# 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, 2024**

**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**<br>**(State or other jurisdiction of incorporation or organization)** | **57-0847115**<br>**(I.R.S. Employer Identification No.)** |
| **979 Batesville Road, Suite B**<br>**Greer, South Carolina**<br>**(Address of principal executive offices)** | **29651**<br>**(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 6, 2024, the registrant had outstanding 10,163,212 shares of Common Stock, $0.10 par value.

**REGIONAL MANAGEMENT CORP.**

**QUARTERLY REPORT ON FORM 10-Q**

Fiscal Quarter Ended September 30, 2024

**TABLE OF CONTENTS**


| | Page |
|---|---|
| **GLOSSARY** | 3 |
| **PART I – FINANCIAL INFORMATION** | |
| Item 1. Financial Statements | |
| Consolidated Balance Sheets Dated September 30, 2024 and December 31, 2023 | 4 |
| Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2024 and 2023 | 5 |
| Consolidated Statements of Stockholders’ Equity for the Three and Nine Months Ended September 30, 2024 and 2023 | 6 |
| Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023 | 8 |
| Notes to Consolidated Financial Statements | 10 |
| Note 1. Nature of Business | 10 |
| Note 2. Basis of Presentation and Significant Accounting Policies | 10 |
| Note 3. Finance Receivables, Credit Quality Information, and Allowance for Credit Losses | 13 |
| Note 4. Restricted Available-for-Sale Investments | 20 |
| Note 5. Variable Interest Entities | 21 |
| Note 6. Debt | 22 |
| Note 7. Stockholders’ Equity | 24 |
| Note 8. Disclosure About Fair Value of Financial Instruments | 24 |
| Note 9. Income Taxes | 25 |
| Note 10. Earnings Per Share | 25 |
| Note 11. Share-Based Compensation | 25 |
| Note 12. Commitments and Contingencies | 29 |
| Note 13. Subsequent Events | 29 |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 31 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 46 |
| Item 4. Controls and Procedures | 47 |
| **PART II – OTHER INFORMATION** | |
| Item 1. Legal Proceedings | 48 |
| Item 1A. Risk Factors | 48 |
| Item 5. Other Information | 48 |
| Item 6. Exhibits | 49 |
| **SIGNATURE** | 50 |

**GLOSSARY**

Terms and abbreviations used in this report are defined below:

| Term or Abbreviation | Definition |
|---|---|
| 2007 Plan | 2007 Management Incentive Plan |
| 2011 Plan | 2011 Stock Incentive Plan |
| 2015 Plan | 2015 Long-Term Incentive Plan |
| 2024 Plan | 2024 Long-Term Incentive Plan |
| ASU | Accounting Standards Update |
| Board | the Company's Board of Directors |
| CFPB | Consumer Financial Protection Bureau |
| Company | Regional Management Corp. |
| Consent Agreement | Consent Agreement between the CFPB and the Company dated January 4, 2024 |
| CSPU | cash-settled performance unit |
| Debt balance | the balance for each respective debt agreement, composed of principal balance and accrued interest |
| Efficiency ratio | annualized general and administrative expenses as a percentage of total revenue |
| Exchange Act | the Securities Exchange Act of 1934, as amended |
| FASB | Financial Accounting Standard Board |
| FICO | Fair Isaac Corporation |
| GAAP | U.S. Generally Accepted Accounting Principles |
| Issuance Trust | the Company's indirect SPE through which private offerings and sales consisting of the issuance of classes of fixed-rate, asset-backed noted are completed |
| KTIP | key team member incentive program |
| LGD | loss given default |
| LTIP | long-term incentive program |
| Net credit loss ratio | annualized net credit losses as a percentage of average net finance receivables |
| Notice | notice provided by the CFPB to the Company dated March 7, 2023 |
| NQSO | nonqualified stock option |
| Operating expense ratio | annualized general and administrative expenses as a percentage of average net finance receivables |
| PD | probability of default |
| PRSU | performance restricted stock unit |
| RMIT | Regional Management Issuance Trust |
| RMR | Regional Management Receivables |
| RMR III | Regional Management Receivables III, LLC |
| RMR IV | Regional Management Receivables IV, LLC |
| RMR V | Regional Management Receivables V, LLC |
| RMR VI | Regional Management Receivables VI, LLC |
| RMR VII | Regional Management Receivables VII, LLC |
| RSA | restricted stock award |
| RSU | restricted stock unit |
| Rule 10b5-1 trading plan | a trading arrangement for the sale of shares of the Company’s common stock that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) |
| SEC | Securities and Exchange Commission |
| SOFR | secured overnight financing rate |
| SPE | wholly owned, bankruptcy-remote, special purpose entity |
| VIE | variable interest entity |

## PART I – FINANCIAL INFORMATION

**ITEM 1.** ***FINANCIAL STATEMENTS.***

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

| | (Unaudited) September 30, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Cash | $ 4,745 | $ 4,509 |
| Net finance receivables | 1,819,756 | 1,771,410 |
| Unearned insurance premiums | (46,508) | (47,892) |
| Allowance for credit losses | (192,100) | (187,400) |
| Net finance receivables, less unearned insurance premiums and allowance for credit losses | 1,581,148 | 1,536,118 |
| Restricted cash | 115,576 | 124,164 |
| Lease assets | 37,229 | 34,303 |
| Intangible assets | 22,250 | 15,846 |
| Restricted available-for-sale investments | 21,727 | 22,740 |
| Property and equipment | 13,425 | 13,787 |
| Deferred tax assets, net | 11,833 | 13,641 |
| Other assets | 13,898 | 29,419 |
| **Total assets** | $ 1,821,831 | $ 1,794,527 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Debt | $ 1,395,892 | $ 1,399,814 |
| Unamortized debt issuance costs | (4,645) | (4,578) |
| Net debt | 1,391,247 | 1,395,236 |
| Lease liabilities | 39,350 | 36,576 |
| Accounts payable and accrued expenses | 38,306 | 40,442 |
| Total liabilities | 1,468,903 | 1,472,254 |
| Commitments and contingencies (Note 12) | | |
| 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, 14,971 shares issued and 10,164 shares outstanding at September 30, 2024 and 14,566 shares issued and 9,759 shares outstanding at December 31, 2023) | 1,497 | 1,457 |
| Additional paid-in capital | 129,936 | 121,752 |
| Retained earnings | 371,725 | 349,579 |
| Accumulated other comprehensive loss | (87) | (372) |
| Treasury stock (4,807 shares at September 30, 2024 and December 31, 2023) | (150,143) | (150,143) |
| Total stockholders' equity | 352,928 | 322,273 |
| **Total liabilities and stockholders' equity** | $ 1,821,831 | $ 1,794,527 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Interest and fee income | $ 133,932 | $ 125,018 | $ 390,648 | $ 363,508 |
| Insurance income, net | 7,422 | 11,382 | 28,903 | 33,544 |
| Other income | 4,984 | 4,478 | 14,120 | 12,688 |
| Total revenue | 146,338 | 140,878 | 433,671 | 409,740 |
| **Expenses** | | | | |
| Provision for credit losses | 54,349 | 50,930 | 154,574 | 151,149 |
| Personnel | 38,323 | 39,832 | 113,240 | 114,848 |
| Occupancy | 6,551 | 6,315 | 19,075 | 18,761 |
| Marketing | 5,078 | 4,077 | 14,229 | 11,300 |
| Other | 12,516 | 11,880 | 36,508 | 33,414 |
| Total general and administrative expenses | 62,468 | 62,104 | 183,052 | 178,323 |
| Interest expense | 19,356 | 16,947 | 54,725 | 49,953 |
| Income before income taxes | 10,165 | 10,897 | 41,320 | 30,315 |
| Income taxes | 2,502 | 2,077 | 10,007 | 6,783 |
| **Net income** | $ 7,663 | $ 8,820 | $ 31,313 | $ 23,532 |
| Net income per common share: | | | | |
| Basic | $ 0.79 | $ 0.94 | $ 3.25 | $ 2.51 |
| Diluted | $ 0.76 | $ 0.91 | $ 3.16 | $ 2.45 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 9,683 | 9,429 | 9,622 | 9,385 |
| Diluted | 10,090 | 9,650 | 9,900 | 9,613 |
| Other comprehensive income (loss), net of tax | | | | |
| Unrealized income (loss) on restricted available-for-sale investments | (61) | (39) | 362 | 238 |
| Other comprehensive income (loss), before tax | (61) | (39) | 362 | 238 |
| Income taxes related to items of other comprehensive income (loss) | 13 | 8 | (77) | (50) |
| Other comprehensive income (loss), net of tax | (48) | (31) | 285 | 188 |
| **Total comprehensive income** | $ 7,615 | $ 8,789 | $ 31,598 | $ 23,720 |

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, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | Treasury | |
| | Shares | Amount | Capital | Earnings | Loss | Stock | Total |
| Balance, June 30, 2024 | 14,962 | $ 1,496 | $ 126,373 | $ 367,216 | $ (39) | $ (150,143) | $ 344,903 |
| Cash dividends | — | — | — | (3,154) | — | — | (3,154) |
| Issuance of restricted stock awards | (7) | (1) | 1 | — | — | — | — |
| Exercise of stock options | 62 | 6 | — | — | — | — | 6 |
| Shares withheld related to net share settlement | (46) | (4) | (162) | — | — | — | (166) |
| Share-based compensation | — | — | 3,724 | — | — | — | 3,724 |
| Net income | — | — | — | 7,663 | — | — | 7,663 |
| Other comprehensive loss | — | — | — | — | (48) | — | (48) |
| Balance, September 30, 2024 | 14,971 | $ 1,497 | $ 129,936 | $ 371,725 | $ (87) | $ (150,143) | $ 352,928 |

| | Three Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | Treasury | |
| | Shares | Amount | Capital | Earnings | Loss | Stock | Total |
| Balance, June 30, 2023 | $ 14,636 | $ 1,464 | $ 116,202 | $ 354,346 | $ (367) | $ (150,143) | $ 321,502 |
| Cash dividends | — | — | — | (3,011) | — | — | (3,011) |
| Issuance of restricted stock awards | 8 | 1 | (1) | — | — | — | — |
| Shares withheld related to net share settlement | (2) | (1) | (52) | — | — | — | (53) |
| Share-based compensation | — | — | 3,358 | — | — | — | 3,358 |
| Net income | — | — | — | 8,820 | — | — | 8,820 |
| Other comprehensive loss | — | — | — | — | (31) | — | (31) |
| Balance, September 30, 2023 | 14,642 | $ 1,464 | $ 119,507 | $ 360,155 | $ (398) | $ (150,143) | $ 330,585 |

[Table of Contents](#)

| | Nine Months Ended September 30, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | Treasury | |
| | Shares | Amount | Capital | Earnings | Loss | Stock | Total |
| Balance, December 31, 2023 | 14,566 | $ 1,457 | $ 121,752 | $ 349,579 | $ (372) | $ (150,143) | $ 322,273 |
| Cash dividends | — | — | — | (9,167) | — | — | (9,167) |
| Issuance of restricted stock awards | 407 | 40 | (40) | — | — | — | — |
| Exercise of stock options | 62 | 6 | — | — | — | — | 6 |
| Shares withheld related to net share settlement | (64) | (6) | (600) | — | — | — | (606) |
| Share-based compensation | — | — | 8,824 | — | — | — | 8,824 |
| Net income | — | — | — | 31,313 | — | — | 31,313 |
| Other comprehensive income | — | — | — | — | 285 | — | 285 |
| Balance, September 30, 2024 | 14,971 | $ 1,497 | $ 129,936 | $ 371,725 | $ (87) | $ (150,143) | $ 352,928 |

| | Nine Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | Treasury | |
| | Shares | Amount | Capital | Earnings | Loss | Stock | Total |
| Balance, December 31, 2022 | 14,330 | $ 1,433 | $ 112,384 | $ 345,545 | $ (586) | $ (150,143) | $ 308,633 |
| Cash dividends | — | — | — | (8,922) | — | — | (8,922) |
| Issuance of restricted stock awards | 330 | 33 | (33) | — | — | — | — |
| Exercise of stock options | 18 | 2 | 287 | — | — | — | 289 |
| Shares withheld related to net share settlement | (36) | (4) | (929) | — | — | — | (933) |
| Share-based compensation | — | — | 7,798 | — | — | — | 7,798 |
| Net income | — | — | — | 23,532 | — | — | 23,532 |
| Other comprehensive income | — | — | — | — | 188 | — | 188 |
| Balance, September 30, 2023 | 14,642 | $ 1,464 | $ 119,507 | $ 360,155 | $ (398) | $ (150,143) | $ 330,585 |

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, | |
|---|---|---|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net income | $ 31,313 | $ 23,532 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 154,574 | 151,149 |
| Depreciation and amortization | 10,463 | 11,200 |
| Amortization of deferred origination fees and costs | (11,511) | (10,996) |
| Loss on disposal of intangibles, property, and equipment | 364 | 632 |
| Share-based compensation | 8,824 | 7,798 |
| Deferred income taxes, net | 1,731 | (380) |
| Changes in operating assets and liabilities: | | |
| Decrease in unearned insurance premiums | (1,384) | (2,244) |
| Increase in lease assets | (2,926) | (343) |
| Decrease in other assets | 12,944 | 4,187 |
| Decrease in accounts payable and accrued expenses | (2,081) | (2,645) |
| Increase in lease liabilities | 2,774 | 383 |
| **Net cash provided by operating activities** | 205,085 | 182,273 |
| Cash flows from investing activities: | | |
| Originations of finance receivables | (1,175,341) | (1,133,780) |
| Repayments of finance receivables | 990,669 | 950,765 |
| Purchases of intangible assets | (9,702) | (5,626) |
| Purchases of property and equipment | (3,538) | (3,629) |
| Purchase of restricted available-for-sale investments | (23,202) | (5,900) |
| Proceeds from maturities of restricted available-for-sale investments | 24,715 | 4,061 |
| **Net cash used in investing activities** | (196,399) | (194,109) |
| Cash flows from financing activities: | | |
| Advances on revolving credit facilities | 1,199,215 | 1,243,468 |
| Payments on revolving credit facilities | (1,194,926) | (1,226,431) |
| Advances on securitizations | 187,305 | — |
| Payments on securitizations | (195,754) | — |
| Payments for debt issuance costs | (3,184) | (2,764) |
| Taxes paid related to net share settlement of equity awards | (448) | (1,036) |
| Cash dividends | (9,246) | (9,047) |
| Proceeds from exercise of stock options | — | 289 |
| **Net cash provided by (used in) financing activities** | (17,038) | 4,479 |
| **Net change in cash and restricted cash** | (8,352) | (7,357) |
| Cash and restricted cash at beginning of period | 128,673 | 131,799 |
| Cash and restricted cash at end of period | $ 120,321 | $ 124,442 |
| Supplemental cash flow information: | | |
| Interest paid | $ 50,692 | $ 44,310 |
| Income taxes paid | $ 2,504 | $ 2,784 |
| Operating leases paid | $ 8,550 | $ 7,367 |
| Non-cash lease assets and liabilities acquired | $ 9,649 | $ 6,387 |

Table of Contents

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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---|---|---|---|
| Cash | $ 4,745 | $ 4,509 | $ 7,413 |
| Restricted cash | 115,576 | 124,164 | 117,029 |
| Total cash and restricted cash | $ 120,321 | $ 128,673 | $ 124,442 |

See accompanying notes to consolidated financial statements.

