activity in our direct mail campaigns and digital marketing of \$0.7 million to support growth.

Other Expenses. Other expenses increased \$1.5 million, or 18.2%, to \$9.9 million during the three months ended September 30, 2021, from \$8.4 million during the prior-year period. The increase was primarily due to a \$0.7 million increase in our investment in digital and technological capabilities, a \$0.3 million increase in professional services, and a \$0.2 million increase in travel expenses compared to the prior-year period.

Operating Expense Ratio. Our annualized operating expense ratio decreased by 1.6% to 15.4% during the three months ended September 30, 2021 from 17.0% during the prior-year period. The three months ended September 30, 2021 included a ratio decrease of 0.5% related to incremental deferrals associated with digital loan origination costs of \$1.5 million, partially offset by a ratio increase of 0.2% related to branch optimization expenses of \$0.7 million. The prior-year period included a ratio increase of 0.3% related to severance expense from workforce actions of \$0.8 million.

Interest Expense. Interest expense decreased \$0.5 million, or 5.2%, to \$8.8 million during the three months ended September 30, 2021, from \$9.3 million during the prior-year period. The decrease was primarily due to a decrease in our average cost of debt. The annualized average cost of our total debt decreased 1.58% to 3.90% during the three months ended September 30, 2021, from 5.48% during the prior-year period, primarily reflecting the lower rate environment.

Income Taxes. Income taxes increased \$2.4 million, or 58.2%, to \$6.6 million during the three months ended September 30, 2021, from \$4.2 million during the prior-year period. The increase was primarily due to a \$13.4 million increase in income before income taxes compared to the prior-year period. Our effective tax rates were 22.8% and 27.0% for the three months ended September 30, 2021 and the prior-year period, respectively. The effective tax rate for the prior-year period was impacted by the margin tax in Texas that was based on gross income, rather than net income, and non-deductible executive compensation (including executive transition costs) under Internal Revenue Code Section 162(m) that was not correlated to income before taxes.

Comparison of the Nine Months Ended September 30, 2021, Versus the Nine Months Ended September 30, 2020

Net Income. Net income increased \$55.5 million, or 448.4%, resulting in net income of \$67.9 million during the nine months ended September 30, 2021, from \$12.4 million during the prior-year period. The increase was due to an increase in revenue of \$32.4 million, a decrease in provision for credit losses of \$41.1 million, and a decrease in interest expense of \$4.8 million, offset by an increase in general and administrative expenses of \$8.5 million and an increase in income taxes of \$14.4 million.

Revenue. Total revenue increased \$32.4 million, or 11.7%, to \$308.9 million during the nine months ended September 30, 2021, from \$276.5 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 \$27.1 million, or 10.9%, to \$275.4 million during the nine months ended September 30, 2021, from \$248.4 million during the prior-year period. The increase was primarily due to an 8.9% increase in average net finance receivables and a 0.6% increase in annualized 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 Nine Months Ended			Average Yields for the Nine Months Ended (Annualized)		
	YTD 21	YTD 20	YoY % Inc (Dec)	YTD 21	YTD 20	YoY % Inc (Dec)
Small loans	\$ 383,208	\$ 413,051	(7.2)%	38.2%	36.9%	1.3%
Large loans	766,087	628,173	22.0%	28.5%	27.7%	0.8%
Automobile loans	2,716	6,971	(61.0)%	13.0%	13.9%	(0.9)%
Retail loans	11,537	20,094	(42.6)%	18.2%	18.2%	—
Total interest and fee yield	\$ 1,163,548	\$ 1,068,289	8.9%	31.6%	31.0%	0.6%

Small loan and large loan yields increased 1.3% and 0.8%, respectively, compared to the prior-year period primarily due to improved credit performance across the portfolio as a result of government stimulus, tightened underwriting during the pandemic, and our overall mix shift towards higher credit quality customers, resulting in fewer loans in non-accrual status and fewer interest accrual reversals.

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 could reduce our total interest and fee yield.

