

Regional Management Corp.

Form 10-K

February 10, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

979 Batesville Road, Suite B

Greer, South Carolina
(Address of principal executive offices)

29651
(Zip Code)

(864) 448-7000
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the common stock held by non-affiliates of the registrant was \$131,510,242 based upon the closing sale price as reported on the New York Stock Exchange. See Part II, Item 5 of this Annual Report on Form 10-K for additional information.

As of February 9, 2017, there were 11,579,472 shares of the registrant's common stock outstanding.

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Documents Incorporated by Reference

Certain information required by Part III of this Annual Report on Form 10-K is incorporated herein by reference to the Proxy Statement for the registrant's 2017 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended December 31, 2016.

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REGIONAL MANAGEMENT CORP.

ANNUAL REPORT ON FORM 10-K

Fiscal Year Ended December 31, 2016

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, certain statements and disclosures contained in Item 1, Business, Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. These forward-looking statements include, but are not limited to, statements about 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, plans and objectives of management, representations, and contentions, and are not historical facts. Forward-looking statements typically are identified by the use of terms such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, potential, continue, and similar words, although some forward-looking statements are expressed differently. 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. The forward-looking statements included herein reflect and contain management's current judgment, and involve risks and uncertainties that could cause actual results, events, and 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 Item 1A, Risk Factors in this Annual Report on Form 10-K. We do not intend to update any of these forward-looking statements or publicly announce the results of or any revisions to these forward-looking statements, other than as is required under the federal securities laws.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto.

PART I

ITEM 1. BUSINESS.

Overview

Regional Management Corp. (together with its subsidiaries, Regional, the Company, we, us, and our) was incorporated in South Carolina on March 25, 1987, and converted into a Delaware corporation on August 23, 2011. We are a diversified consumer finance company providing a broad array of loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other traditional lenders. We began operations in 1987 with four branches in South Carolina and have expanded our branch network to 339 locations with approximately 357,800 active accounts primarily across Alabama, Georgia, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia as of December 31, 2016. Most of our loan products are secured, and each is structured on a fixed rate, fixed term basis with fully amortizing equal monthly installment payments, repayable at any time without penalty. Our loans are sourced through our multiple channel platform, which includes our branches, direct mail campaigns, automobile dealerships, retailers, and our consumer website. We operate an integrated branch model in which nearly all loans, regardless of origination channel, are serviced through our branch network, providing us with frequent in-person contact with our customers, which we believe improves our credit performance and customer loyalty. Our goal is to consistently and soundly grow our finance receivables and manage our portfolio risk while providing our customers with attractive and easy-to-understand loan products that serve their varied financial needs.

Our diversified product offerings include:

Small Loans We offer small installment loans with cash proceeds to the customer ranging from \$500 to \$2,500, with terms of up to 48 months. Our small loans are typically secured by non-essential household goods and/or, to a lesser extent, a lien on a vehicle, which may be an automobile,

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motorcycle, boat, or all-terrain vehicle. We originate these loans through our branches, via our consumer website, and through direct mail campaigns. Our direct mail campaigns include convenience checks sent to pre-screened individuals who are able to enter into a loan by cashing or depositing these checks. As of December 31, 2016, we had approximately 267,800 small loans outstanding representing \$358.5 million in finance receivables or an average of approximately \$1,300 per loan. In 2016, 2015, and 2014, interest and fee income from small loans contributed \$142.1 million, \$139.2 million, and \$134.7 million, respectively, to our total revenue.

Large Loans We offer large installment loans with cash proceeds to the customer ranging from \$2,501 to \$20,000, with terms of between 18 and 60 months. We originate our large installment loans primarily in our branch network, though we recently have begun to test the origination of these loans through our convenience check direct mail program. Our large loans typically are secured by a vehicle and/or non-essential household goods. As of December 31, 2016, we had approximately 56,600 large loans outstanding representing \$235.3 million in finance receivables or an average of approximately \$4,200 per loan. In 2016, 2015, and 2014, interest and fee income from large loans contributed \$55.0 million, \$25.7 million, and \$11.5 million, respectively, to our total revenue.