**Regional Management Corp. and Subsidiaries**
**Notes to Consolidated Financial Statements**

### Note 1. Nature of Business

The Company was incorporated and began operations in 1987. The Company is engaged in the consumer finance business, offering large loans, small loans, and related payment and collateral protection insurance products. The Company formerly offered retail loans but ceased accepting applications for retail loan products effective November 2022. The Company continues to own and service its existing portfolio of retail loans. As of September 30, 2024, the Company operated under the name “Regional Finance” online and in branch locations in 19 states across the United States.

The Company’s 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. 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. 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. 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.

The Company’s loan volume and contractual delinquency follow seasonal trends. Demand for the Company’s 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. Changes in quarterly growth or liquidation 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. Consequently, the Company experiences seasonal fluctuations in its operating results. However, changes in macroeconomic factors, including inflation, higher interest rates, and geopolitical conflict, 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 SEC regulations and 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, 2023, 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.

***Principles of consolidation:*** The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All 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 VIEs 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 SPEs to secure debt for general funding purposes. These entities have the limited purpose of acquiring finance receivables, in addition to 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, (ii) the obligation to absorb losses that could be significant through note investment, if applicable, and (iii) 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.

Estimates that are susceptible to change relate to the determination of the allowance for credit losses, the valuation of deferred tax assets and liabilities, and the fair value of financial instruments.

***Recent accounting pronouncements:*** In November 2023, the FASB issued ASU 2023-07, improving the disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. These enhanced disclosures require reporting of incremental segment information on an annual and interim basis for all public entities, including public entities with only one reportable segment, to enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for annual periods beginning after December 15, 2023 and interim periods within annual periods beginning after December 15, 2024, and early adoption is permitted. The segment reporting guidance should be applied retrospectively to all prior periods presented in the financial statements, and upon transition, the expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. Implementation of the update will not have a financial effect on the Company's consolidated financial statements, but the Company is currently evaluating whether enhanced disclosures in its footnotes is required by this update.

In December 2023, the FASB issued ASU 2023-09, enhancing the transparency and decision usefulness of income tax disclosures. The amendment, among other things, improves transparency of income tax disclosures by requiring more consistent categories and greater disaggregation of information in rate reconciliations, and disaggregation of income taxes paid by jurisdiction. The amendments in this update are effective for annual periods beginning after December 15, 2024, and early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The income tax guidance should be applied on a prospective basis, however, retrospective application is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

See Note 13, "Subsequent Events," for information regarding the issuance of ASU 2024-03 following the end of the fiscal quarter.

***Net finance receivables:*** Generally, the Company classifies finance receivables as held for investment based on management's intent at the time of origination. The Company determines classification on a receivable-by-receivable basis. The Company classifies finance receivables as held for investment due to its ability and intent to hold them until their contractual maturities. Net finance receivables consist of the Company's installment loans. The Company carries net finance receivables at amortized cost, which includes remaining principal balance, accrued interest, and net unamortized deferred origination costs and unamortized fees.

Loan renewals are a significant piece of new volume and are considered a terminal event of the previous loan. The Company may renew delinquent secured or unsecured loan accounts if the customer meets the Company's underwriting criteria and it does not appear the cause of past delinquency will affect the customer's ability to repay the renewed loan.

***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.

***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.

***Allowance for credit losses:*** 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 PD / 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 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, 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 are shorter than its available forecast periods.

The Company charges credit losses against the allowance for all products when an account reaches 180 days contractually delinquent, subject to certain exceptions. The Company's customer accounts without a lien on a vehicle 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.

***Restricted cash:*** Restricted cash includes cash and cash equivalents for which the Company's ability to withdraw funds is contractually limited. The Company's restricted cash consists of cash reserves that are maintained as collateral for potential credit life insurance claims and cash restricted for debt servicing of the Company's revolving warehouse credit facilities and securitizations.

***Restricted available-for-sale investments:*** The Company classifies its investments in debt securities that were purchased with the Company's restricted cash as restricted available-for-sale investments and carries the investments at fair value. Unrealized gains and losses, net of taxes, are excluded from earnings and reported in other comprehensive income or loss until realized. The unrealized gains and losses, net of taxes, are recorded on the consolidated balance sheet in accumulated other comprehensive income or loss in stockholders' equity. Realized gains and losses from the sale of available-for-sale investments are specifically identified and reclassified from accumulated other comprehensive income or loss and included within earnings on the consolidated statement of income.

***Share-based compensation:*** The Company measures compensation cost for share-based awards at estimated fair value and recognizes compensation expense over the service period for awards expected to vest. The Company uses the closing stock price on the date of grant as the fair value of RSAs, performance-contingent RSUs, and service-based RSUs. The fair value of NQSOs is determined using the Black-Scholes valuation model, and the fair value of PRSUs is determined using the Monte Carlo valuation model. The Black-Scholes and Monte Carlo models require the input of assumptions, including expected volatility, expected dividends, expected term, risk-free interest rate, and a discount associated with post-vest holding restrictions, changes to which can affect the fair value estimate. 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 estimated discount associated with post-vest holding restrictions is calculated using a blend of the Finnerty and Chaffe models. 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.

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

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

| *Dollars in thousands* | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Large loans | $ 1,293,410 | $ 1,274,137 |
| Small loans | 524,826 | 493,473 |
| Retail loans | 1,520 | 3,800 |
| Net finance receivables | $ 1,819,756 | $ 1,771,410 |

Net finance receivables included net deferred origination fees and costs of $14.6 million and $15.1 million as of September 30, 2024 and December 31, 2023, 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 manages and 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 three FICO band categories include subprime FICO scores below 620. The fourth and fifth FICO band categories include near-prime FICO scores ranging from 620 to 659. The sixth FICO band category includes prime FICO scores of 660 or higher.

Net finance receivables by product, FICO band at origination, and origination year as of September 30, 2024 are as follows:

| | Net Finance Receivables by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | **2024** | **2023** | **2022** | **2021** | **2020** | **Prior** | **Total Net Finance Receivables** |
| **Large Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 68,097 | $ 47,384 | $ 15,543 | $ 4,991 | $ 1,043 | $ 505 | $ 137,563 |
| 2 | 42,224 | 25,122 | 7,921 | 2,244 | 284 | 127 | 77,922 |
| 3 | 69,625 | 46,532 | 21,509 | 6,031 | 570 | 95 | 144,362 |
| 4 | 97,522 | 66,731 | 32,439 | 8,569 | 993 | 160 | 206,414 |
| 5 | 104,691 | 73,705 | 35,950 | 11,032 | 1,271 | 80 | 226,729 |
| 6 | 224,579 | 173,889 | 78,079 | 21,385 | 2,393 | 95 | 500,420 |
| Total large loans | $ 606,738 | $ 433,363 | $ 191,441 | $ 54,252 | $ 6,554 | $ 1,062 | $ 1,293,410 |
| **Small Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 55,455 | $ 19,004 | $ 2,764 | $ 427 | $ 61 | $ 30 | $ 77,741 |
| 2 | 25,904 | 9,320 | 1,231 | 104 | 8 | 6 | 36,573 |
| 3 | 40,524 | 15,630 | 1,546 | 107 | 5 | 4 | 57,816 |
| 4 | 54,711 | 21,254 | 1,732 | 84 | 8 | 5 | 77,794 |
| 5 | 61,673 | 26,470 | 2,457 | 74 | 4 | 3 | 90,681 |
| 6 | 130,061 | 49,558 | 4,502 | 90 | 5 | 5 | 184,221 |
| Total small loans | $ 368,328 | $ 141,236 | $ 14,232 | $ 886 | $ 91 | $ 53 | $ 524,826 |
| **Retail Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ — | $ — | $ — | $ — | $ 1 | $ 3 | $ 4 |
| 2 | — | — | 92 | 5 | — | — | 97 |
| 3 | — | — | 265 | 57 | — | 1 | 323 |
| 4 | — | — | 305 | 104 | 4 | 4 | 417 |
| 5 | — | — | 244 | 77 | 1 | 4 | 326 |
| 6 | — | — | 259 | 92 | 1 | 1 | 353 |
| Total retail loans | $ — | $ — | $ 1,165 | $ 335 | $ 7 | $ 13 | $ 1,520 |
| **Total Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 123,552 | $ 66,388 | $ 18,307 | $ 5,418 | $ 1,105 | $ 538 | $ 215,308 |
| 2 | 68,128 | 34,442 | 9,244 | 2,353 | 292 | 133 | 114,592 |
| 3 | 110,149 | 62,162 | 23,320 | 6,195 | 575 | 100 | 202,501 |
| 4 | 152,233 | 87,985 | 34,476 | 8,757 | 1,005 | 169 | 284,625 |
| 5 | 166,364 | 100,175 | 38,651 | 11,183 | 1,276 | 87 | 317,736 |
| 6 | 354,640 | 223,447 | 82,840 | 21,567 | 2,399 | 101 | 684,994 |
| Total loans | $ 975,066 | $ 574,599 | $ 206,838 | $ 55,473 | $ 6,652 | $ 1,128 | $ 1,819,756 |

Net finance receivables by product, FICO band at origination, and origination year as of December 31, 2023 are as follows:

| | Net Finance Receivables by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total Net Finance Receivables |
| **Large Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 83,107 | $ 28,068 | $ 9,542 | $ 2,510 | $ 980 | $ 347 | $ 124,554 |
| 2 | 46,855 | 16,964 | 5,342 | 1,077 | 309 | 83 | 70,630 |
| 3 | 86,191 | 45,778 | 14,999 | 2,201 | 316 | 66 | 149,551 |
| 4 | 120,054 | 65,753 | 20,712 | 3,481 | 592 | 55 | 210,647 |
| 5 | 128,901 | 69,706 | 23,779 | 4,043 | 496 | 22 | 226,947 |
| 6 | 291,795 | 144,663 | 46,630 | 7,936 | 732 | 52 | 491,808 |
| Total large loans | $ 756,903 | $ 370,932 | $ 121,004 | $ 21,248 | $ 3,425 | $ 625 | $ 1,274,137 |
| **Small Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 64,664 | $ 10,459 | $ 1,625 | $ 172 | $ 68 | $ 18 | $ 77,006 |
| 2 | 31,289 | 5,886 | 724 | 36 | 11 | 9 | 37,955 |
| 3 | 51,222 | 8,099 | 717 | 31 | 6 | 1 | 60,076 |
| 4 | 65,743 | 10,074 | 679 | 19 | 10 | 3 | 76,528 |
| 5 | 74,207 | 13,838 | 632 | 14 | 4 | 1 | 88,696 |
| 6 | 126,400 | 25,679 | 1,111 | 15 | 5 | 2 | 153,212 |
| Total small loans | $ 413,525 | $ 74,035 | $ 5,488 | $ 287 | $ 104 | $ 34 | $ 493,473 |
| **Retail Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 1 | $ — | $ 2 | $ 1 | $ 1 | $ 5 | $ 10 |
| 2 | — | 213 | 30 | — | — | — | 243 |
| 3 | — | 634 | 211 | 3 | 1 | 1 | 850 |
| 4 | — | 650 | 352 | 36 | — | 4 | 1,042 |
| 5 | — | 508 | 278 | 24 | — | 4 | 814 |
| 6 | — | 524 | 286 | 28 | 2 | 1 | 841 |
| Total retail loans | $ 1 | $ 2,529 | $ 1,159 | $ 92 | $ 4 | $ 15 | $ 3,800 |
| **Total Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 147,772 | $ 38,527 | $ 11,169 | $ 2,683 | $ 1,049 | $ 370 | $ 201,570 |
| 2 | 78,144 | 23,063 | 6,096 | 1,113 | 320 | 92 | 108,828 |
| 3 | 137,413 | 54,511 | 15,927 | 2,235 | 323 | 68 | 210,477 |
| 4 | 185,797 | 76,477 | 21,743 | 3,536 | 602 | 62 | 288,217 |
| 5 | 203,108 | 84,052 | 24,689 | 4,081 | 500 | 27 | 316,457 |
| 6 | 418,195 | 170,866 | 48,027 | 7,979 | 739 | 55 | 645,861 |
| Total loans | $ 1,170,429 | $ 447,496 | $ 127,651 | $ 21,627 | $ 3,533 | $ 674 | $ 1,771,410 |

Table of Contents

Credit losses by product and origination year for the nine months ended September 30, 2024 and 2023, respectively, are as follows:

| | Credit Losses by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total Credit Losses |
| Large loans | $ 2,346 | $ 51,378 | $ 33,207 | $ 9,525 | $ 1,297 | $ 408 | $ 98,161 |
| Small loans | 3,766 | 44,676 | 10,216 | 761 | 38 | 27 | 59,484 |
| Retail loans | — | — | 379 | 190 | 13 | 4 | 586 |
| Total loans | $ 6,112 | $ 96,054 | $ 43,802 | $ 10,476 | $ 1,348 | $ 439 | $ 158,231 |

| | Credit Losses by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total Credit Losses |
| Large loans | $ 2,662 | $ 56,303 | $ 28,070 | $ 4,197 | $ 1,216 | $ 218 | $ 92,666 |
| Small loans | 2,665 | 46,163 | 9,095 | 550 | 51 | 6 | 58,530 |
| Retail loans | — | 552 | 325 | 68 | 25 | 3 | 973 |
| Total loans | $ 5,327 | $ 103,018 | $ 37,490 | $ 4,815 | $ 1,292 | $ 227 | $ 152,169 |