We continue to originate new loans with enhanced lending criteria. Demand for our loan products has continued to recover as total originations increased to \$1.0 billion during the nine months ended September 30, 2021, from \$0.7 billion during the prior-year period. The following table represents the principal balance of loans originated and refinanced:

<i>In thousands</i>	Loans Originated for the Nine Months Ended			
	YTD 21	YTD 20	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 426,715	\$ 351,764	\$ 74,951	21.3%
Large loans	600,871	360,215	240,656	66.8%
Retail loans	5,645	7,312	(1,667)	(22.8)%
Total loans originated	\$ 1,033,231	\$ 719,291	\$ 313,940	43.6%

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 YTD 21 Compared to YTD 20 Increase (Decrease)			
	Volume	Rate	Volume & Rate	Net
Small loans	\$ (8,257)	\$ 4,180	\$ (302)	\$ (4,379)
Large loans	28,677	3,599	790	33,066
Automobile loans	(445)	(49)	30	(464)
Retail loans	(1,169)	4	(1)	(1,166)
Product mix	3,341	(3,226)	(115)	—
Total increase in interest and fee income	\$ 22,147	\$ 4,508	\$ 402	\$ 27,057

The \$27.1 million increase in interest and fee income during the nine months ended September 30, 2021, from the prior-year period was driven by growth in our average net finance receivables and improved credit performance across the portfolio, which resulted in fewer loans in non-accrual status and fewer interest accrual reversals. These benefits were partially offset by the intended product mix shift toward large loans and the portfolio composition shift toward higher credit quality customers with lower interest rates due to the use of enhanced credit standards during the pandemic.

Insurance Income, Net. Insurance income, net increased \$5.6 million, or 27.4%, to \$26.1 million during the nine months ended September 30, 2021, from \$20.5 million during the prior-year period. During both the nine months ended September 30, 2021 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. Life insurance claims expense represented the largest component of direct insurance expenses for both the nine months ended September 30, 2021 and the prior-year period.

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

<i>In thousands</i>	Insurance Premiums and Direct Expenses for the Nine Months Ended			
	YTD 21	YTD 20	YoY \$ B(W)	YoY % B(W)
Earned premiums	\$ 38,376	\$ 31,239	\$ 7,137	22.8%
Claims, reserves, and certain direct expenses	(12,317)	(10,779)	(1,538)	(14.3)%
Insurance income, net	<u>\$ 26,059</u>	<u>\$ 20,460</u>	<u>\$ 5,599</u>	<u>27.4%</u>

Earned premiums increased by \$7.1 million and claims, reserves, and certain direct expenses increased by \$1.5 million, in each case compared to the prior-year period. The increase in earned premiums was primarily due to loan growth and adjusted pricing. The increase in claims, reserves, and certain direct expenses compared to the prior-year period was primarily due to increases in insurance claims expense and ceding fees of \$1.7 million and \$0.3 million, respectively, offset by a \$0.7 million decrease in reserves for expected insurance claims during the nine months ended September 30, 2021.

Other Income. Other income decreased \$0.3 million, or 3.3%, to \$7.4 million during the nine months ended September 30, 2021, from \$7.6 million during the prior-year period, primarily due to a \$0.8 million decrease in late charges and extension fee income as a result of historically low delinquency levels, offset by a \$0.7 million increase in commissions earned from the sale of our auto club product.

Provision for Credit Losses. Our provision for credit losses decreased \$41.1 million, or 41.5%, to \$58.0 million during the nine months ended September 30, 2021, from \$99.1 million during the prior-year period. The decrease was due to a decrease in the allowance for credit losses of \$21.6 million and a decrease in net credit losses of \$19.5 million compared to the prior-year period.