Automobile Loans We offer automobile loans of up to \$27,500, generally with terms of between 36 and 72 months, that are secured by the purchased vehicle. Our automobile loans are offered through a network of dealers in our geographic footprint. Our automobile loans include both direct loans, which are sourced through a dealership and closed at one of our branches, and indirect loans, which are originated and closed at a dealership in our network without the need for the customer to visit one of our branches. As of December 31, 2016, we had approximately 10,600 automobile loans outstanding representing \$90.4 million in finance receivables or an average of approximately \$8,600 per loan. In 2016, 2015, and 2014, interest and fee income from automobile loans contributed \$18.1 million, \$26.1 million, and \$33.4 million, respectively, to our total revenue.

Retail Loans We offer indirect retail loans of up to \$7,500, with terms of between 6 and 48 months, which are secured by the purchased item. These loans are offered through a network of retailers within and, to a limited extent, outside of our geographic footprint. As of December 31, 2016, we had approximately 22,800 retail loans outstanding representing \$33.5 million in finance receivables or an average of approximately \$1,500 per loan. In 2016, 2015, and 2014, interest and fee income from retail loans contributed \$5.8 million, \$4.8 million, and \$5.2 million, respectively, to our total revenue.

Optional Payment and Collateral Protection Insurance Products We offer our customers optional payment and collateral protection insurance relating to many of our loan products. In 2016, 2015, and 2014, insurance income, net contributed \$9.5 million, \$11.7 million, and \$10.7 million, respectively, to our total revenue.

We have one reportable segment, which is the consumer finance segment. Our other revenue generating activities, including insurance operations, are performed in the existing branch network in conjunction with or as a complement to the lending operations. For financial information regarding the results of our only reportable segment, the consumer finance segment, for each of the last three fiscal years, refer to Item 6, Selected Financial Data and Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Our Industry

We operate in the consumer finance industry, which generally serves the large population of non-prime and underbanked consumers who have limited access to credit from banks, thrifts, credit card companies, and other traditional lenders. According to the Federal Deposit Insurance Corporation (FDIC), there were approximately 51 million adults living in underbanked households in the United States in 2015, up from 43 million in 2009. While the number of non-prime consumers in the United States has grown, we believe that the supply of consumer credit to this demographic by traditional lenders has contracted. Following deregulation of the U.S. banking industry in the 1980s, many banks and finance companies that traditionally provided small denomination

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consumer credit refocused their businesses on larger loans with lower comparative origination costs and lower credit loss rates. We believe that the large number of potential customers in our target market, combined with the decline in available consumer credit, provides an attractive market opportunity for our diversified product offerings – installment lending, automobile lending, and retail lending.

Installment Lending. Installment lending to non-prime and underbanked consumers is one of the most highly fragmented sectors of the consumer finance industry. Providers of installment loans, such as Regional, generally offer loans with longer terms and lower interest rates than other alternatives available to underbanked consumers, such as title, payday, and pawn lenders.

Automobile Lending. Automobile finance comprises one of the largest consumer finance markets in the United States. The automobile loan sector is generally segmented by the credit characteristics of the borrower. Automobile loans are typically initiated or arranged through automobile dealers nationwide that rely on financing to drive their automobile sales.

Retail Lending. The retail industry represents a large consumer market in which retailers often do not provide their own financing, but instead partner with large banks and credit card companies that generally limit their lending activities to prime borrowers. As a result, non-prime customers often do not qualify for financing from these traditional lenders.