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

| | September 30, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Large | | Small | | Retail | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % | $ | % |
| Current | $ 1,101,634 | 85.2 % | $ 426,506 | 81.3 % | $ 1,031 | 67.8 % | $ 1,529,171 | 84.1 % |
| 1 to 29 days past due | 115,341 | 8.9 % | 48,969 | 9.3 % | 258 | 17.0 % | 164,568 | 9.0 % |
| Delinquent accounts | | | | | | | | |
| 30 to 59 days | 21,797 | 1.7 % | 13,451 | 2.5 % | 52 | 3.4 % | 35,300 | 1.9 % |
| 60 to 89 days | 16,850 | 1.3 % | 10,809 | 2.1 % | 45 | 3.0 % | 27,704 | 1.5 % |
| 90 to 119 days | 13,998 | 1.1 % | 9,920 | 1.9 % | 46 | 3.0 % | 23,964 | 1.4 % |
| 120 to 149 days | 13,552 | 1.0 % | 8,942 | 1.7 % | 50 | 3.3 % | 22,544 | 1.2 % |
| 150 to 179 days | 10,238 | 0.8 % | 6,229 | 1.2 % | 38 | 2.5 % | 16,505 | 0.9 % |
| Total delinquency | $ 76,435 | 5.9 % | $ 49,351 | 9.4 % | $ 231 | 15.2 % | $ 126,017 | 6.9 % |
| Total net finance receivables | $ 1,293,410 | 100.0 % | $ 524,826 | 100.0 % | $ 1,520 | 100.0 % | $ 1,819,756 | 100.0 % |
| Net finance receivables in nonaccrual status | $ 47,993 | 3.7 % | $ 29,295 | 5.6 % | $ 171 | 11.3 % | $ 77,459 | 4.3 % |

| | December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Large | | Small | | Retail | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % | $ | % |
| Current | $ 1,084,518 | 85.1 % | $ 406,203 | 82.4 % | $ 2,620 | 69.0 % | $ 1,493,341 | 84.3 % |
| 1 to 29 days past due | 109,483 | 8.6 % | 45,119 | 9.1 % | 594 | 15.6 % | 155,196 | 8.8 % |
| Delinquent accounts | | | | | | | | |
| 30 to 59 days | 22,587 | 1.7 % | 12,053 | 2.4 % | 116 | 3.1 % | 34,756 | 1.9 % |
| 60 to 89 days | 19,844 | 1.6 % | 11,253 | 2.3 % | 115 | 3.0 % | 31,212 | 1.8 % |
| 90 to 119 days | 16,951 | 1.3 % | 10,030 | 2.0 % | 126 | 3.2 % | 27,107 | 1.5 % |
| 120 to 149 days | 10,938 | 0.9 % | 4,247 | 0.9 % | 132 | 3.5 % | 15,317 | 0.9 % |
| 150 to 179 days | 9,816 | 0.8 % | 4,568 | 0.9 % | 97 | 2.6 % | 14,481 | 0.8 % |
| Total delinquency | $ 80,136 | 6.3 % | $ 42,151 | 8.5 % | $ 586 | 15.4 % | $ 122,873 | 6.9 % |
| Total net finance receivables | $ 1,274,137 | 100.0 % | $ 493,473 | 100.0 % | $ 3,800 | 100.0 % | $ 1,771,410 | 100.0 % |
| Net finance receivables in nonaccrual status | $ 44,627 | 3.5 % | $ 21,850 | 4.4 % | $ 394 | 10.4 % | $ 66,871 | 3.8 % |

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, 2024 and 2023, the Company reversed $5.7 million and $5.4 million of accrued interest as reductions of interest and

fee income, respectively. The Company reversed $17.3 million and $16.4 million of accrued interest as reductions of interest and fee income for the nine months ended September 30, 2024 and 2023, respectively.

The following are reconciliations of the allowance for credit losses by product for the three and nine months ended September 30, 2024 and 2023:

| *Dollars in thousands* | Large | Small | Retail | Total |
|---|---|---|---|---|
| Beginning balance at July 1, 2024 | $ 123,978 | $ 61,098 | $ 324 | $ 185,400 |
| Provision for credit losses | 34,768 | 19,550 | 31 | 54,349 |
| Credit losses | (30,493) | (19,806) | (126) | (50,425) |
| Recoveries | 1,717 | 1,055 | 4 | 2,776 |
| Ending balance at September 30, 2024 | $ 129,970 | $ 61,897 | $ 233 | $ 192,100 |
| Net finance receivables at September 30, 2024 | $ 1,293,410 | $ 524,826 | $ 1,520 | $ 1,819,756 |
| Allowance as percentage of net finance receivables at September 30, 2024 | 10.0 % | 11.8 % | 15.3 % | 10.6 % |

| *Dollars in thousands* | Large | Small | Retail | Total |
|---|---|---|---|---|
| Beginning balance at July 1, 2023 | $ 121,873 | $ 58,468 | $ 1,059 | $ 181,400 |
| Provision for credit losses | 33,127 | 17,714 | 89 | 50,930 |
| Credit losses | (30,908) | (18,702) | (341) | (49,951) |
| Recoveries | 1,493 | 1,012 | 16 | 2,521 |
| Ending balance at September 30, 2023 | $ 125,585 | $ 58,492 | $ 823 | $ 184,900 |
| Net finance receivables at September 30, 2023 | $ 1,271,891 | $ 474,181 | $ 4,937 | $ 1,751,009 |
| Allowance as percentage of net finance receivables at September 30, 2023 | 9.9 % | 12.3 % | 16.7 % | 10.6 % |

| *Dollars in thousands* | Large | Small | Retail | Total |
|---|---|---|---|---|
| Beginning balance at January 1, 2024 | $ 127,992 | $ 58,736 | $ 672 | $ 187,400 |
| Provision for credit losses | 94,916 | 59,550 | 108 | 154,574 |
| Credit losses | (98,161) | (59,484) | (586) | (158,231) |
| Recoveries | 5,223 | 3,095 | 39 | 8,357 |
| Ending balance at September 30, 2024 | $ 129,970 | $ 61,897 | $ 233 | $ 192,100 |
| Net finance receivables at September 30, 2024 | $ 1,293,410 | $ 524,826 | $ 1,520 | $ 1,819,756 |
| Allowance as percentage of net finance receivables at September 30, 2024 | 10.0 % | 11.8 % | 15.3 % | 10.6 % |

| *Dollars in thousands* | Large | Small | Retail | Total |
|---|---|---|---|---|
| Beginning balance at January 1, 2023 | $ 119,592 | $ 57,915 | $ 1,293 | $ 178,800 |
| Provision for credit losses | 94,392 | 56,292 | 465 | 151,149 |
| Credit losses | (92,666) | (58,530) | (973) | (152,169) |
| Recoveries | 4,267 | 2,815 | 38 | 7,120 |
| Ending balance at September 30, 2023 | $ 125,585 | $ 58,492 | $ 823 | $ 184,900 |
| Net finance receivables at September 30, 2023 | $ 1,271,891 | $ 474,181 | $ 4,937 | $ 1,751,009 |
| Allowance as percentage of net finance receivables at September 30, 2023 | 9.9 % | 12.3 % | 16.7 % | 10.6 % |

The Company uses certain loan modification programs for borrowers experiencing financial difficulties as a loss mitigation strategy to improve collectability of the loans and assist customers through financial setbacks. The programs consist of offering payment deferrals, interest rate reductions, term extensions, and, in limited instances, settlements. Customers may also pursue financial assistance through external sources, such as filing for bankruptcy protection. Modification programs available to our customers are described in more detail below:

- Customers with temporary hardships may be offered payment deferrals related to past due payments. Such deferrals extend the customer's maturity date and are generally considered insignificant delays. The Company's policy for determining an insignificant delay in payment is three or fewer deferrals in a rolling twelve-month period. The rolling twelve-month period for the prior-year disclosures begins on or after January 1, 2023 (the date of adoption).

- Customers with delinquent loans who meet certain criteria are eligible to receive a reduced interest rate and/or term extension, making the monthly payments more affordable.
- The Company may also agree to settle a past-due loan by accepting less than the full principal balance owed in certain limited cases once it is determined that collection of the entire outstanding balance is unlikely.
- Customers who receive bankruptcy protection may receive principal forgiveness, interest rate reductions, and/or term extensions.

The information relating to modifications made to borrowers experiencing financial difficulty for the periods indicated are as follows:

| | As of and for the Three Months Ended September 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Large | | Small | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % |
| Interest rate reduction & term extension | $ 2,110 | 0.2 % | $ 386 | 0.1 % | $ 2,496 | 0.1 % |
| Term extension | 1,108 | 0.1 % | 199 | — | 1,307 | 0.1 % |
| Interest rate reduction | 2,943 | 0.2 % | 1,334 | 0.3 % | 4,277 | 0.2 % |
| Principal forgiveness, interest rate reduction, & term extension | 110 | — | 5 | — | 115 | — |
| Total | $ 6,271 | 0.5 % | $ 1,924 | 0.4 % | $ 8,195 | 0.5 % |

| | As of and for the Three Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Large | | Small | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % |
| Interest rate reduction & term extension | $ 4,438 | 0.3 % | 831 | 0.2 % | $ 5,269 | 0.3 % |
| Principal forgiveness, interest rate reduction, & term extension | 117 | — | 17 | — | 134 | — |
| Total | $ 4,555 | 0.4 % | $ 848 | 0.2 % | $ 5,403 | 0.3 % |

| | As of and for the Nine Months Ended September 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Large | | Small | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % |
| Interest rate reduction & term extension | $ 8,000 | 0.6 % | $ 1,331 | 0.3 % | $ 9,331 | 0.5 % |
| Term extension | 2,082 | 0.2 % | 470 | 0.1 % | 2,552 | 0.1 % |
| Interest rate reduction | 3,435 | 0.3 % | 1,468 | 0.3 % | 4,903 | 0.3 % |
| Principal forgiveness, interest rate reduction, & term extension | 385 | — | 23 | — | 408 | — |
| Total | $ 13,902 | 1.1 % | $ 3,292 | 0.6 % | $ 17,194 | 0.9 % |

| | As of and for the Nine Months Ended September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Large | | Small | | Total | |
| *Dollars in thousands* | $ | % | $ | % | $ | % |
| Interest rate reduction & term extension | $ 11,480 | 0.9 % | 2,196 | 0.5 % | $ 13,676 | 0.8 % |
| Principal forgiveness, interest rate reduction, & term extension | 244 | — | 34 | — | 278 | — |
| Total | $ 11,724 | 0.9 % | $ 2,230 | 0.5 % | $ 13,954 | 0.8 % |

The financial effects of the modifications made to borrowers experiencing financial difficulty for the periods indicated are as follows:

| | Three Months Ended September 30, 2024 | |
|---|---|---|
| Loan Modification | Product | Financial Effect |
| Principal forgiveness | Large loans | Reduced the amortized cost basis of the loans by $0.3 million. |
| | Small loans | Reduced the amortized cost basis of the loans by $0.1 million. |
| Interest rate reduction | Large loans | Reduced the weighted-average contractual interest rate by 15.0%. |
| | Small loans | Reduced the weighted-average contractual interest rate by 26.8%. |
| Term extension | Large loans | Added a weighted-average 1.2 years to the life of loans. |
| | Small loans | Added a weighted-average 1.1 years to the life of loans. |

| Loan Modification | Three Months Ended September 30, 2023<br>Product | Financial Effect |
|---|---|---|
| Principal forgiveness | Large loans | Reduced the amortized cost basis of the loans by $0.3 million. |
| | Small loans | Reduced the amortized cost basis of the loans by $0.1 million. |
| Interest rate reduction | Large loans | Reduced the weighted-average contractual interest rate by 9.8%. |
| | Small loans | Reduced the weighted-average contractual interest rate by 12.7%. |
| Term extension | Large loans | Added a weighted-average 1.3 years to the life of loans. |
| | Small loans | Added a weighted-average 1.3 years to the life of loans. |

| Loan Modification | Nine Months Ended September 30, 2024<br>Product | Financial Effect |
|---|---|---|
| Principal forgiveness | Large loans | Reduced the amortized cost basis of the loans by $0.9 million. |
| | Small loans | Reduced the amortized cost basis of the loans by $0.3 million. |
| Interest rate reduction | Large loans | Reduced the weighted-average contractual interest rate by 11.2%. |
| | Small loans | Reduced the weighted-average contractual interest rate by 22.6%. |
| Term extension | Large loans | Added a weighted-average 1.4 years to the life of loans. |
| | Small loans | Added a weighted-average 1.3 years to the life of loans. |

| Loan Modification | Nine Months Ended September 30, 2023<br>Product | Financial Effect |
|---|---|---|
| Principal forgiveness | Large loans | Reduced the amortized cost basis of the loans by $0.8 million. |
| | Small loans | Reduced the amortized cost basis of the loans by $0.4 million. |
| Interest rate reduction | Large loans | Reduced the weighted-average contractual interest rate by 10.8%. |
| | Small loans | Reduced the weighted-average contractual interest rate by 13.3%. |
| Term extension | Large loans | Added a weighted-average 1.4 years to the life of loans. |
| | Small loans | Added a weighted-average 1.3 years to the life of loans. |

The following table provides the amortized cost basis for modifications made to borrowers experiencing financial difficulty within the previous twelve months that subsequently defaulted. The Company defines payment default as 90 days past due for this disclosure. The respective amounts for each modification for the periods indicated are as follows:

| | As of and for the Three Months Ended September 30, 2024 | | |
|---|---|---|---|
| *Dollars in thousands* | Large | Small | Total |
| Interest rate reduction & term extension | $ 1,417 | $ 228 | $ 1,645 |
| Term extension | 276 | 69 | 345 |
| Interest rate reduction | 53 | 11 | 64 |
| Principal forgiveness, interest rate reduction, & term extension | 20 | 2 | 22 |
| Total | $ 1,766 | $ 310 | $ 2,076 |

| | As of and for the Three Months Ended September 30, 2023 | | |
|---|---|---|---|
| *Dollars in thousands* | Large | Small | Total |
| Interest rate reduction & term extension | $ 1,059 | $ 280 | $ 1,339 |
| Term extension | — | — | — |
| Principal forgiveness, interest rate reduction, & term extension | — | 1 | 1 |
| Total | $ 1,059 | $ 281 | $ 1,340 |

| | As of and for the Nine Months Ended September 30, 2024 | | |
|---|---|---|---|
| *Dollars in thousands* | Large | Small | Total |
| Interest rate reduction & term extension | $ 1,793 | $ 298 | $ 2,091 |
| Term extension | 317 | 78 | 395 |
| Interest rate reduction | 71 | 11 | 82 |
| Principal forgiveness, interest rate reduction, & term extension | 34 | 6 | 40 |
| Total | $ 2,215 | $ 393 | $ 2,608 |

| Dollars in thousands | As of and for the Nine Months Ended September 30, 2023 Large | Small | Total |
|---|---|---|---|
| Interest rate reduction & term extension | $ 1,123 | $ 311 | $ 1,434 |
| Term extension | — | — | — |
| Principal forgiveness, interest rate reduction, & term extension | — | 1 | 1 |
| Total | $ 1,123 | $ 312 | $ 1,435 |

The contractual delinquencies of loans that were modified to borrowers experiencing financial difficulty within the previous twelve months for the period indicated are as follows:

| Dollars in thousands | September 30, 2024 Large | Small | Total |
|---|---|---|---|
| Current | $ 13,395 | $ 2,978 | $ 16,373 |
| 30 - 89 days past due | 1,670 | 405 | 2,075 |
| 90+ days past due | 1,275 | 256 | 1,531 |
| Total (1) | $ 16,340 | $ 3,639 | $ 19,979 |

(1) Excludes modified finance receivables that subsequently charged off of $1.2 million and $0.2 million in large and small loans, respectively.