Allowance for Credit Losses. We evaluate delinquency and losses in each of our loan products in establishing the allowance for credit losses. The following table sets forth our allowance for credit losses compared to the related finance receivables as of the end of the periods indicated:

<i>In thousands</i>	Allowance for Credit Losses for the Nine Months Ended	
	YTD 21	YTD 20
Beginning balance	\$ 150,000	\$ 62,200
Impact of CECL adoption	—	60,100
COVID-19 reserve build (release)	(14,900)	31,900
General reserve build (release) due to portfolio change	15,000	(10,200)
Ending balance	<u>\$ 150,100</u>	<u>\$ 144,000</u>
Allowance for credit losses as a percentage of net finance receivables	<u>11.4%</u>	<u>13.6%</u>

Our methodology to estimate expected credit losses utilized macroeconomic forecasts as of September 30, 2021, which incorporated the potential impact that the COVID-19 pandemic could have on the economy. Our forecast utilized economic projections from a major rating service and considered several macroeconomic stress scenarios, with our final forecast assuming unemployment of 7% at the end of 2021. As of September 30, 2021 our allowance for credit losses included \$15.5 million of reserves related to the expected economic impact of the COVID-19 pandemic. The allowance for credit losses included a net build of \$15.0 million related to portfolio growth and a net release of \$10.2 million related to portfolio liquidation during the nine months ended September 30, 2021 and the prior-year period, respectively.

Net Credit Losses. Net credit losses decreased \$19.5 million, or 25.2%, to \$57.9 million during the nine months ended September 30, 2021, from \$77.4 million during the prior-year period. The decrease was primarily due to historically low delinquency

levels. Annualized net credit losses as a percentage of average net finance receivables were 6.6% during the nine months ended September 30, 2021, compared to 9.7% during the prior-year period.

Delinquency Performance. Our contractual delinquency as a percentage of net finance receivables remained consistent at 4.7% as of September 30, 2021 compared to the prior-year period. Our credit performance continues to be strong due to the quality and adaptability of our underwriting criteria.

General and Administrative Expenses. Our general and administrative expenses increased \$8.5 million, or 6.4%, to \$140.0 million during the nine months ended September 30, 2021, from \$131.5 million during the prior-year period. The absolute dollar increase in general and administrative expenses is explained in greater detail below.

Personnel. The largest component of general and administrative expenses was personnel expense, which increased \$3.9 million, or 4.8%, to \$86.5 million during the nine months ended September 30, 2021, from \$82.6 million during the prior-year period. We had several offsetting increases and decreases in personnel expenses during the nine months ended September 30, 2021. Incentive costs and labor expense increased \$6.1 million and \$2.7 million, respectively, compared to the prior-year period, and the nine months ended September 30, 2021 included branch optimization costs of \$0.3 million. Capitalized loan origination costs, which reduce personnel expenses, increased by \$1.5 million compared to the prior-year period due to an increase in loans originated. Additionally, the prior-year period included executive transition costs of \$3.0 million and severance expense related to workforce actions of \$0.8 million.

Occupancy. Occupancy expenses increased \$0.9 million, or 5.3%, to \$17.6 million during the nine months ended September 30, 2021, from \$16.7 million during the prior-year period. The increase was primarily due to costs related to our branch optimization initiatives of \$0.5 million and an increase in COVID-19 enhanced sanitation efforts of \$0.3 million.

Marketing. Marketing expenses increased \$3.6 million, or 56.5%, to \$10.0 million during the nine months ended September 30, 2021, from \$6.4 million during the prior-year period. The increase was primarily due to increased activity in our direct mail campaigns and digital marketing to support growth and abnormally low marketing spend in the prior-year period. At the onset of the pandemic in April 2020, we temporarily paused direct mail and digital marketing aimed at customer acquisition, before gradually restarting our marketing campaigns in May 2020.

Other Expenses. Other expenses of \$25.9 million during the nine months ended September 30, 2021 were comparable to the \$25.8 million incurred during the prior-year period.

Operating Expense Ratio. Our annualized operating expense ratio decreased by 0.4% to 16.0% during the nine months ended September 30, 2021 from 16.4% during the prior-year period. The nine months ended September 30, 2021 included a ratio increase of 0.1% related to branch optimization expenses of \$0.7 million. The prior-year period included non-operating expenses of \$3.1 million of executive transition costs, severance expense related to workforce actions of \$0.8 million, and system outage costs of \$0.7 million which increased our operating expense ratio by 0.6% for the nine months ended September 30, 2020.