Our Business Model and Operations

Integrated Branch Model. Our branch network, with 339 locations across 9 states as of December 31, 2016, serves as the foundation of our multiple channel platform and the primary point of contact with our approximately 357,800 active accounts. By integrating underwriting and loan servicing at the branch level, our employees are able to maintain a relationship with our customers throughout the life of a loan. For loans originated at a branch, underwriting decisions are typically made by our local branch manager, subject to our established underwriting guidelines. Our branch managers combine our company-wide underwriting standards and flexibility within our guidelines to consider each customer's unique circumstances, with policies allowing for underwriting exceptions following review by a district supervisor, state vice president, or centralized underwriting team member. This tailored branch-level underwriting approach allows us to both reject certain marginal loans that would otherwise be approved solely based on a credit report or automated loan approval system, as well as to selectively extend loans to customers with prior credit challenges who might otherwise be denied credit. In addition, nearly all loans, regardless of origination channel, are serviced through our branches, which allows us to maintain frequent, in-person contact with our customers. We believe this frequent-contact, relationship-driven lending model provides greater insight into potential payment difficulties and allows us to assess the borrowing needs of our customers and offer new loan products as their credit profiles evolve.

Multiple Channel Platform. We offer a diversified range of loan products through our multiple channel platform, which enables us to reach existing and new customers throughout our markets. We began building our branch network nearly 30 years ago and have expanded to 339 branches as of December 31, 2016. Our automobile loans are offered through a network of dealers in our geographic footprint. We offer indirect automobile loans, which are closed at the dealership without the need for the customer to visit a branch, as well as direct automobile loans, which are sourced through a dealership and closed at one of our branches. In addition, we have relationships with retailers that offer our retail loans in their stores at the point of sale. Our direct mail campaigns include pre-screened convenience check mailings and mailings of preapproved offers, prequalified offers, and invitations to apply, which enable us to market our products to hundreds of thousands of customers in a cost-effective manner. Finally, we have developed our consumer website to promote our products and facilitate loan applications and originations. We believe that our multiple channel platform provides us with a competitive advantage by giving us broad access to our existing customers and multiple avenues to attract new customers.

Attractive Products for Customers with Limited Access to Credit. Our flexible loan products, ranging from \$500 to \$27,500 with terms of up to 72 months, are competitively priced, easy to understand, and

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incorporate features designed to meet the varied financial needs and credit profiles of a broad array of consumers. This product diversity distinguishes us from monoline competitors and provides us with the ability to offer our customers new loan products as their credit profiles evolve, building customer loyalty and increasing the overall value of customer relationships.

We believe that the rates on our products are significantly more attractive than many other credit options available to our customers, such as payday, pawn, or title loans. We also differentiate ourselves from such alternative financial service providers by reporting our customers payment performance to credit bureaus. This practice provides our customers with the opportunity to improve their credit profile by establishing a responsible payment history with us and ultimately to gain access to a wider range of credit options, including our own. We believe this opportunity for our customers to improve their credit history, combined with our diversity of products with competitive pricing and terms, distinguishes us in the consumer finance market and provides us with a competitive advantage.

Demonstrated Organic Growth. We have grown our finance receivables by 63.3%, from \$439.5 million at December 31, 2012 to \$717.8 million at December 31, 2016, a compound annual growth rate (CAGR) of 13.0%. Our growth has come from expanding our branch network, growing the finance receivable portfolios within existing branches, and developing new channels and products. From 2012 to 2016, we grew our year-end branch count from 221 branches to 339 branches, a CAGR of 11.3%. We opened a net 8 new branches in 2016, and we have also grown our existing branch revenues. Historically, our branches have rapidly increased their outstanding finance receivables during the early years of operations and generally have quickly achieved profitability.

We have also grown by adding new channels and products, which are serviced at the local branch level. Net loan originations from our convenience check program have grown from \$113.9 million in 2012 to \$194.2 million in 2016, a CAGR of 14.3%, as we have increased the volume of our convenience check marketing campaigns. Customers also are able to submit loan applications via our consumer website, and in some markets, we offer end-to-end online loan originations, enabling customers to apply and be approved for loans online without the need to visit a branch, with loan funds disbursed directly to our customers' bank accounts.