The contractual delinquencies of loans that were modified to borrowers experiencing financial difficulty on or after January 1, 2023 for the period indicated are as follows:

| Dollars in thousands | September 30, 2023 Large | Small | Total |
|---|---|---|---|
| Current | $ 9,753 | $ 1,745 | $ 11,498 |
| 30 - 89 days past due | 1,146 | 252 | 1,398 |
| 90+ days past due | 825 | 233 | 1,058 |
| Total (1) | $ 11,724 | $ 2,230 | $ 13,954 |

(1) Excludes modified finance receivables that subsequently charged off of $0.3 million and $0.1 million in large and small loans, respectively.

**Note 4. Restricted Available-for-Sale Investments**

The following tables reconcile the amortized cost, gross unrealized gains and losses included in accumulated other comprehensive income or loss, and estimated fair value of the Company’s restricted available-for-sale investments as of the periods indicated:

| Dollars in thousands | September 30, 2024 Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Restricted investments | $ 21,836 | $ — | $ (109) | $ 21,727 |

| Dollars in thousands | December 31, 2023 Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Restricted investments | $ 23,211 | $ 1 | $ (472) | $ 22,740 |

The following tables include the gross unrealized losses and estimated fair values of restricted available-for-sale investments that were in a continuous unrealized loss position, for which no allowance for credit loss has been recorded, as of the periods indicated:

| | September 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| Dollars in thousands | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| Restricted investments | $ 19,528 | $ (89) | $ 2,199 | $ (20) | $ 21,727 | $ (109) |

| Dollars in thousands | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| Restricted investments | $ — | $ — | $ 18,633 | $ (472) | $ 18,633 | $ (472) |

The restricted available-for-sale investments consist of U.S. Treasuries which are measured at fair value and include accrued interest receivables of $0.2 million and $0.3 million as of September 30, 2024 and December 31, 2023, respectively. The investments consist of highly rated securities backed by the U.S. federal government. As a result, the Company has not recorded an allowance for credit losses related to the restricted available-for-sale investments.

The following table includes the amortized cost and estimated fair values of restricted available-for-sale investments by contractual maturity as of the periods indicated:

| Dollars in thousands | September 30, 2024 | |
|---|---|---|
| | Amortized Cost | Estimated Fair Value |
| Due in one year | $ 21,836 | $ 21,727 |
| Due within one year to five years | — | — |
| Due within five years to ten years | — | — |
| Due after ten years | — | — |
| Total restricted available-for-sale investments | $ 21,836 | $ 21,727 |

The Company had no proceeds from sold restricted available-for-sale investments during the three and nine months ended September 30, 2024 and 2023, respectively.

The Company had no gross realized gains or losses during the three and nine months ended September 30, 2024 and 2023, respectively. For additional information on the Company's restricted available-for-sale investments, see Note 8, "Disclosure About Fair Value of Financial Instruments."

**Note 5. Variable Interest Entities**

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 Company’s revolving warehouse credit facilities and securitizations are issued by the Company’s SPEs, which are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary.

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 $100.3 million and $109.9 million as of September 30, 2024 and December 31, 2023, respectively. Cash inflows from the finance receivables are distributed to the lenders/investors, the service providers, and/or the residual interest that the Company owns in accordance with a monthly contractual priority of payments. The SPEs pay a servicing fee to the Company, which is eliminated in consolidation. Distributions from the SPEs to the Company are permitted under the debt arrangements.

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

The following table presents the assets and liabilities of our consolidated VIEs:

| *Dollars in thousands* | (Unaudited) September 30, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Cash | $ 382 | $ 378 |
| Net finance receivables | 1,303,154 | 1,278,568 |
| Allowance for credit losses | (135,812) | (133,207) |
| Restricted cash | 115,316 | 123,899 |
| Other assets | 2,666 | 2,880 |
| **Total assets** | $ 1,285,706 | $ 1,272,518 |
| **Liabilities** | | |
| Net debt | $ 1,218,141 | $ 1,200,380 |
| Accounts payable and accrued expenses | 37 | 218 |
| **Total liabilities** | $ 1,218,178 | $ 1,200,598 |

**Note 6. Debt**

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

| | September 30, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| *Dollars in thousands* | Debt | Unamortized Debt Issuance Costs (1) | Net Debt | Debt | Unamortized Debt Issuance Costs (1) | Net Debt |
| Revolving credit facilities | $ 249,749 | $ (581) | $ 249,168 | $ 245,546 | $ (606) | $ 244,940 |
| Securitizations | 1,146,143 | (4,064) | 1,142,079 | 1,154,268 | (3,972) | 1,150,296 |
| Total | $ 1,395,892 | $ (4,645) | $ 1,391,247 | $ 1,399,814 | $ (4,578) | $ 1,395,236 |
| Unused amount of revolving credit facilities (subject to borrowing base) | $ 482,219 | | | $ 551,508 | | |

(1) Unamortized debt issuance costs related to the revolving warehouse credit facilities are presented within other assets in the consolidated balance sheets. These credit facilities had $1.8 million and $2.4 million in such costs as of September 30, 2024 and December 31, 2023, respectively.

**Revolving Credit Facilities:** The Company's revolving credit facilities are secured by substantially all of the Company's finance receivables and equity interests of the majority of its subsidiaries. The Company pays unused commitment fees on its revolving credit facilities, generally based upon the average outstanding balance. As of September 30, 2024, the Company held $4.7 million in unrestricted cash. The Company had $149.9 million of immediate available liquidity to draw down cash under the senior revolving credit facility and had no immediate availability to draw down cash under any of its revolving warehouse credit facilities as of September 30, 2024; however, each of the Company's revolving warehouse credit facilities holds restricted cash reserves to satisfy provisions of its respective credit agreement.

The following table includes the key terms under each of the Company's revolving credit facilities as of September 30, 2024:

| *Dollars in thousands* | Total Credit Facility | Debt Balance | Restricted Cash Reserves | Advance Rate Cap | Current Advance Rate | Unused Commitment Fee | Revolving Period End Date | Maturity Date |
|---|---|---|---|---|---|---|---|---|
| Senior (1) | $ 355,000 | $ 173,687 | $ — | 83% | 75% | 0.50% - 1.00% | N/A | Sep 2025 |
| RMR IV warehouse | 125,000 | 23,692 | 298 | 79% | 79% | 0.35% - 0.70% | May 2025 | May 2026 |
| RMR V warehouse | 100,000 | 33,902 | 420 | 80% | 80% | 0.45% - 0.75% | Nov 2024 | Nov 2025 |
| RMR VI warehouse (2) | 75,000 | 12,136 | 160 | 75% | 75% | 0.50% | Feb 2025 | Feb 2026 |
| RMR VII warehouse (3) | 75,000 | 6,332 | 78 | 80% | 80% | 0.45% - 0.65% | Oct 2024 | Oct 2025 |
| Total revolving credit facilities | $ 730,000 | $ 249,749 | $ 956 | | | | | |

(1) In February 2024, the Company amended its senior revolving credit facility to, among other things, reduce the availability under the facility from $420 million to $355 million and extend the maturity date to September 2025.

(2) Following a March 2024 amendment, advances on the facility are capped at 75% of eligible finance receivables (previously 80%).

(3) See Note 13, “Subsequent Events,” for information regarding the amendment of this facility following the end of the fiscal quarter.

Borrowings under the revolving credit facilities bear interest, payable monthly, at a rate equal to the sum of any applicable floor, benchmark adjustment, margin, and the market rate of each respective rate type that was effective as of September 30, 2024 (as follows):

| | Floor | Benchmark Adjustment | Margin | Rate Type | Effective Interest Rate |
|---|---|---|---|---|---|
| Senior | 0.50% | 0.10% | 3.00% | 1-month SOFR | 8.30% |
| RMR IV warehouse | — | 0.10% | 2.80% | 1-month SOFR | 8.10% |
| RMR V warehouse | — | — | 2.75% | Conduit | 7.91% |
| RMR VI warehouse | — | 0.10% | 2.50% | 1-month SOFR | 7.80% |
| RMR VII warehouse | — | 0.10% | 3.00% | 1-month SOFR | 8.30% |

**Securitizations:** From time to time, the Company and its SPE, RMR III, complete private offerings and sales of asset-backed notes through the Company’s Issuance Trusts. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sells and transfers to the Issuance Trusts. The Issuance Trusts hold restricted cash reserves to satisfy provisions of the transaction documents. Borrowings under the securitizations bear interest, payable monthly, and principal repayments begin the month subsequent to the end of the revolving period. Prior to maturity, the Company may redeem the notes in full, but not in part, at its option on securitization-specific, designated dates. No payments of principal of the notes will be made during the revolving periods.

The following table includes the key terms under each of the Company’s securitizations as of September 30, 2024:

| *Dollars in thousands* | Issue Date | Issue Amount | Debt Balance | Restricted Cash Reserves | Effective Interest Rate | Revolving Period End Date | Maturity Date |
|---|---|---|---|---|---|---|---|
| RMIT 2020-1 | Sep 2020 | $ 180,000 | $ 63,037 | $ 1,875 | 3.79% | Sep 2023 | Oct 2030 |
| RMIT 2021-1 | Feb 2021 | 248,700 | 135,256 | 2,604 | 2.42% | Feb 2024 | Mar 2031 |
| RMIT 2021-2 | Jul 2021 | 200,000 | 200,191 | 2,083 | 2.30% | Jul 2026 | Aug 2033 |
| RMIT 2021-3 | Oct 2021 | 125,000 | 125,202 | 1,471 | 3.88% | Sep 2026 | Oct 2033 |
| RMIT 2022-1 | Feb 2022 | 250,000 | 250,374 | 2,646 | 3.59% | Feb 2025 | Mar 2032 |
| RMIT 2022-2B (1) | Oct 2022 | 200,000 | 184,295 | 2,326 | 7.51% | Oct 2024 | Nov 2031 |
| RMIT 2024-1 (2) | Jun 2024 | 187,305 | 187,788 | 1,078 | 6.19% | May 2027 | Jul 2036 |
| Total securitizations | | $ 1,391,005 | $ 1,146,143 | $ 14,083 | | | |

(1) The transaction consisted of the issuance of three classes of fixed-rate, asset-backed notes by RMIT 2022-2B. RMR III sold two classes of the asset-backed notes and transferred them to RMIT 2022-2B. On the closing date, RMR III retained the $16.3 million Class C fixed-rate, asset-backed notes that may be sold in whole or in part.

(2) In June 2024, the Company, its SPE, RMR III, and the Company’s indirect SPE, RMIT 2024-1, completed a private offering and sale of $187 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate, asset-backed notes by RMIT 2024-1. 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 2024-1. Prior to maturity in July 2036, the Company may redeem the notes in full, but not in part, at its option on any note payment date on or after the payment date occurring in June 2027. No payments of principal of the notes will be made during the revolving period.

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. As of September 30, 2024, the Company was in compliance with all debt covenants.

**Note 7. Stockholders’ Equity**

***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, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Dividends declared per common share | $ 0.30 | $ 0.30 | $ 0.90 | $ 0.90 |

See Note 13, “Subsequent Events,” for information regarding the Company’s cash dividend following the end of the fiscal quarter.

**Note 8. 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 highly liquid nature.

**Restricted available-for-sale investments:** The fair value of U.S. Treasury securities is priced using an external pricing service which the Company corroborates using a secondary external vendor. For additional information on the Company's restricted available-for-sale investments, see Note 4, "Restricted Available-for-Sale Investments."

**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.

**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 inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable 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 following table includes the carrying amounts and estimated fair values of financial assets and liabilities disclosed but not carried at fair value:

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| *Dollars in thousands* | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| **Assets** | | | | |
| Level 1 | | | | |
| Cash | $ 4,745 | $ 4,745 | $ 4,509 | $ 4,509 |
| Restricted cash | 115,576 | 115,576 | 124,164 | 124,164 |
| Level 3 | | | | |
| Net finance receivables, less unearned insurance premiums and allowance for credit losses | 1,581,148 | 1,631,581 | 1,536,118 | 1,603,737 |
| **Liabilities** | | | | |
| Level 3 | | | | |
| Debt | 1,395,892 | 1,348,511 | 1,399,814 | 1,308,349 |

The following table includes the carrying amounts and estimated fair values of amounts the Company measures at fair value on a recurring basis:

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| *Dollars in thousands* | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| **Assets** | | | | |
| Level 2 | | | | |
| Restricted available-for-sale investments | 21,727 | 21,727 | 22,740 | 22,740 |

As of the periods indicated above, there were no financial assets or liabilities measured at fair value on a non-recurring basis.

**Note 9. 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. Generally, these discrete benefits or deficiencies are primarily the result of exercises or vestings of share-based awards. However, during the three months ended September 30, 2023, the Company also re-established deferred tax assets for certain state net operating losses.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands* | 2024 | 2023 | 2024 | 2023 |
| Provision for corporate taxes | $ 2,447 | $ 2,465 | $ 10,047 | $ 7,125 |
| Discrete tax (benefits) deficiencies | 55 | (388) | (40) | (342) |
| Total income taxes | $ 2,502 | $ 2,077 | $ 10,007 | $ 6,783 |

**Note 10. Earnings Per Share**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per share amounts* | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net income | $ 7,663 | $ 8,820 | $ 31,313 | $ 23,532 |
| Denominator: | | | | |
| Weighted-average shares outstanding for basic earnings per share | 9,683 | 9,429 | 9,622 | 9,385 |
| Effect of dilutive securities | 407 | 221 | 278 | 228 |
| Weighted-average shares adjusted for dilutive securities | 10,090 | 9,650 | 9,900 | 9,613 |
| Earnings per share: | | | | |
| Basic | $ 0.79 | $ 0.94 | $ 3.25 | $ 2.51 |
| Diluted | $ 0.76 | $ 0.91 | $ 3.16 | $ 2.45 |

The Company excluded outstanding shares of common stock totaling 24 thousand and 0.3 million for the three months ended September 30, 2024 and 2023, respectively, and 0.3 million and 0.4 million for the nine months ended September 30, 2024 and 2023, respectively, from the computation of diluted earnings per share because they were anti-dilutive.