Interest Expense. Interest expense decreased \$4.8 million, or 16.9%, to \$23.8 million during the nine months ended September 30, 2021, from \$28.6 million during the prior-year period. The decrease was primarily due to a decrease in our average cost of debt. The annualized average cost of our total debt decreased 1.35% to 3.88% during the nine months ended September 30, 2021, from 5.23% during the prior-year period, primarily reflecting the lower rate environment.

Income Taxes. Income taxes increased \$14.4 million, or 296.1%, to \$19.2 million during the nine months ended September 30, 2021, from \$4.9 million during the prior-year period. The increase was primarily due to a \$69.9 million increase in income before income taxes compared to the prior-year period. Our effective tax rates were 22.1% and 28.1% for the nine months ended September 30, 2021 and the prior-year period, respectively. The nine months ended September 30, 2021 were impacted by tax benefits from the exercise and vesting of share-based awards and amended state tax returns. The effective tax rate for the prior-year period was impacted by the margin tax in Texas that was based on gross income, rather than net income, and non-deductible executive compensation (including executive transition costs) under Internal Revenue Code Section 162(m) that was not correlated to 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. 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 facilities, and asset-backed securitization transactions, all of which are described below. We are continuing to seek ways to diversify our funding sources. As of September 30, 2021, we had a funded debt-to-equity ratio (debt divided by total stockholders' equity) of 3.5 to 1.0 and a stockholders' equity ratio (total stockholders' equity as a percentage of total assets) of 21.1%.

We believe that cash flow from our operations and borrowings under our 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.

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 period maturities of our securitizations and warehouse credit facilities (each as described below) range from October 2021 to July 2026. There can be no assurance that we will be able to secure an extension of the warehouse credit facilities or close additional securitization transactions if and when needed in the future.

Stock Repurchase and Dividends.

In October 2020, we announced that our Board had authorized a stock repurchase program, allowing for the repurchase of up to \$30.0 million of our outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extended through October 22, 2022. In May 2021, we completed this stock repurchase program.

In May 2021, we announced that our Board had authorized a new stock repurchase program, allowing for the repurchase of up to \$30.0 million of our outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extends through April 29, 2023. In August 2021, we announced that our Board had approved a \$20.0 million increase in the amount authorized under the stock repurchase program, from \$30.0 million to \$50.0 million. The authorization was effective immediately and extends through July 29, 2023. During the three months ended September 30, 2021, we repurchased 0.4 million shares of common stock at a total cost of \$22.0 million. During the nine months ended September 30, 2021, we repurchased 1.3 million shares of common stock at a total cost of \$56.0 million under this stock repurchase program.

The Board may in its discretion declare and pay cash dividends on our common stock. The following table sets forth the dividends declared and paid for the nine months ended September 30, 2021:

Period	Declaration Date	Record Date	Payment Date	Dividends Declared Per Common Share	
1Q 21	February 10, 2021	February 23, 2021	March 12, 2021	\$	0.20
2Q 21	May 4, 2021	May 26, 2021	June 15, 2021	\$	0.25
3Q 21	August 3, 2021	August 25, 2021	September 15, 2021	\$	0.25
Total				\$	0.70

The declaration, amount, and payment of any future cash dividends on shares of our common stock will be at the discretion of the Board. See Note 12, "Subsequent Events," of the Notes to Consolidated Financial Statements in Part I, Item 1, "Financial Statements" for information regarding the declaration of a cash dividend following the end of the quarter.

While we intend to pay our quarterly dividend for the foreseeable future, all subsequent dividends will be reviewed and declared at the discretion of the Board and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that the Board deems relevant. Our dividend payments may change from time to time, and the Board may choose not to continue to declare dividends in the future.

Cash Flow.