Established Portfolio Performance. Despite the challenges posed by the sharp economic downturn beginning in 2008, our annual net credit loss rates between 2008 and 2013 remained consistent, ranging from 6.3% to 8.6% of our average finance receivables. In 2014, due to branch staffing issues in the first half of the year and convenience check credit quality deterioration in our mail campaigns between April and September, we experienced an uncharacteristically high annual net credit loss rate of 11.1% of our average finance receivables. In late 2014 and early 2015, we hired a Chief Risk Officer and other personnel focused on credit risk management, established a Credit Committee to oversee direct mail campaign underwriting and origination processes, implemented additional policies and internal control procedures related to the audit of direct mail campaign files, and improved upon early-stage delinquency reporting and communication. Through these initiatives and others, we reduced our annual net credit loss rate to 8.8% and 9.0% in 2015 and 2016, respectively. We plan to carefully manage our credit exposure going forward as we grow our business, develop new products, and enter new markets.

We generally do not make loans to customers with limited stability as represented by length of time at their current employer and at their current residence, although we consider numerous other factors in evaluating a potential customer's creditworthiness, such as unencumbered income, debt-to-income ratios, and a credit report detailing the applicant's credit history. Our underwriting standards focus on our customers' ability to affordably make loan payments out of their discretionary income, with the value of pledged collateral serving as a credit enhancement rather than the primary underwriting criterion. Portfolio performance is improved by our regular in-person contact with customers at our branches, which helps us anticipate repayment problems before they occur and allows us to work with customers to develop solutions prior to default, using repossession only as a last option. In addition, our centralized management information system enables regular monitoring of branch

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portfolio metrics. Our state operations vice presidents and district supervisors monitor loan underwriting, delinquencies, and credit losses of each branch in their respective regions. In addition, the compensation received by our branch managers and assistant managers has a significant performance component and is closely tied to credit quality, among other defined performance targets. We believe our frequent-contact, relationship-driven lending model, combined with regular monitoring and alignment of employee incentives, improves our overall credit performance.

Experienced Management Team. Our executive and senior operations management teams consist of individuals experienced in installment lending and other consumer finance services. Our Chief Executive Officer has over 28 years of experience in consumer financial services, our President and Chief Operating Officer has more than 25 years of consumer finance experience, and our Chief Risk Officer has nearly 20 years of financial and consumer lending experience, including expertise in credit risk management. As of December 31, 2016, our state operations vice presidents averaged more than 25 years of industry experience and more than 7 years of service at Regional, while our district supervisors averaged nearly 23 years of industry experience and 6 years of service with Regional. Our executive and senior operations management team members intend to leverage their experience and expertise in consumer lending to grow our business, deliver high-quality service to our customers, and carefully manage our credit risk.

Our Strategies

Grow Our Branch Network. We intend to continue to grow the loan volume, revenue, and profitability of our existing branches, to open new branches within our existing geographic footprint, and to expand our operations into new states. Establishing local contact with our customers through the expansion of our branch network is key to our frequent-contact, relationship-driven lending model and is embodied in our marketing tagline: Your Hometown Credit Source.

Existing Branches We intend to continue increasing same-store revenues by further building relationships in the communities in which we operate and capitalizing on opportunities to offer our customers new loan products as their credit profiles evolve. From 2012 to 2016, we opened or acquired a net 118 new branches, and we expect revenues at these branches will grow faster than our overall same-store revenue growth rate as they mature.

New Branches We believe there is sufficient demand for consumer finance services to continue our pattern of new branch openings and branch acquisitions in certain of the states where we currently operate, allowing us to capitalize on our existing infrastructure and experience in these markets. We also analyze detailed demographic and market data to identify favorable locations for new branches. Opening new branches allows us to generate direct lending in the branches, solicit additional consumers via our direct mail campaigns, and create new origination opportunities by establishing relationships with automobile dealerships and retailers in the community.

New States We intend to explore opportunities for growth in several states outside of our existing geographic footprint that enjoy favorable operating environments, such as Kentucky, Louisiana, Mississippi, and Missouri, to name a few. One of our competitors operates in more than 40 states. We do not expect to expand into states with unfavorable operating environments even if those states are demographically attractive for our business. In 2011, we opened our first branch in Oklahoma; in 2012, we opened our first branch in New Mexico; in 2013, we opened our first branch in Georgia; and in 2015, we opened our first branch in Virginia.