**Note 11. Share-Based Compensation**

The Company previously adopted the 2007 Plan, the 2011 Plan, and the 2015 Plan (including re-approval as amended and restated in April 2017 and May 2021). On May 16, 2024, the stockholders of the Company approved the 2024 Plan. As of September 30, 2024, subject to adjustments as provided in the 2024 Plan, the maximum aggregate number of shares of the Company's common stock that could be issued under the 2024 Plan could not exceed the sum of (i) 381,000 shares plus (ii) any shares remaining available for the grant of awards as of May 16, 2024 under the 2015 Plan, plus (iii) any shares subject to an award granted under the 2015 Plan which award is forfeited, cash-settled, cancelled, terminated, expires, or lapses for any reason after May 16, 2024 without the issuance of shares or pursuant to which such shares are forfeited (subject to adjustment for anti-dilution purposes as provided in the 2024 Plan). Of the amount described in the preceding sentence, no more than 381,000 shares may be issued under the 2024 Plan pursuant to the grant of incentive stock options (subject to adjustment for anti-dilution purposes). As of May 16, 2024, there were

1.0 million shares available for grant under the 2024 Plan, inclusive of shares previously available for grant under the 2015 Plan that were rolled over to the 2024 Plan. No further grants will be made under the 2015 Plan. However, awards that are outstanding under the 2007 Plan, the 2011 Plan, and the 2015 Plan will continue in accordance with their respective terms. As of September 30, 2024, there were 0.5 million shares available for grant under the 2024 Plan.

For the three months ended September 30, 2024 and 2023, the Company recorded share-based compensation expense of $3.7 million and $3.4 million, respectively. The Company recorded $8.8 million and $7.8 million in share-based compensation expense for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, unrecognized share-based compensation expense to be recognized over future periods approximated $14.3 million. This amount will be recognized as expense over a weighted-average period of 1.8 years. Share-based compensation expenses are recognized on a straight-line basis over the requisite service period of the agreement. All share-based compensation is classified as equity awards.

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 PRSUs, service-based RSUs, and RSAs to certain members of senior management under the Company's LTIP. 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. Vested PRSUs are subject to an additional one-year holding period following the vesting date. The actual value of the PRSUs that may be earned can range from 0% to 150% of target based on positive or negative cumulative total shareholder return concluding at the end of the third calendar year.

Prior to 2022, the Company issued NQSOs, performance-contingent RSUs, CSPUs, and RSAs to certain members of senior management under the LTIP. The CSPUs were cash incentive awards, and the associated expense was not based on the market price of the Company's common stock. These annual grants were 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 performance-contingent RSUs and CSPUs that could be earned ranged from 0% to 150% of target based on the percentile ranking of the Company's compound annual growth rate of pre-provision net income and pre-provision net income per share compared to a public company peer group over a three-year performance period.

**Key team member incentive program:** The Company also has a KTIP for certain other members of senior management. Recurring annual participation in the program is at the discretion of the Board and executive management. The annual grants are subject to 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.

Prior to 2024, the annual grant was subject to performance over a one-year period. Payout under the program ranged 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 was issued following the one-year performance period and vested 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:

**Nonqualified 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 following table summarizes the stock option activity for the nine months ended September 30, 2024:

| *Dollars and shares in thousands, except per share amounts* | Number of Shares | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at January 1, 2024 | 509 | $ 23.32 | | |
| Granted | — | — | | |
| Exercised | (62 ) | 21.36 | | |
| Forfeited | — | — | | |
| Expired | — | — | | |
| Options outstanding at September 30, 2024 | 447 | $ 23.59 | 4.6 | $ 4,077 |
| Options exercisable at September 30, 2024 | 447 | $ 23.59 | 4.6 | $ 4,077 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per share amounts* | 2024 | 2023 | 2024 | 2023 |
| Weighted-average grant date fair value per share | $ — | $ — | $ — | $ — |
| Intrinsic value of options exercised | $ 657 | $ — | $ 657 | $ 277 |
| Fair value of stock options that vested | $ — | $ 20 | $ — | $ 20 |

**Performance restricted stock units:** Compensation expense for PRSUs is based on the fair value of the award estimated on the grant date using the Monte Carlo valuation model. The following are the weighted-average assumptions for the PRSU grants during the periods indicated below:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Expected volatility | 42.48 % | 40.18 % |
| Expected dividends | 2.30 % | 2.24 % |
| Risk-free rate | 5.21 % | 5.21 % |
| Discount for post-vesting restrictions | 9.19 % | 8.48 % |

The following table summarizes PRSU activity during the nine months ended September 30, 2024:

| *Dollars and units in thousands, except per unit amounts* | Units | Weighted-Average Grant Date Fair Value Per Unit |
|---|---|---|
| Non-vested units at January 1, 2024 | 175 | $ 39.94 |
| Granted | 136 | 26.21 |
| Achieved performance adjustment | — | — |
| Vested | — | — |
| Forfeited | — | — |
| Non-vested units at September 30, 2024 | 311 | $ 33.93 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per unit amounts* | 2024 | 2023 | 2024 | 2023 |
| Weighted-average grant date fair value per unit | $ — | $ — | $ 26.21 | $ 32.40 |
| Fair value of PRSUs that vested | $ — | $ — | $ — | $ — |

**Performance-contingent restricted stock units:** Compensation expense for performance-contingent 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 performance-contingent RSU activity during the nine months ended September 30, 2024:

| *Dollars and units in thousands, except per unit amounts* | Units | Weighted-Average Grant Date Fair Value Per Unit |
|---|---|---|
| Non-vested units at January 1, 2024 | 45 | $ 30.22 |
| Granted (target) | — | — |
| Achieved performance adjustment | — | — |
| Vested | (45 ) | 30.22 |
| Forfeited | — | — |
| Non-vested units at September 30, 2024 | — | $ — |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per unit amounts* | 2024 | 2023 | 2024 | 2023 |
| Weighted-average grant date fair value per unit | $ — | $ — | $ — | $ — |
| Fair value of RSUs that vested | $ — | $ — | $ 1,371 | $ 1,445 |

**Restricted stock units:** The fair value and compensation expense of the primary portion of the Company's service-based RSUs are calculated using the Company's closing stock price on the date of grant. These RSUs include RSUs granted pursuant to the Company's LTIP.

The following table summarizes service-based RSU activity during the nine months ended September 30, 2024:

| *Dollars and units in thousands, except per unit amounts* | Units | Weighted-Average Grant Date Fair Value Per Unit |
|---|---|---|
| Non-vested units at January 1, 2024 | — | $ — |
| Granted (target) | 53 | 28.20 |
| Vested | — | — |
| Forfeited | — | — |
| Non-vested units at September 30, 2024 | 53 | $ 28.20 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per unit amounts* | 2024 | 2023 | 2024 | 2023 |
| Weighted-average grant date fair value per unit | $ — | $ — | $ 28.20 | $ — |
| Fair value of RSUs that vested | $ — | $ — | $ — | $ — |

**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, RSAs granted pursuant to the Company's LTIP, and, beginning in 2024, RSAs granted pursuant to the Company's KTIP.

Prior to 2024, the Company's KTIP was administered as a performance-based program. The fair value and compensation expense of RSAs granted pursuant to the Company's performance-based KTIP was calculated using the Company's closing stock price on the date of grant and the probability that certain financial goals would be achieved over the performance period. Compensation expense was estimated based on expected performance and was adjusted at each reporting period.

The following table summarizes RSA activity during the nine months ended September 30, 2024:

| *Dollars and shares in thousands, except per share amounts* | Shares | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| Non-vested shares at January 1, 2024 | 190 | $ 35.89 |
| Granted | 372 | 28.52 |
| Vested | (41) | 27.23 |
| Forfeited | (10) | 31.84 |
| Non-vested shares at September 30, 2024 | 511 | $ 31.30 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands, except per share amounts* | 2024 | 2023 | 2024 | 2023 |
| Weighted-average grant date fair value per share | $ 32.02 | $ 30.43 | $ 28.52 | $ 34.25 |
| Fair value of RSAs that vested | $ 118 | $ 259 | $ 1,108 | $ 1,540 |

**Note 12. 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 13. Subsequent Events**

***RMR VII revolving warehouse credit facility amendment:*** In October 2024, the Company amended its RMR VII revolving warehouse credit facility to, among other things, (i) increase the commitment amount from $75 million to $125 million, (ii) amend the "Advance Rate" definition to reflect 76.0% and, during the continuation of a “Level I Trigger Event,” 72.5%, (iii) address changes to the definitions of "Concentration Limits," "Level I Trigger Event," and "Level II Trigger Event," (iv) add certain additional direct and indirect subsidiaries of the Company to the definition of “Originator,” (v) extend the "Scheduled Commitment Termination Date" to October 15, 2026, (vi) make certain clarifications to the eligibility criteria for "Eligible Receivables," and (vii) address amendments to and the incorporation of certain definitions relating to the pledge of participation interests in receivables originated by a bank partner upon the satisfaction of certain conditions.

In addition, certain pricing terms were modified pursuant to an amended and restated fee letter agreement. The terms of the amended and restated fee letter agreement reduced (i) the margin applied in calculating the rate of interest on the advances made pursuant to the RMR VII Credit Agreement to 2.40% per annum and (ii) the unused commitment fee rate for each day that the aggregate principal amount of the loans under the RMR VII Credit Agreement are greater than fifty percent (50%) of the aggregate commitment of the lenders under the RMR VII Credit Agreement to 0.40% per annum. The amended revolving warehouse credit facility is described in greater detail in the Current Report on Form 8-K filed by the Company with the SEC on October 8, 2024.

***ASU 2024-03:*** In November 2024, the FASB issued ASU 2024-03, enhancing the disclosures about a company's expenses. The amendment, among other things, improves these disclosures by requiring disaggregated expense information about a company's expense types. The amendments in this update are effective for annual periods beginning after December 15, 2026, and early adoption is permitted. The enhanced expense guidance can be applied on either a prospective (for financial statements issued during reporting periods after the effective date of this ASU) or retrospective (to any or all prior periods presented) basis. The Company is currently evaluating the impact of this update on its consolidated financial statements.

***Quarterly cash dividend:*** In November 2024, the Company announced that the Board declared a quarterly cash dividend of $0.30 per share. The dividend will be paid on December 11, 2024 to shareholders of record at the close of business on November 21, 2024. 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, 2023 (which was filed with the SEC on February 22, 2024), our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024 (which was filed with the SEC on May 3, 2024), our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024 (which was filed with the SEC on August 2, 2024), and this Quarterly Report on Form 10-Q. The forward-looking information we have provided in this Quarterly Report on Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise such statements, except as required by the federal securities laws.*

**Overview**

We are a diversified consumer finance company that provides installment loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other lenders. As of September 30, 2024, we operate under the name "Regional Finance" online and in 340 branch locations in 19 states across the United States, serving 557,400 active accounts. 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, 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 with the support of centralized sales, underwriting, service, collections, and administrative teams. This model provides us with frequent 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:

- *Large Loans (>$2,500)* – As of September 30, 2024, we had 252.2 thousand large installment loans outstanding, representing $1.3 billion in net finance receivables. This included 65.7 thousand large loan convenience checks, representing $189.9 million in net finance receivables.
- *Small Loans (≤$2,500)* – As of September 30, 2024, we had 303.9 thousand small installment loans outstanding, representing $524.8 million in net finance receivables. This included 160.1 thousand small loan convenience checks, representing $246.2 million in net finance receivables.
- *Retail Loans* – As of September 30, 2024, we had 1.3 thousand retail purchase loans outstanding, representing $1.5 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 products and will be the drivers of future growth. We ceased accepting applications for our retail loan product offering in November 2022, to focus on growing our core loan portfolio. We continue to own and service our existing portfolio of retail loans. 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.

**Outlook**

We continually assess the macroeconomic environment in which we operate in order to appropriately and timely adapt to current market conditions. Macroeconomic factors, including, but not limited to, inflationary pressures, higher interest rates, and impacts from current geopolitical events outside the U.S., may affect our business, liquidity, financial condition, and results of operations.

As inflation accelerated and geopolitical stability began to deteriorate in the fourth quarter of 2021, we began to proactively tighten our credit models. Ongoing inflationary pressures, higher interest rates, and geopolitical events outside of the U.S. continue to create economic uncertainty. We have therefore continued to maintain tighter underwriting guidelines. However, more recently, due to moderating inflation and expectations for an improving economic environment, we have prudently increased the growth in our higher-margin small loan portfolio. We grew the small loan portfolio by $50.6 million, or 10.7%, year-over-year. To balance the risk associated with the growth in our higher-margin small loan portfolio, we continue to deploy a barbell strategy of originating higher-credit-quality, auto-secured loans.

Our allowance for credit losses was 10.6% of net finance receivables as of September 30, 2024. Our contractual delinquency as a percentage of net finance receivables was 6.9% as of September 30, 2024, down from 7.3% as of the prior-year period. Going forward, macroeconomic conditions may necessitate changes to the macroeconomic assumptions within our forecast and to our credit loss performance outlook, either of which could lead to further changes in our allowance for credit losses, reserve rate, and provision for credit losses expense.

We proactively diversified our funding over the past few years and continue to maintain a strong liquidity profile. As of September 30, 2024, we had $154.7 million of available liquidity, comprised of unrestricted cash on hand and immediate availability to draw down cash from our revolving credit facilities. In addition, we had $482.2 million of unused capacity on our revolving credit facilities (subject to the borrowing base) as of September 30, 2024. We believe our liquidity position provides substantial runway to support the fundamental operations of our business and to fund future growth.