Operating Activities. Net cash provided by operating activities during the nine months ended September 30, 2021 was \$136.0 million, compared to \$125.1 million provided by operating activities during the prior-year period, a net increase of \$10.9 million. The increase was primarily due to the growth in our average net finance receivables.

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 used in investing activities during the nine months ended September 30, 2021 was \$230.5 million, compared to \$6.6 million used in investing activities during the prior-year period, a net increase in cash used of \$223.9 million. The increase in cash used was primarily due to increased originations of finance receivables.

Financing Activities. Financing activities consist of borrowings and payments on our outstanding indebtedness. Net cash provided by financing activities during the nine months ended September 30, 2021 was \$134.7 million, compared to \$112.5 million used in financing activities during the prior-year period, a net increase of \$247.2 million. The net increase in cash provided was the result of a \$318.0 million increase in net advances on debt instruments, partially offset by an increase in the repurchase of common stock of \$56.0 million, an increase in cash dividends of \$7.2 million, an increase in taxes paid of \$4.0 million, and an increase in payments for debt issuance costs of \$3.6 million.

Financing Arrangements.

Senior Revolving Credit Facility. In September 2019, we amended and restated our senior revolving credit facility to, among other things, extend the maturity of the facility from June 2020 to September 2022 and increase the availability under the facility from \$638 million to \$640 million. 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 (85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals as of September 30, 2021). As of September 30, 2021 we had \$185.9 million of available liquidity under the facility and held \$8.1 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 effective interest rate was 4.07% at September 30, 2021. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. We pay an unused line fee between 0.375% and 0.65% based upon the average outstanding balance of the facility.

Our debt under the senior revolving credit facility was \$131.0 million as of September 30, 2021. 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 debt arrangements described below 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.

These 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 \$77.1 million and \$46.6 million as of September 30, 2021 and December 31, 2020, 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.

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.

RMR II Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR II, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to, among other things, extend the date at which the facility converts to an amortizing loan and the termination date to March 2023 and March 2024, respectively, decrease the total facility from \$125 million to \$75 million, increase the cap on facility advances from 80% to 83% of eligible finance

receivables, and increase the rate at which borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a margin of 2.35% (2.15% prior to the April 2021 amendment). 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. The effective interest rate was 2.63% at September 30, 2021. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility. The RMR II revolving warehouse credit facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. As of September 30, 2021 our debt under the credit facility was \$23.1 million.

RMR IV Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR IV, entered into a credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR IV. The facility converts to an amortizing loan in April 2023 and terminates in April 2024. 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 IV. Advances on the facility are capped at 81% of eligible finance receivables. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to one-month LIBOR, plus a margin of 2.35%. The effective interest rate was 2.46% at September 30, 2021. RMR IV pays an unused commitment fee between 0.35% and 0.70% based upon the average daily utilization of the facility. The RMR IV revolving warehouse credit facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. As of September 30, 2021, our debt under the credit facility was \$23.6 million.

RMR V Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR V, entered into a credit agreement that provides for a \$100 million revolving warehouse credit facility to RMR V. The facility converts to an amortizing loan in October 2022 and terminates in October 2023. 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 V. Advances on the facility are capped at 80% of eligible finance receivables. Borrowings under the facility bear interest, payable monthly, at a per annum rate, which in the case of a conduit lender is the commercial paper rate, plus a margin of 2.20%. The effective interest rate was 2.38% at September 30, 2021. RMR V pays an unused commitment fee between 0.45% and 0.75% based upon the average daily utilization of the facility. As of September 30, 2021, our debt under the credit facility was \$41.7 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 an effective interest rate of 3.21% as of September 30, 2021. Prior to maturity in November 2028, we may redeem the notes in full, but not in part, at our option on any business day 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 September 30, 2021, our debt under the securitization was \$130.2 million.

RMIT 2020-1 Securitization. In September 2020, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2020-1, completed a private offering and sale of \$180 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2020-1. 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 2020-1. The notes have a revolving period ending in September 2023, with a final maturity date in October 2030. Borrowings under the RMIT 2020-1 securitization bear interest, payable monthly, at an effective interest rate of 2.89% as of September 30, 2021. Prior to maturity in October 2030, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in October 2023. No payments of principal of the notes will be made during the revolving period. As of September 30, 2021, our debt under the securitization was \$180.2 million.