We also believe that the highly fragmented nature of the consumer finance industry and the evolving competitive, regulatory, and economic environment provide attractive opportunities for growth through acquisition.

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Expand and Capitalize on Our Diverse Channels and Products. We intend to continue to expand and capitalize on our multiple channel platform and broad array of offerings as follows:

Direct Mail Programs We plan to continue to improve our screening criteria and tracking for direct mail campaigns, which we believe will enable us to improve response rates and credit performance. Since 2011, we have more than tripled the annual number of convenience checks that we have mailed, and we have diversified our direct mail campaign efforts. In 2016, we mailed 5.0 million convenience checks, 2.2 million prequalified loan offers, and 1.4 million invitations to apply. We intend to continue increasing the frequency of our direct mail campaigns to grow our loan portfolio. This effort will add new customers, increase volume at our branches, and create opportunities to offer new loan products to our existing customers. In addition, we mail convenience checks in new markets as soon as new branches are open, which helps our new branches develop a customer base and build finance receivables.

Automobile Loans We source our automobile loans through a network of dealers in our geographic footprint. We have dedicated marketing personnel to develop relationships with these dealers and to maintain our automobile financing network. We will also seek to capture a larger percentage of the financing activity of dealers in our existing network by continuing to improve our relationships with dealers, maintaining the competitiveness of the products we offer, and reducing our response time to loan applications.

Retail Loans Our retail loans are offered through a network of retailers. We intend to continue to grow our network of retailers by having our dedicated marketing personnel continue to solicit new retailers, obtain referrals through relationships with our existing retail partners, and to a lesser extent, reach retailers through trade shows, mail programs, and industry associations.

Online Sourcing To serve customers who want to reach us over the Internet, we make an online loan application available on our consumer website. At the end of 2015, we began testing end-to-end online loan originations, enabling customers to apply and be approved for loans online without the need to visit a branch. We plan to continue to test and expand this new functionality in 2017 and beyond. We also intend to continue to develop and expand our online marketing efforts and increase traffic to our consumer website through the use of partnerships and tools, such as search engine optimization.

We believe the expansion of our channels and products, supported by the growth of our branch network, will provide us with opportunities to reach new customers as well as to offer new loan products to our existing customers as their credit profiles evolve. We plan to continue to develop and introduce new products that are responsive to the needs of our customers in the future.

Focus on Sound Underwriting and Credit Control. In response to the credit quality deterioration in our convenience check mail campaigns in 2014, we renewed our focus on sound underwriting and credit control. In late 2014 and early 2015, we hired a Chief Risk Officer and other personnel focused on credit risk management, established a Credit Committee to oversee direct mail campaign underwriting and origination processes, implemented additional policies and internal control procedures related to the audit of direct mail campaigns, and improved upon early-stage delinquency reporting and communication. These efforts are reflected in a reduction of our net credit loss rate from 11.1% in 2014 to 8.8% and 9.0% in 2015 and 2016, respectively.

Our philosophy is to emphasize sound underwriting standards focused on a customer's prior credit history and ability to affordably make loan payments, to work with customers experiencing payment difficulties, and to use repossession only as a last option, once other options have been exhausted. For example, we permit customers to defer payments or refinance delinquent loans under limited circumstances. Only on an exception basis do we offer customers experiencing payment difficulties the opportunity to change their loan terms to help them reduce the monthly payment that they owe. A deferral extends the due date of the loan by one to two months and allows the customer to maintain his or her credit rating in good standing. In addition to deferrals, we also allow customers to refinance loans. We limit the refinancing of delinquent loans to those customers who

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have made recent payments and for whom we have verified current employment. We believe that refinancing delinquent loans for certain deserving customers who have made periodic payments allows us to help customers resolve temporary financial setbacks and repair or sustain their credit. During 2016, we refinanced only \$7.8 million of loans that were 60 days or more contractually past due, representing approximately 0.9% of our total loan volume for fiscal 2016. As of December 31, 2016, the outstanding gross balance of such refinancings was only \$6.9 million, or 0.8% of gross finance receivables as of such date.