**Factors Affecting Our Results of Operations**

Our business is impacted 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 loans is typically highest during the second, third, and fourth quarters, which we believe is largely due to customers borrowing money for vacation, back-to-school, and holiday spending. Loan demand has generally been the lowest during the first quarter, which we believe is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first half of the year and rise in the second half of the year. Changes in quarterly growth or liquidation 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. Consequently, we experience seasonal fluctuations in our operating results. However, changes in macroeconomic factors, including inflation, higher interest rates, and geopolitical conflict, have impacted our typical seasonal trends for loan volume and delinquency.

***Growth in Loan Portfolio.*** The revenue that we generate from interest and fees is largely driven by the balance of loans that we originate. Average net finance receivables were $1.8 billion for the first nine months of 2024 and $1.7 billion for the prior-year period. We source our loans through our branches, centrally-managed direct mail program, digital partners, and our consumer website. The majority of our loans, regardless of origination channel, are serviced through our branches. Increasing the number of loans per branch and growing our state footprint allows us to increase the number of customers we are able to serve. We continue to assess our branch network for clear opportunities to add additional branches in new and existing states where it is favorable for us to conduct business or 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.

***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.

The primary underlying factors driving the provision for credit losses for each loan type are our underwriting standards, delinquency trends, the general economic conditions in the areas in which we conduct business, loan portfolio growth, and the effectiveness of our servicing and collection efforts. 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, a majority of our funding was held at a fixed rate as of September 30, 2024, representing 82% of our total debt.

***Operating Costs.*** Our financial results are impacted by the costs of operations and head office functions. Those costs are included in general and administrative expenses within our consolidated statements of comprehensive 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 recognized as 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 head 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 restricted reserves comprised of restricted cash and restricted available-for-sale investments for life insurance claims in an amount determined by the unaffiliated insurance company. As of September 30, 2024, the restricted reserves consisted of $20.9 million of unearned premium reserves and $1.1 million of unpaid claims reserves. 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, interest income from restricted cash, commissions earned from the sale of an auto club product, and investment income from restricted available-for-sale securities 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. We reserve for expected lifetime credit losses at origination of each loan, while the revenue benefits are recognized over the life of the loan. 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. 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 head office functions. Those costs are included in general and administrative expenses within our consolidated statements of comprehensive income. Our general and administrative expenses are comprised of four categories: personnel, occupancy, marketing, and other.

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 head 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, data processing, and other non-personnel costs associated with operating our business.

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

Other expenses consist primarily of legal, compliance, audit, and consulting costs, as well as software maintenance and support, non-employee director compensation, electronic payment processing costs, bank service charges, office supplies, credit bureau charges, and the amortization of software, software licenses, and implementation costs. 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.”

***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.

***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):

| | 3Q 24 | | 3Q 23 | | YTD 24 | | YTD 23 | |
|---|---|---|---|---|---|---|---|---|
| *Dollars in thousands* | 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 | $ 133,932 | 29.9 % | $ 125,018 | 29.0 % | $ 390,648 | 29.5 % | $ 363,508 | 28.6 % |
| Insurance income, net | 7,422 | 1.7 % | 11,382 | 2.6 % | 28,903 | 2.2 % | 33,544 | 2.6 % |
| Other income | 4,984 | 1.0 % | 4,478 | 1.1 % | 14,120 | 1.0 % | 12,688 | 1.0 % |
| Total revenue | 146,338 | 32.6 % | 140,878 | 32.7 % | 433,671 | 32.7 % | 409,740 | 32.2 % |
| **Expenses** | | | | | | | | |
| Provision for credit losses | 54,349 | 12.1 % | 50,930 | 11.8 % | 154,574 | 11.7 % | 151,149 | 11.9 % |
| Personnel | 38,323 | 8.6 % | 39,832 | 9.3 % | 113,240 | 8.5 % | 114,848 | 9.0 % |
| Occupancy | 6,551 | 1.5 % | 6,315 | 1.5 % | 19,075 | 1.4 % | 18,761 | 1.5 % |
| Marketing | 5,078 | 1.1 % | 4,077 | 0.9 % | 14,229 | 1.1 % | 11,300 | 0.9 % |
| Other | 12,516 | 2.7 % | 11,880 | 2.7 % | 36,508 | 2.8 % | 33,414 | 2.6 % |
| Total general and administrative | 62,468 | 13.9 % | 62,104 | 14.4 % | 183,052 | 13.8 % | 178,323 | 14.0 % |
| Interest expense | 19,356 | 4.3 % | 16,947 | 4.0 % | 54,725 | 4.1 % | 49,953 | 3.9 % |
| Income before income taxes | 10,165 | 2.3 % | 10,897 | 2.5 % | 41,320 | 3.1 % | 30,315 | 2.4 % |
| Income taxes | 2,502 | 0.6 % | 2,077 | 0.5 % | 10,007 | 0.7 % | 6,783 | 0.6 % |
| **Net income** | $ 7,663 | 1.7 % | $ 8,820 | 2.0 % | $ 31,313 | 2.4 % | $ 23,532 | 1.8 % |

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

Table of Contents

The following tables summarize the quarterly trends of our financial results:

| *In thousands, except per share amounts* | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 | 3Q 24 | QoQ $ B(W) | YoY $ B(W) |
|---|---|---|---|---|---|---|---|
| | **Income Statement Quarterly Trend** | | | | | | |
| **Revenue** | | | | | | | |
| Interest and fee income | $ 125,018 | $ 126,190 | $ 128,818 | $ 127,898 | $ 133,932 | $ 6,034 | $ 8,914 |
| Insurance income, net | 11,382 | 10,985 | 10,974 | 10,507 | 7,422 | (3,085) | (3,960) |
| Other income | 4,478 | 4,484 | 4,516 | 4,620 | 4,984 | 364 | 506 |
| Total revenue | 140,878 | 141,659 | 144,308 | 143,025 | 146,338 | 3,313 | 5,460 |
| **Expenses** | | | | | | | |
| Provision for credit losses | 50,930 | 68,885 | 46,423 | 53,802 | 54,349 | (547) | (3,419) |
| Personnel | 39,832 | 42,024 | 37,820 | 37,097 | 38,323 | (1,226) | 1,509 |
| Occupancy | 6,315 | 6,268 | 6,375 | 6,149 | 6,551 | (402) | (236) |
| Marketing | 4,077 | 4,474 | 4,315 | 4,836 | 5,078 | (242) | (1,001) |
| Other | 11,880 | 12,030 | 11,938 | 12,054 | 12,516 | (462) | (636) |
| Total general and administrative | 62,104 | 64,796 | 60,448 | 60,136 | 62,468 | (2,332) | (364) |
| Interest expense | 16,947 | 17,510 | 17,504 | 17,865 | 19,356 | (1,491) | (2,409) |
| Income (loss) before income taxes | 10,897 | (9,532) | 19,933 | 11,222 | 10,165 | (1,057) | (732) |
| Income taxes | 2,077 | (1,958) | 4,728 | 2,777 | 2,502 | 275 | (425) |
| **Net income (loss)** | $ 8,820 | $ (7,574) | $ 15,205 | $ 8,445 | $ 7,663 | $ (782) | $ (1,157) |
| Net income (loss) per common share: | | | | | | | |
| Basic | $ 0.94 | $ (0.80) | $ 1.59 | $ 0.88 | $ 0.79 | $ (0.09) | $ (0.15) |
| Diluted | $ 0.91 | $ (0.80) | $ 1.56 | $ 0.86 | $ 0.76 | $ (0.10) | $ (0.15) |
| Weighted-average shares outstanding: | | | | | | | |
| Basic | 9,429 | 9,437 | 9,569 | 9,613 | 9,683 | (70) | (254) |
| Diluted | 9,650 | 9,437 | 9,746 | 9,863 | 10,090 | (227) | (440) |

| | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 | 3Q 24 | QoQ $ Inc (Dec) | YoY $ Inc (Dec) |
|---|---|---|---|---|---|---|---|
| | **Balance Sheet Quarterly Trend** | | | | | | |
| Total assets | $ 1,765,340 | $ 1,794,527 | $ 1,756,748 | $ 1,789,052 | $ 1,821,831 | $ 32,779 | $ 56,491 |
| Net finance receivables | $ 1,751,009 | $ 1,771,410 | $ 1,744,286 | $ 1,773,743 | $ 1,819,756 | $ 46,013 | $ 68,747 |
| Allowance for credit losses | $ 184,900 | $ 187,400 | $ 187,100 | $ 185,400 | $ 192,100 | $ 6,700 | $ 7,200 |
| Debt | $ 1,372,748 | $ 1,399,814 | $ 1,358,795 | $ 1,378,449 | $ 1,395,892 | $ 17,443 | $ 23,144 |

| | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 | 3Q 24 | QoQ Inc (Dec) | YoY Inc (Dec) |
|---|---|---|---|---|---|---|---|
| | **Other Key Metrics Quarterly Trend** | | | | | | |
| Interest and fee yield (annualized) | 29.0 % | 28.8 % | 29.3 % | 29.3 % | 29.9 % | 0.6 % | 0.9 % |
| Efficiency ratio | 44.1 % | 45.7 % | 41.9 % | 42.0 % | 42.7 % | 0.7 % | (1.4)% |
| Operating expense ratio | 14.4 % | 14.8 % | 13.7 % | 13.8 % | 13.9 % | 0.1 % | (0.5)% |
| 30+ contractual delinquency | 7.3 % | 6.9 % | 7.1 % | 6.9 % | 6.9 % | — | (0.4)% |
| Net credit loss ratio | 11.0 % | 15.1 % | 10.6 % | 12.7 % | 10.6 % | (2.1)% | (0.4)% |
| Book value per share | $ 33.61 | $ 33.02 | $ 34.10 | $ 33.96 | $ 34.72 | $ 0.76 | $ 1.11 |

**Comparison of September 30, 2024, versus September 30, 2023**

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

- *Large Loans (>$2,500)* – Large loans outstanding increased by $21.5 million, or 1.7%, remaining consistent at $1.3 billion as of the periods ending September 30, 2024 and September 30, 2023. The increase was due to growth in our auto-secured loan portfolio, the growth of receivables in branches opened during 2023 and 2024, and the transition of small loan customers to large loans.
- *Small Loans (≤$2,500)* – Small loans outstanding increased by $50.6 million, or 10.7%, to $524.8 million at September 30, 2024, from $474.2 million at September 30, 2023. The increase was due to increased marketing, growth in our higher-margin loan portfolio, and growth of receivables in branches opened during 2023 and 2024, partially offset by the transition of small loan customers to large loans.
- *Retail Loans* – Retail loans outstanding decreased $3.4 million, or 69.2%, to $1.5 million at September 30, 2024, from $4.9 million at September 30, 2023. We ceased accepting applications for our retail loan product offering as of November 2022 to focus on growing our core loan portfolio.

| | Net Finance Receivables by Product | | | |
|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | 3Q 23 | YoY $ Inc (Dec) | YoY % Inc (Dec) |
| Large loans | $ 1,293,410 | $ 1,271,891 | $ 21,519 | 1.7 % |
| Small loans | 524,826 | 474,181 | 50,645 | 10.7 % |
| Retail loans | 1,520 | 4,937 | (3,417) | (69.2)% |
| Total net finance receivables | $ 1,819,756 | $ 1,751,009 | $ 68,747 | 3.9 % |
| Number of branches at period end | 340 | 347 | (7) | (2.0)% |
| Net finance receivables per branch | $ 5,352 | $ 5,046 | $ 306 | 6.1 % |

**Comparison of the Three Months Ended September 30, 2024, versus the Three Months Ended September 30, 2023**

***Net Income.*** Net income decreased $1.2 million, or 13.1%, to $7.7 million during the three months ended September 30, 2024, from $8.8 million during the prior-year period. The decrease was due to an increase in provision for credit losses of $3.4 million, an increase in interest expense of $2.4 million, an increase in general and administrative expenses of $0.4 million, and an increase in income taxes of $0.4 million, partially offset by an increase in revenue of $5.5 million.

***Revenue.*** Total revenue increased $5.5 million, or 3.9%, to $146.3 million during the three months ended September 30, 2024, from $140.9 million during the prior-year period. The components of revenue are explained in greater detail below.

**Interest and Fee Income.** Interest and fee income increased $8.9 million, or 7.1%, to $133.9 million during the three months ended September 30, 2024, from $125.0 million during the prior-year period. The increase was primarily due to a 4.1% increase in average net finance receivables and a 0.9% increase in annualized average yield. The increase in yield was due to price increases, growth in our higher-margin small loan business, and improved credit performance.

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

| | Average Net Finance Receivables for the Three Months Ended | | | Average Yields for the Three Months Ended (1) | | |
|---|---|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | 3Q 23 | YoY % Inc (Dec) | 3Q 24 | 3Q 23 | YoY % Inc (Dec) |
| Large loans | $ 1,279,720 | $ 1,257,168 | 1.8 % | 26.7 % | 26.3 % | 0.4 % |
| Small loans | 511,294 | 459,320 | 11.3 % | 37.8 % | 36.6 % | 1.2 % |
| Retail loans | 1,795 | 5,647 | (68.2)% | 16.3 % | 16.9 % | (0.6)% |
| Total interest and fee yield | $ 1,792,809 | $ 1,722,135 | 4.1 % | 29.9 % | 29.0 % | 0.9 % |

(1) Annualized interest and fee income as a percentage of average net finance receivables.

Total originations increased to $426.2 million during the three months ended September 30, 2024, from $425.1 million during the prior-year period. The following table represents the principal balance of loans originated and refinanced:

| | Loans Originated for the Three Months Ended | | | |
|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | 3Q 23 | YoY $ Inc (Dec) | YoY % Inc (Dec) |
| Large loans | $ 251,563 | $ 251,999 | $ (436) | (0.2)% |
| Small loans | 174,632 | 173,074 | 1,558 | 0.9% |
| Total loans originated | $ 426,195 | $ 425,073 | $ 1,122 | 0.3% |

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

| | Components of Increase in Interest and Fee Income 3Q 24 Compared to 3Q 23 Increase (Decrease) | | | |
|---|---|---|---|---|
| *Dollars in thousands* | Volume | Rate | Volume & Rate | Net |
| Large loans | $ 1,484 | $ 1,246 | $ 23 | $ 2,753 |
| Small loans | 4,757 | 1,410 | 159 | 6,326 |
| Retail loans | (162) | (8) | 5 | (165) |
| Product mix | (948) | 986 | (38) | — |
| Total increase in interest and fee income | $ 5,131 | $ 3,634 | $ 149 | $ 8,914 |

**Insurance Income, Net.** Insurance income, net decreased $4.0 million, or 34.8% to $7.4 million during the three months ended September 30, 2024, from $11.4 million during the prior-year period. During both the three months ended September 30, 2024 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. During the three months ended September 30, 2024 personal property claims reserves represented the largest component of direct insurance expenses. During the three months ended September 30, 2023 life insurance claims expense represented the largest component of direct insurance expenses.