RMIT 2021-1 Securitization. In February 2021, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2021-1, completed a private offering and sale of \$249 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-1. 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 2021-1. The notes have a revolving period ending in February 2024, with a final maturity date in March 2031. Borrowings under the RMIT 2021-1 securitization bear interest, payable monthly, at an effective interest rate of 2.10% as of September 30, 2021. Prior to maturity in March 2031, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in March 2024. No payments of principal of the notes will be made during the revolving period. As of September 30, 2021, our debt under the securitization was \$248.9 million.

RMIT 2021-2 Securitization. In July 2021, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2021-2, completed a private offering and sale of \$200 million of asset-backed notes. The transaction consisted of the issuance of

four classes of fixed-rate asset-backed notes by RMIT 2021-2. 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 2021-2. The notes have a revolving period ending in July 2026, with a final maturity date in August 2033. Borrowings under the RMIT 2021-2 securitization bear interest, payable monthly, at an effective interest rate of 2.32% as of September 30, 2021. Prior to maturity in August 2033, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in August 2026. No payments of principal of the notes will be made during the revolving period. As of September 30, 2021, our debt under the securitization was \$200.2 million.

See Note 12, “Subsequent Events” of the Notes to Consolidated Financial Statements in Part I, Item 1, “Financial Statements,” for information regarding the completion of a private offering and sale of \$125 million of asset-backed notes following the end of the fiscal quarter.

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, and certain other restrictions. At September 30, 2021, we were in compliance with all debt covenants.

We expect that the LIBOR reference rate will be phased out by June 2023. Our senior revolving credit facility, RMR II revolving warehouse credit facility, and RMR IV revolving warehouse credit facility each use LIBOR as a benchmark in determining the cost of funds borrowed. These credit facilities provide for a process to transition from LIBOR to a new benchmark, if necessary. We plan to continue to work with our banking partners to modify our credit agreements to contemplate the cessation of the LIBOR reference rate. We will also continue to work to identify a replacement rate to LIBOR and look to adjust the pricing structure of our facilities as needed.

Restricted Cash Reserve Accounts.

RMR II Revolving Warehouse Credit Facility. The credit agreement governing the RMR II revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2021, the warehouse facility cash reserve requirement totaled \$0.3 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 \$2.0 million as of September 30, 2021.

RMR IV Revolving Warehouse Credit Facility. The credit agreement governing the RMR IV revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2021, the warehouse facility cash reserve requirement totaled \$0.3 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 \$1.8 million as of September 30, 2021.

RMR V Revolving Warehouse Credit Facility. The credit agreement governing the RMR V revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2021, the warehouse facility cash reserve requirement totaled \$0.5 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 \$2.7 million as of September 30, 2021.

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 \$12.2 million as of September 30, 2021.

RMIT 2020-1 Securitization. As required under the transaction documents governing the RMIT 2020-1 securitization, we deposited \$1.9 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 \$15.7 million as of September 30, 2021.

RMIT 2021-1 Securitization. As required under the transaction documents governing the RMIT 2021-1 securitization, we deposited \$2.6 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 \$23.6 million as of September 30, 2021.

RMIT 2021-2 Securitization. As required under the transaction documents governing the RMIT 2021-2 securitization, we deposited \$2.1 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 \$19.1 million as of September 30, 2021.

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 September 30, 2021, cash reserves for reinsurance were \$17.7 million.

Impact of Inflation

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

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with 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.

Allowance for 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 loan 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, Fair Isaac Corporation score, and delinquency status.

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 life of the finance receivables (considering the effect of prepayments). Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable's contractual life (considering the effect of prepayments). 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 contractual lives of our loan portfolio (considering the effect of prepayments) are shorter than our available forecast periods.

We charge credit losses against the allowance when an 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, expected dividends, 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. Expected dividends are calculated using the expected dividend yield (annualized dividends divided by the grant date stock price). 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.