We carefully evaluate each potential customer's creditworthiness by examining the individual's unencumbered income or debt-to-income credit ratio, length of current employment, duration of residence, and a credit report detailing the applicant's credit history. Our loan approval process is based on the customer's creditworthiness and ability to repay the loan, rather than the value of collateral pledged. Loan amounts are established based on underwriting standards designed to allow customers to affordably make their loan payments out of their discretionary income. Each of our branches is equipped to perform immediate employment and credit checks, and approve loan applications promptly while the customer waits. Our employees verify the applicant's employment and credit history through telephone checks with employers, other employment references, supporting documentation such as paychecks and earnings summaries, or a variety of third-party credit reporting agencies.

Each individual we solicit for a convenience check loan has been pre-screened through a major credit bureau or data aggregator against our underwriting criteria. In addition to screening each potential convenience check recipient's credit score and bankruptcy history, we also use a proprietary model that assesses approximately 25 to 30 different attributes of potential recipients.

Our branch employees will perform an in-person appraisal of any vehicle collateral pledged for a direct loan using our multipoint checklist and will use one or more third-party valuation sources, such as the National Automobile Dealers Association Appraisal Guides, to determine an estimate of the collateral's value. Regardless of the value of the vehicle or other collateral, our policies are designed not to lend in excess of our assessment of the borrower's ability to repay. We perfect all security interests in each pledged vehicle by retaining the title to the collateral in our files until the loan is fully repaid or by recording our lien on the title, in each case as required by state law.

In the event we do elect to repossess a vehicle, we use a national, third-party vendor in the vast majority of circumstances. We then sell our repossessed vehicle inventory through sales conducted by independent automobile auction organizations or, to a lesser extent, private sales after the required post-repossession waiting period. Any excess proceeds from the sale of the collateral are returned to the customer. We work with customers experiencing payment difficulties to help them find a solution and view repossession of the collateral only as a last option.

In accordance with our philosophy, we intend to continue to refine our underwriting standards to assess an individual's creditworthiness and ability to repay a loan. In recent years, we have implemented several new programs to continue to improve our underwriting standards and loan collection rates, including those initiatives described above. Additionally, our management information system enables us to regularly review loan volumes, collections, and delinquencies. We believe this central oversight, combined with our branch-level servicing, improves credit performance. We plan to continue to develop strategies and custom credit models utilizing our historical loan performance data and credit bureau attributes to further improve our underwriting standards and loan collection rates as we expand.

Our Products

Small Loans. We originate small loans ranging from \$500 to \$2,500 through our branches, which we refer to as our branch small loans, and through our convenience check program, which we refer to as our convenience

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checks. Our small loans are standardized to reduce documentation and related processing costs and to comply with federal and state lending laws. They are payable in fixed rate, fully amortizing equal monthly installments with terms of up to 48 months, and are repayable at any time without penalty. In 2016, the average originated net loan size and term for our small loans were \$1,536 and 17 months, respectively. The average yield we earned on our portfolio of small loans was 42.5% in 2016. The interest rates, fees and other charges, maximum principal amounts, and maturities for our small loans vary from state to state, depending upon the competitive environment and relevant laws and regulations.

Branch Small Loans. Our branch small loans are made to customers who visit one of our branches and complete a standardized credit application. Customers may also complete and submit a loan application by phone or on our consumer website before closing the loan in one of our branches. We require our customers to submit a list of non-essential household goods and pledge these goods as collateral. We do not perfect our security interests by filing UCC financing statements with respect to these goods and instead typically collect a non-recording insurance fee and obtain non-recording insurance. We also accept, but do not require, vehicles as collateral on small loans.

Convenience Checks. Our convenience check loans are originated through direct mail campaigns to pre-screened individuals. These campaigns are launched throughout the year, but are weighted to coincide with seasonal demand for loans to finance vacations, back-to-school needs, and holiday spending. We also launch convenience check campaigns in conjunction with opening new branches to help build an initial customer base. Customers can cash or deposit convenience checks at their convenience, thereby agreeing to the terms of the loan as prominently set forth on the check and accompanying disclosures. When a customer enters into a loan by cashing or depositing the convenience check, our personnel gather additional information on the borrower to assist us in servicing the loan and offering other products to meet the customer's financing needs.