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

| | Insurance Premiums and Direct Expenses for the Three Months Ended | | | |
|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | 3Q 23 | YoY $ B(W) | YoY % B(W) |
| Earned premiums | $ 14,376 | $ 15,039 | $ (663) | (4.4)% |
| Claims, reserves, and certain direct expenses | (6,954) | (3,657) | (3,297) | (90.2)% |
| Insurance income, net | $ 7,422 | $ 11,382 | $ (3,960) | (34.8)% |

Earned premiums decreased by $0.7 million, and claims, reserves, and certain direct expenses increased by $3.3 million, in each case compared to the prior-year period. The decrease in earned premiums was primarily due to our strategic shifts in product and geographic mix which resulted in fewer active policies. The increase in claims, reserves, and certain direct expenses was primarily due to an increase in personal property insurance claims and reserves of $3.5 million related to hurricane activity.

**Other Income.** Other income increased $0.5 million, or 11.3%, to $5.0 million during the three months ended September 30, 2024, from $4.5 million during the prior-year period, primarily due to higher late charges of $0.2 million associated with portfolio growth, an increase in sales of our auto club product of $0.1 million, and higher investment income of $0.1 million.

***Provision for Credit Losses.*** Our provision for credit losses increased $3.4 million, or 6.7%, to $54.3 million during the three months ended September 30, 2024, from $50.9 million during the prior-year period. The increase was due to a change in provision expense of $3.2 million and an increase in net credit losses of $0.2 million, in each case 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. During the three months ended September 30, 2024, and the prior-year period, the allowance for credit losses included builds of $6.7 million and $3.5 million, respectively. We grew our loan portfolio sequentially by $46.0 million and $62.1 million during the three months ended September 30, 2024 and the prior-year period, respectively, which required increases to our provision for credit losses of $4.6 million and $6.3 million. The three months ended September 30, 2024 also included a $2.1

million reserve related to third quarter hurricane activity. The allowance for credit losses as a percentage of net finance receivables remained consistent at 10.6% as of September 30, 2024 and the prior-year period.

**Net Credit Losses.** Net credit losses increased $0.2 million, or 0.5%, to $47.6 million during the three months ended September 30, 2024, from $47.4 million during the prior-year period. The increase was primarily due to higher average net finance receivables. The net credit loss ratio was 10.6% during the three months ended September 30, 2024, compared to 11.0% during the prior-year period. Our net credit loss ratio during the three months ended September 30, 2024 was inclusive of a 30 basis point increase from growth in our higher-margin small loan business.

**Delinquency Performance.** Our contractual delinquency as a percentage of net finance receivables improved to 6.9% as of September 30, 2024, from 7.3% during the prior-year period. Our contractual delinquency as of September 30, 2024 included an estimated 40 basis point benefit from special borrower assistance programs related to hurricane activity and an estimated 20 basis point increase from growth in our higher-margin small loan business.

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

| | Contractual Delinquency by Aging | | | |
|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | | 3Q 23 | |
| Current | $ 1,529,171 | 84.1 % | $ 1,472,931 | 84.2 % |
| 1 to 29 days past due | 164,568 | 9.0 % | 149,648 | 8.5 % |
| Delinquent accounts: | | | | |
| 30 to 59 days | 35,300 | 1.9 % | 36,502 | 2.1 % |
| 60 to 89 days | 27,704 | 1.5 % | 28,130 | 1.6 % |
| 90 to 119 days | 23,964 | 1.4 % | 23,420 | 1.3 % |
| 120 to 149 days | 22,544 | 1.2 % | 21,309 | 1.2 % |
| 150 to 179 days | 16,505 | 0.9 % | 19,069 | 1.1 % |
| Total contractual delinquency | $ 126,017 | 6.9 % | $ 128,430 | 7.3 % |
| Total net finance receivables | $ 1,819,756 | 100.0 % | $ 1,751,009 | 100.0 % |

| | Contractual Delinquency by Product | | | |
|---|---|---|---|---|
| *Dollars in thousands* | 3Q 24 | | 3Q 23 | |
| Large loans | $ 76,435 | 5.9 % | $ 82,256 | 6.5 % |
| Small loans | 49,351 | 9.4 % | 45,438 | 9.6 % |
| Retail loans | 231 | 15.2 % | 736 | 14.9 % |
| Total contractual delinquency | $ 126,017 | 6.9 % | $ 128,430 | 7.3 % |

***General and Administrative Expenses.*** Our general and administrative expenses increased $0.4 million, or 0.6%, to $62.5 million during the three months ended September 30, 2024, from $62.1 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 decreased $1.5 million, or 3.8%, to $38.3 million during the three months ended September 30, 2024, from $39.8 million during the prior-year period. The decrease was driven by decreased labor costs of $0.8 million, capitalized loan origination costs which reduce personnel expenses of $0.3 million, lower incentives of $0.1 million, and lower recruiter fees of $0.1 million, in each case compared to the prior-year period.

**Occupancy.** Occupancy expenses increased $0.2 million, or 3.7%, to $6.6 million during the three months ended September 30, 2024, from $6.3 million during the prior-year period primarily due to increased rent of $0.2 million.

**Marketing.** Marketing expenses increased $1.0 million, or 24.6%, to $5.1 million during the three months ended September 30, 2024, from $4.1 million during the prior-year period due to increased activity in our direct mail campaigns to support growth.

**Other Expenses.** Other expenses increased $0.6 million, or 5.4%, to $12.5 million during the three months ended September 30, 2024, from $11.9 million during the prior-year period. The increase was primarily due to investment in digital and technological capabilities of $0.4 million and higher credit bureau fees of $0.3 million.

**Operating Expense Ratio.** Our operating expense ratio decreased by 0.5% to 13.9% during the three months ended September 30, 2024, from 14.4% during the prior-year period.

***Interest Expense.*** Interest expense increased $2.4 million, or 14.2%, to $19.4 million during the three months ended September 30, 2024, from $16.9 million during the prior-year period. The increase was primarily due to an increase in our average cost of debt as well as an increase in the average balance of our debt facilities. The annualized average cost of debt increased 0.58% to 5.58% during the three months ended September 30, 2024, from 5.00% during the prior-year period. The average balance of our debt facilities increased $30.0 million, or 2.2%, and the ending balance remained consistent at $1.4 billion as of the periods ended September 30, 2024 and September 30, 2023, respectively.

***Income Taxes.*** Income taxes increased $0.4 million, or 20.5%, to $2.5 million during the three months ended September 30, 2024, from $2.1 million during the prior-year period. The increase was primarily due to discrete tax benefits as a result of the re-establishment of deferred tax assets for certain state net operating losses during the prior-year period, partially offset by a $0.7 million decrease in income before income taxes compared to the prior-year period. Our effective tax rates were 24.6% and 19.1% for the three months ended September 30, 2024 and the prior-year period, respectively. The increase in the effective tax rate was primarily related to the re-establishment of deferred tax assets in the prior-year period.

**Comparison of the Nine Months Ended September 30, 2024, versus the Nine Months Ended September 30, 2023**

***Net Income.*** Net income increased $7.8 million, or 33.1%, to $31.3 million during the nine months ended September 30, 2024, from $23.5 million during the prior-year period. The increase was due to an increase in revenue of $23.9 million, partially offset by an increase in interest expense of $4.8 million, an increase in general and administrative expenses of $4.7 million, an increase in provision for credit losses of $3.4 million, and an increase in income taxes of $3.2 million.

***Revenue.*** Total revenue increased $23.9 million, or 5.8%, to $433.7 million during the nine months ended September 30, 2024, from $409.7 million during the prior-year period. The components of revenue are explained in greater detail below.

**Interest and Fee Income.** Interest and fee income increased $27.1 million, or 7.5%, to $390.6 million during the nine months ended September 30, 2024, from $363.5 million during the prior-year period. The increase was primarily due to a 4.2% increase in average net finance receivables and a 0.9% increase in annualized average yield. The increase in yield was due to price increases, growth in our higher-margin small loan business, and improved credit performance. The nine months ended September 30, 2024 and September 30, 2023 included reductions in revenue reversals of an estimated $1.7 million and $1.9 million attributable to the loan sales that occurred during the fourth quarters of 2023 and 2022, respectively.

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

| | Average Net Finance Receivables for the Nine Months Ended | | | Average Yields for the Nine Months Ended (1) | | |
|---|---|---|---|---|---|---|
| *Dollars in thousands* | YTD 24 | YTD 23 | YoY % Inc (Dec) | YTD 24 | YTD 23 | YoY % Inc (Dec) |
| Large loans | $ 1,266,363 | $ 1,232,170 | 2.8 % | 26.3 % | 26.1 % | 0.2 % |
| Small loans | 497,987 | 456,893 | 9.0 % | 37.7 % | 35.4 % | 2.3 % |
| Retail loans | 2,521 | 7,252 | (65.2)% | 16.2 % | 17.5 % | (1.3)% |
| Total interest and fee yield | $ 1,766,871 | $ 1,696,315 | 4.2 % | 29.5 % | 28.6 % | 0.9 % |

(1) Annualized interest and fee income as a percentage of average net finance receivables.

Total originations increased to $1.2 billion during the nine months ended September 30, 2024, from $1.1 billion during the prior-year period. Origination volume increased during the nine months ended September 30, 2024 compared to the prior-year period due to an increase in small loan convenience checks. The following table represents the principal balance of loans originated and refinanced:

| | Loans Originated for the Nine Months Ended | | | |
|---|---|---|---|---|
| *Dollars in thousands* | YTD 24 | YTD 23 | YoY $ Inc (Dec) | YoY % Inc (Dec) |
| Large loans | $ 691,416 | $ 695,084 | $ (3,668) | (0.5)% |
| Small loans | 487,195 | 432,018 | 55,177 | 12.8 % |
| Retail loans | — | 146 | (146) | (100.0)% |
| Total loans originated | $ 1,178,611 | $ 1,127,248 | $ 51,363 | 4.6 % |

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

| | Components of Increase in Interest and Fee Income YTD 24 Compared to YTD 23 Increase (Decrease) | | | |
|---|---|---|---|---|
| *Dollars in thousands* | Volume | Rate | Volume & Rate | Net |
| Large loans | $ 6,695 | $ 1,651 | $ 46 | $ 8,392 |
| Small loans | 10,910 | 7,784 | 700 | 19,394 |
| Retail loans | (621) | (72) | 47 | (646) |
| Product mix | (1,864) | 2,177 | (313) | — |
| Total increase in interest and fee income | $ 15,120 | $ 11,540 | $ 480 | $ 27,140 |

**Insurance Income, Net.** Insurance income, net decreased $4.6 million, or 13.8%, to $28.9 million during the nine months ended September 30, 2024, from $33.5 million during the prior-year period. During both the nine months ended September 30, 2024 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, 2024 and the prior-year period.

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

| | Insurance Premiums and Direct Expenses for the Nine Months Ended | | | |
|---|---|---|---|---|
| *Dollars in thousands* | YTD 24 | YTD 23 | YoY $ B(W) | YoY % B(W) |
| Earned premiums | $ 42,776 | $ 45,202 | $ (2,426) | (5.4)% |
| Claims, reserves, and certain direct expenses | (13,873) | (11,658) | (2,215) | (19.0)% |
| Insurance income, net | $ 28,903 | $ 33,544 | $ (4,641) | (13.8)% |

Earned premiums decreased by $2.4 million and claims, reserves, and certain direct expenses increased by $2.2 million, in each case compared to the prior-year period. The decrease in earned premiums was primarily due to our strategic shifts in product and geographic mix which resulted in fewer active policies. The increase in claims, reserves, and certain direct expenses was primarily due to an increase in personal property insurance claims and reserves of $3.5 million related to hurricane activity.

**Other Income.** Other income increased $1.4 million, or 11.3%, to $14.1 million during the nine months ended September 30, 2024, from $12.7 million during the prior-year period, primarily due to higher late charges of $0.7 million associated with portfolio growth, an increase in sales of our auto club product of $0.3 million, higher interest income of $0.2 million from cash reserves, and higher investment income from securities of $0.1 million.

***Provision for Credit Losses.*** Our provision for credit losses increased $3.4 million, or 2.3%, to $154.6 million during the nine months ended September 30, 2024, from $151.1 million during the prior-year period. Net credit losses increased $4.8 million, partially offset by a decrease of $1.4 million in the allowance for credit losses, in each case compared to the prior-year period. 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. During the nine months ended September 30, 2024, and the prior-year period, the allowance for credit losses included builds of $4.7 million and $6.1 million, respectively. The $4.7 million build was inclusive of a $2.1 million reserve related to third quarter hurricane activity. The allowance for credit losses as a percentage of net finance receivables remained consistent at 10.6% as of September 30, 2024, and the prior-year period.

**Net Credit Losses.** Net credit losses increased $4.8 million, or 3.3%, to $149.9 million during the nine months ended September 30, 2024, from $145.0 million during the prior-year period. The increase was primarily due to higher average net finance receivables. The net credit loss ratio was 11.3% during the nine months ended September 30, 2024, compared to 11.4% during the prior-year period. Our net credit loss ratio during the nine months ended September 30, 2024 was inclusive of a 10 basis point increase from growth in our higher-margin small loan business. Additionally, our net credit loss ratios during the nine months ended September 30, 2024 and September 30, 2023 were inclusive of estimated 90 basis point and 100 basis point benefits from accelerated charge-offs in each of the fourth quarters of 2023 and 2022, respectively, attributable to the loan sales.

**Delinquency Performance.** Our contractual delinquency as a percentage of net finance receivables improved to 6.9% as of September 30, 2024, from 7.3% in the prior-year period. Our contractual delinquency as of September 30, 2024 included an estimated 40 basis point benefit from special borrower assistance programs related to hurricane activity and an estimated 20 basis point increase from growth in our higher-margin small loan business.

***General and Administrative Expenses.*** Our general and administrative expenses increased $4.7 million, or 2.7%, to $183.1 million during the nine months ended September 30, 2024, from $178.3 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 decreased $1.6 million, or 1.4%, to $113.2 million during the nine months ended September 30, 2024, from $114.8 million during the prior-year period. The decrease was primarily due to higher capitalized loan origination costs which reduce personnel expenses of $1.2 million and lower incentives of $0.3 million, compared to the prior-year period.