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. Because our large loans have longer maturities than our small loans and typically renew at a slower rate than our small loans, our reaction time to changes may be affected 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 September 30, 2021, the interest rates on 77.6% of our 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 three revolving warehouse credit facilities. At September 30, 2021, the balances and key terms of the credit facilities were as follows:

Revolving Credit Facility	Balance (in thousands)	Interest Payment Frequency	Rate Type	Floor	Margin	Effective Interest Rate
Senior	\$ 130,985	Monthly	1-mo LIBOR	1.00%	3.00%	4.07%
RMR II Warehouse	23,060	Monthly	3-mo LIBOR	0.25%	2.35%	2.63%
RMR IV Warehouse	23,613	Monthly	1-mo LIBOR	—	2.35%	2.46%
RMR V Warehouse	41,651	Monthly	Conduit	—	2.20%	2.38%
Total	\$ 219,309					

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 following is a summary of the Company's interest rate caps as of September 30, 2021:

Execution Date	Maturity Date	Strike Rate	Notional Amount (in thousands)
03/2020	03/2023	1.75%	\$ 100,000
08/2020	08/2023	0.50%	50,000
09/2020	10/2023	0.50%	100,000
11/2020	11/2023	0.25%	50,000
02/2021	02/2024	0.25%	50,000
03/2021	03/2024	0.25%	50,000
06/2021	06/2024	0.25%	50,000
Total notional amount			<u>\$ 450,000</u>

Based on the underlying rates and the outstanding balances at September 30, 2021, an increase of 100 basis points in the LIBOR and conduit rates of our revolving credit facilities would result in approximately \$1.0 million of increased interest expense on an annual basis, in the aggregate, under these borrowings. Our interest rate cap coverage at September 30, 2021 would reduce this increased expense by approximately \$2.5 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 September 30, 2021. 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 September 30, 2021, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost–benefit relationship of possible controls and procedures.

Changes in Internal Control

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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 factor set forth below, there have been no material changes to our risk factors from those included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. In addition to the risk factor 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, 2020 (which was filed with the SEC on February 25, 2021), which could materially affect our business, financial condition, and/or future operating results. The risks described in our Annual Report on Form 10-K 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.

Our convenience check strategy exposes us to certain risks.

A significant portion of the growth in our installment loans has been achieved through direct mail campaigns. One aspect of our direct mail campaigns involves mailing "convenience checks" to pre-screened recipients, which customers can sign and cash or deposit, thereby agreeing to the terms of the loan, which are disclosed on the front and back of the check and in the accompanying disclosures. We use convenience checks to seed new branch openings and to attract new customers to existing branches in our geographic footprint. In 2019 and 2020, loans initiated through convenience checks represented 20.6% and 20.8%, respectively, of the value of our originated loans. We expect that convenience checks will continue to represent a meaningful portion of our installment loan originations in the future. There are several risks associated with the use of convenience checks, including the following:

- it is more difficult to maintain sound underwriting standards with convenience check customers, and these customers have historically presented a higher risk of default than customers that originate loans in our branches, as we do not meet convenience check customers prior to soliciting them and extending a loan to them, and we may not be able to verify certain elements of their financial condition, including their current employment status, income, or life circumstances;
- we rely on credit information from a third-party credit bureau that is more limited than a full credit report to pre-screen potential convenience check recipients, which may not be as effective as a full credit report or may be inaccurate or outdated;
- we face limitations on the number of potential borrowers who meet our lending criteria within proximity to our branches;
- we may not be able to continue to access the demographic and credit file information that we use to generate our mailing lists due to expanded regulatory or privacy restrictions;
- convenience checks pose a risk of fraud;
- any failure by the bank that issues and processes our convenience checks to properly process the convenience checks could limit the ability of a recipient to cash the check and enter into a loan with us;
- customers may opt out of direct mail solicitations and solicitations based on their credit file or may otherwise prohibit us from soliciting them; and
- postal rates and production costs may continue to rise.

We have been notified by the bank that issues our convenience checks that it intends to exit the business. We are in the process of transitioning check issuers; however, there can be no assurance that we can fully and timely transition such services. Any delay in such transition or disruption in the convenience check services we receive from our bank partner could have an adverse impact on our business.

In the future, we could experience one or more of these issues associated with our direct mail strategy. Any increase in the use of convenience checks will further increase our exposure to, and the magnitude of, these risks.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table provides information regarding the Company's repurchase of its common stock during the three months ended September 30, 2021.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program*
July 1, 2021 – July 31, 2021	68,437	50.49	68,437	\$ 30,544,782
August 1, 2021 – August 31, 2021	177,304	56.26	177,304	\$ 20,569,581
September 1, 2021 – September 30, 2021	144,371	59.16	144,371	\$ 12,028,161
Total	390,112	\$ 56.32	390,112	

* On May 4, 2021, we announced that our Board had authorized a \$30.0 million stock repurchase program. The authorization was effective immediately and extends through April 29, 2023. On August 3, 2021, we announced that our Board had approved a \$20.0 million increase in the amount authorized under the stock repurchase program, from \$30.0 million to \$50.0 million. The authorization was effective immediately and extends through July 29, 2023. Stock repurchases under the stock repurchase program may be made in the open market at prevailing market prices, through privately negotiated transactions, or through other structures in accordance with applicable federal securities laws, at times and in amounts as management deems appropriate. The timing and the amount of any common stock repurchases will be determined by our management based on their evaluation of market conditions, our liquidity needs, legal and contractual requirements and restrictions (including covenants in our credit agreements), share price, and other factors. Repurchases of common stock may be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The repurchase program does not obligate us to purchase any particular number of shares and may be suspended, modified, or discontinued at any time without prior notice. We intend to fund the program with a combination of cash and debt.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File Number	Exhibit	Filing Date
4.1	Indenture, dated July 22, 2021, by and among Regional Management Issuance Trust 2021-2, as issuer, Regional Management Corp., as servicer, Wells Fargo Bank, N.A., as indenture trustee, and Wells Fargo Bank, N.A., as account bank.		8-K	001-35477	4.1	7/22/2021
10.1	Sale and Servicing Agreement, dated July 22, 2021, by and among Regional Management Receivables III, LLC, as depositor, Regional Management Corp., as servicer, the subservicers party thereto, Regional Management Issuance Trust 2021-2, as issuer, and Regional Management North Carolina Receivables Trust, acting thereunder solely with respect to the 2021-2A SUBI.		8-K	001-35477	10.1	7/22/2021
10.2	Third Amendment to Seventh Amended and Restated Loan and Security Agreement, dated as of August 23, 2021, by and among Regional Management Corp. and its subsidiaries named as borrowers therein, the financial institutions named as lenders therein, and Wells Fargo Bank, National Association, as agent.		8-K	001-35477	10.1	8/24/2021
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.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File—the cover page XBRL tags are embedded within the Inline XBRL document contained in Exhibit 101					

SIGNATURE

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

REGIONAL MANAGEMENT CORP.

Date: November 4, 2021

By: /s/ Harpreet Rana

Harpreet Rana, Executive Vice President and
Chief Financial Officer

(Principal Financial Officer and Duly Authorized Officer)

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: November 4, 2021

/s/ Robert W. Beck

Robert W. Beck

President and Chief Executive Officer

CERTIFICATION

I, Harpreet Rana, 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: November 4, 2021

/s/ Harpreet Rana

Harpreet Rana

Executive Vice President and Chief Financial Officer

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies that to his or her knowledge: (i) the Quarterly Report on Form 10-Q of Regional Management Corp. (the "Company") for the quarter ended September 30, 2021 (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: November 4, 2021

/s/ Robert W. Beck

Robert W. Beck
President and Chief Executive Officer

Date: November 4, 2021

/s/ Harpreet Rana

Harpreet Rana
Executive Vice President and Chief Financial Officer