**Occupancy.** Occupancy expenses increased $0.3 million, or 1.7%, to $19.1 million during the nine months ended September 30, 2024, from $18.8 million during the prior-year period. The increase was primarily due to increased rent expense of $0.6 million, partially offset by decreased telecommunications expense of $0.2 million.

**Marketing.** Marketing expenses increased $2.9 million, or 25.9%, to $14.2 million during the nine months ended September 30, 2024, from $11.3 million during the prior-year period. The increase was primarily due to increased activity in our direct mail campaigns to support growth.

**Other Expenses.** Other expenses increased $3.1 million, or 9.3%, to $36.5 million during the nine months ended September 30, 2024, from $33.4 million during the prior-year period. The increase was primarily due to our investment in digital and technological capabilities of $1.1 million and increase in collections expense of $0.8 million, compared to the prior-year period. The prior-year period included insurance settlement proceeds of $1.0 million which reduced other expenses. Additionally, we often experience increases in other expenses including legal expenses, bank fees, and certain professional expenses as we grow our loan portfolio and expand our market footprint.

**Operating Expense Ratio.** Our operating expense ratio decreased by 0.2% to 13.8% during the nine months ended September 30, 2024, from 14.0% during the prior-year period.

***Interest Expense.*** Interest expense increased $4.8 million, or 9.6%, to $54.7 million during the nine months ended September 30, 2024, compared to $50.0 million during the prior-year period. The increase was primarily due to an increase in our average cost of debt as well as an increase in the average balance of our debt facilities. The annualized average cost of debt increased 0.33% to 5.31% during the nine months ended September 30, 2024, from 4.98% during the prior-year period. The average balance of our debt facilities increased $38.1 million to $1.4 billion during the nine months ended September 30, 2024, from $1.3 billion during the prior-year period.

***Income Taxes.*** Income taxes increased $3.2 million, or 47.5%, to $10.0 million during the nine months ended September 30, 2024, from $6.8 million during the prior-year period. The increase was primarily due to a $11.0 million increase in income before income taxes compared to the prior-year period and a prior-year period increase in discrete tax benefits, including the re-establishment of deferred tax assets for certain state net operating losses. Our effective tax rates were 24.2% and 22.4% for the nine months ended September 30, 2024 and the prior-year period, respectively. The increase in the effective tax rate was primarily related to the re-establishment of deferred tax assets in the prior-year period.

**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 continue to seek ways to diversify our funding sources. As of September 30, 2024, we had a funded debt-to-equity ratio (debt divided by total stockholders' equity) of 4.0 to 1.0 and a stockholders' equity ratio (total stockholders' equity as a percentage of total assets) of 19.4%.

Cash and cash equivalents increased to $4.7 million as of September 30, 2024, from $4.5 million as of the prior year-end. We had immediate availability to draw down cash from our revolving credit facilities of $149.9 million and $108.1 million as of September 30, 2024 and the prior year-end, respectively. Our unused capacity on our revolving credit facilities (subject to the borrowing base) was $482.2 million and $551.5 million as of September 30, 2024, and the prior year-end, respectively. Our total debt was $1.4 billion as of both September 30, 2024, and the prior year-end, respectively.

Based upon anticipated cash flows, we believe that cash flows from operations and our various financing alternatives will provide sufficient financing for debt maturities and operations over the next twelve months, as well as into the future.

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, as of September 30, 2024 the revolving period maturities of our securitizations and warehouse credit facilities (each as described below within "Financing Arrangements and Restricted Cash Reserve Accounts") ranged from October 2024 to May 2027. As of September 30, 2024, we did not exercise our right to redeem the notes of our RMIT 2020-1 and RMIT 2021-1 securitizations, for which the revolving periods ended in September 2023 and February 2024, respectively. 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.

***Dividends.***

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, 2024:

| Period | Declaration Date | Record Date | Payment Date | Dividends Declared Per Common Share |
|---|---|---|---|---|
| 1Q 24 | February 7, 2024 | February 22, 2024 | March 14, 2024 | $ 0.30 |
| 2Q 24 | May 1, 2024 | May 22, 2024 | June 12, 2024 | 0.30 |
| 3Q 24 | July 31, 2024 | August 21, 2024 | September 12, 2024 | 0.30 |
| Total | | | | $ 0.90 |

The Board declared and paid $9.2 million of cash dividends on our common stock during the nine months ended September 30, 2024. See Note 13, "Subsequent Events" of the Notes to Consolidated Financial Statements in Part I, Item 1, "Financial Statements," for information regarding our 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, 2024 was $205.1 million, compared to $182.3 million during the prior-year period, a net increase of $22.8 million. The increase in net cash provided was primarily due to the growth of our loan portfolio.

**Investing Activities.** Investing activities consist of originations and repayments 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, 2024 was $196.4 million, compared to $194.1 million during the prior-year period, a net increase in cash used of $2.3 million. The increase in net cash used was primarily driven by increased originations as we grow our loan portfolio, partially offset by increased repayments of finance receivables.

**Financing Activities.** Financing activities consist of borrowings and payments on our outstanding indebtedness. Net cash used in financing activities during the nine months ended September 30, 2024 was $17.0 million, compared to net cash provided by financing activities of $4.5 million during the prior-year period, a net increase in cash used of $21.5 million. The net increase in cash used was primarily due to an increase in the net payments on debt of $21.6 million.

***Financing Arrangements and Restricted Cash Reserve Accounts.***

As of September 30, 2024, we had five revolving credit facilities outstanding and, from time to time, engaged in the private offering and sale of asset-backed notes. As part of our overall funding strategy, we have transferred certain finance receivables to affiliated VIEs for asset-backed financing transactions. Our debt arrangements described below, other than our senior revolving credit facility, are issued by each of our RMR and RMIT SPEs, which are considered VIEs under GAAP. 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 $100.3 million and $109.9 million as of September 30, 2024 and December 31, 2023, respectively. Our debt arrangements also contain various debt covenants. We were in compliance with all such debt covenants as of September 30, 2024.

**Revolving Credit Facilities.** The following is a summary of our revolving credit facilities as of September 30, 2024:

| *Dollars in thousands* | Capacity | Debt Balance | Effective Interest Rate | Facility Cash Reserve Requirement | Restricted Cash Collection | Maturity Date |
|---|---|---|---|---|---|---|
| Senior | $ 355,000 | $ 173,687 | 8.30% | N/A | N/A | Sep 2025 |
| RMR IV warehouse | $ 125,000 | $ 23,692 | 8.10% | $ 298 | $ 2,059 | May 2026 |
| RMR V warehouse | $ 100,000 | $ 33,902 | 7.91% | $ 420 | $ 2,713 | Nov 2025 |
| RMR VI warehouse | $ 75,000 | $ 12,136 | 7.80% | $ 160 | $ 1,038 | Feb 2026 |
| RMR VII warehouse (1) | $ 75,000 | $ 6,332 | 8.30% | $ 78 | $ 531 | Oct 2025 |

(1) See Note 13, "Subsequent Events" of the Notes to the Consolidated Financial Statements in Part 1, Item 1, "Financial Statements," for information regarding an amendment of the RMR VII Revolving Warehouse Credit Facility following the end of the fiscal quarter.

**Securitizations.** The following is a summary of our securitizations as of September 30, 2024:

| *Dollars in thousands* | Issue Amount | Debt Balance | Effective Interest Rate | Restricted Cash Reserves | Restricted Cash Collection | Revolving Period Maturity | Final Maturity Date |
|---|---|---|---|---|---|---|---|
| RMIT 2020-1 | $ 180,000 | $ 63,037 | 3.79% | $ 1,875 | $ 5,504 | Sep 2023 | Oct 2030 |
| RMIT 2021-1 | $ 248,700 | $ 135,256 | 2.42% | $ 2,604 | $ 11,181 | Feb 2024 | Mar 2031 |
| RMIT 2021-2 | $ 200,000 | $ 200,191 | 2.30% | $ 2,083 | $ 13,834 | Jul 2026 | Aug 2033 |
| RMIT 2021-3 | $ 125,000 | $ 125,202 | 3.88% | $ 1,471 | $ 15,178 | Sep 2026 | Oct 2033 |
| RMIT 2022-1 | $ 250,000 | $ 250,374 | 3.59% | $ 2,646 | $ 17,916 | Feb 2025 | Mar 2032 |
| RMIT 2022-2B (1) | $ 200,000 | $ 184,295 | 7.51% | $ 2,326 | $ 15,775 | Oct 2024 | Nov 2031 |
| RMIT 2024-1 | $ 187,305 | $ 187,788 | 6.19% | $ 1,078 | $ 14,548 | May 2027 | July 2036 |

(1) RMR III retained $16.3 million of Class C fixed-rate, asset-backed notes that may be sold in whole or in part.

**RMC Reinsurance.** Our wholly owned subsidiary, RMC Reinsurance, Ltd., is required to maintain reserves against life insurance policies ceded to it, as determined by the ceding company. These reserves are comprised of restricted cash and restricted available-for-sale investments, which totaled $0.3 million and $21.7 million, respectively, as of September 30, 2024.

**Critical Accounting Policies and Estimates**

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.

***Allowance for Credit Losses.***

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 PD / 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 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, 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). 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.

Macroeconomic forecasts are required for our allowance for credit loss model and require significant judgment and estimation uncertainty. We consider key economic factors, most notably unemployment rates, to incorporate into our estimate of the allowance for credit losses. We engaged a major rating service provider to assist with compiling a reasonable and supportable forecast which we use to support the adjustments of our historical loss experience.

Due to the judgment and uncertainty in estimating the expected credit losses, we may experience changes to the macroeconomic assumptions within our forecast, as well as changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses, allowance as a percentage of net finance receivables, and provision for credit losses. Potential macroeconomic changes have created conditions that increase the level of uncertainty associated with our estimate of the amount and timing of future credit losses from our loan portfolio.

***Macroeconomic Sensitivity.*** To demonstrate the sensitivity of forecasting macroeconomic conditions, we stressed our macroeconomic model with 10% increased weighting towards slower near-term growth that would have increased our reserves as of September 30, 2024 by $1.6 million.

The macroeconomic scenarios are highly influenced by timing, severity, and duration of changes in the underlying economic factors. This makes it difficult to estimate how potential changes in economic factors affect the estimated credit losses. Therefore, this hypothetical analysis is not intended to represent our expectation of changes in our estimate of expected credit losses due to a change in the macroeconomic environment, nor does it consider management’s judgment of other quantitative and qualitative information which could increase or decrease the estimate.

**Regulatory Developments.**

On March 7, 2023, the CFPB provided us with the Notice seeking to establish supervisory authority over us pursuant to section 1024(a)(1)(C) of the Consumer Financial Protection Act of 2010. Under that provision, the CFPB may establish supervisory authority over any non-bank covered person that it has reasonable cause to determine is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services. We responded to the Notice by voluntarily consenting to the CFPB's supervisory authority and entering into the Consent Agreement dated January 4, 2024. Pursuant to the Consent Agreement and related CFPB order, the CFPB will have supervisory authority over us for a period of two years ending January 8, 2026. The Consent Agreement does not constitute an admission by us that we are a nonbank covered person who is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services. See "Government Regulation" in Part I, Item 1 "Business" and "Risks Related to Regulation and Legal Proceedings" in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a further discussion of the regulation and regulatory risks to which we are subject.

On March 6, 2024, the SEC adopted a final rule to require registrants to disclose certain climate-related information in their registration statements and annual reports. On April 4, 2024, the SEC issued an order staying the effectiveness of the final rule pending completion of the judicial review of consolidated challenges to the rule by the U.S. Court of Appeals for the Eighth Circuit. We will continue to monitor the outcome of this judicial review.

**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, 2024, the interest rates on 82.1% 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 multiple revolving warehouse credit facilities. As of September 30, 2024, the balances and key terms of the credit facilities' interest rate risk were as follows:

| Revolving Credit Facility | Debt Balance (in thousands) | Interest Payment Frequency | Floor | Margin | Rate Type | Effective Interest Rate |
|---|---|---|---|---|---|---|
| Senior | $ 173,687 | Monthly | 0.50% | 3.00% | 1-month SOFR | 8.30% |
| RMR IV warehouse | 23,692 | Monthly | — | 2.80% | 1-month SOFR | 8.10% |
| RMR V warehouse | 33,902 | Monthly | — | 2.75% | Conduit | 7.91% |
| RMR VI warehouse | 12,136 | Monthly | — | 2.50% | 1-month SOFR | 7.80% |
| RMR VII warehouse | 6,332 | Monthly | — | 3.00% | 1-month SOFR | 8.30% |
| Total | $ 249,749 | | | | | |

Based on the underlying rates and the outstanding balances as of September 30, 2024, an increase of 100 basis points in the rates of our revolving credit facilities would result in approximately $2.5 million of increased interest expense on an annual basis, in the aggregate, under these borrowings.

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, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under 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, 2024, 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.*

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, 2023. In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (which was filed with the SEC on February 22, 2024), 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.

### ITEM 5. *OTHER INFORMATION.*

On September 9, 2024, Robert W. Beck, the President and Chief Executive Officer of the Company and a member of the Board, adopted a Rule 10b5-1 trading plan. The Rule 10b5-1 trading plan, which terminates pursuant to its terms on September 14, 2025, provides for the potential sale of up to 46,000 shares of the Company’s common stock.

Except as set forth above, during the three months ended September 30, 2024, none of the Company’s officers or directors adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

Table of Contents

**ITEM 6.** ***EXHIBITS.***

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 10.1 | Second Amendment to Credit Agreement and Consent, dated as of October 3, 2024, by and among Regional Management Corp., as servicer, Regional Management Receivables VII, LLC, as borrower, the Bank of Montreal, as the committed lender, and BMO Capital Markets Corp., as administrative agent. | | 8-K | 001-35477 | 10.1 | 10/8/2024 |
| 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 With Embedded Linkbase Documents | | | | | |
| 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 8, 2024

By: /s/ Harpreet Rana

Harpreet Rana, Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

**EXHIBIT 31.1**

**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 8, 2024

/s/ Robert W. Beck

Robert W. Beck

President and Chief Executive Officer

**EXHIBIT 31.2**

**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 8, 2024

/s/ Harpreet Rana

Harpreet Rana

Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**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, 2024 (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 8, 2024

/s/ Robert W. Beck
Robert W. Beck
President and Chief Executive Officer

Date: November 8, 2024

/s/ Harpreet Rana
Harpreet Rana
Executive Vice President and Chief Financial Officer