The following table sets forth the composition of our finance receivables for small loans by state at December 31st of each year from 2012 through 2016:

	At December 31,				
	2012	2013	2014	2015	2016
South Carolina	31%	26%	25%	23%	20%
Texas	31%	29%	29%	31%	32%
North Carolina	21%	16%	15%	15%	15%
Alabama	9%	14%	13%	13%	14%
Tennessee	7%	8%	8%	7%	6%
Oklahoma	1%	5%	7%	7%	7%
New Mexico		2%	3%	3%	3%
Georgia				1%	1%
Virginia					2%
Total	100%	100%	100%	100%	100%

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The following table sets forth the total number of small loans, finance receivables, and average per loan for our small loans by state at December 31, 2016:

	Total Number of Loans	Finance Receivables (In thousands)	Average Per Loan
South Carolina	51,159	\$ 71,859	\$ 1,405
Texas	90,335	114,461	1,267
North Carolina	40,259	52,362	1,301
Alabama	34,619	50,246	1,451
Tennessee	17,561	22,352	1,273
Oklahoma	16,775	23,981	1,430
New Mexico	7,735	11,595	1,499
Georgia	4,691	4,704	1,003
Virginia	4,687	6,911	1,475
Total	267,821	\$ 358,471	\$ 1,338

Large Loans. We also offer large loans through our branches in amounts ranging from \$2,501 to \$20,000. A consumer applies for a large loan by visiting one of our branches, where he or she is interviewed by one of our employees who evaluates the applicant's creditworthiness, including a review of a credit bureau report, before extending a loan. Our large loans are payable in fixed rate, fully amortizing equal monthly installments with terms of 18 to 60 months, and are repayable at any time without penalty. We require our large loans to be secured by a vehicle, which may be an automobile, motorcycle, boat, or all-terrain vehicle, or non-essential household goods. In 2016, our average originated net loan size and term for large loans were \$4,776 and 38 months, respectively. The average yield we earned on our portfolio of large loans was 28.8% for 2016.

The following table sets forth the composition of our finance receivables for large loans by state at December 31st of each year from 2012 through 2016:

	At December 31,				
	2012	2013	2014	2015	2016
South Carolina	30%	28%	25%	22%	20%
Texas	6%	4%	10%	22%	22%
North Carolina	22%	28%	27%	18%	21%
Alabama	35%	30%	26%	17%	14%
Tennessee	7%	9%	8%	7%	7%
Oklahoma		1%	2%	7%	7%
New Mexico			2%	7%	6%
Georgia					2%
Virginia					1%
Total	100%	100%	100%	100%	100%

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The following table sets forth the total number of large loans, finance receivables, and average per loan for our large loans by state at December 31, 2016:

	Total Number of Loans	Finance Receivables (In thousands)	Average Per Loan
South Carolina	10,356	\$ 45,569	\$ 4,400
Texas	13,035	52,379	4,018
North Carolina	12,443	47,758	3,838
Alabama	7,617	31,925	4,191
Tennessee	3,582	17,235	4,812
Oklahoma	3,809	17,144	4,501
New Mexico	3,691	15,183	4,114
Georgia	1,422	4,971	3,496
Virginia	691	3,185	4,609
Total	56,646	\$ 235,349	\$ 4,155

Automobile Loans. Our automobile loans are offered through a network of dealers in our geographic footprint. These loans are offered in amounts up to \$27,500 and are secured by the purchased vehicle. They are payable in fixed rate, fully amortizing equal monthly installments with terms generally of 36 to 72 months, and are repayable at any time without penalty. In 2016, our average originated net loan size and term for automobile loans were \$13,531 and 57 months, respectively. The average yield we earned on our portfolio of automobile loans was 17.7% for 2016.

Indirect Automobile Loans. Our indirect automobile loans allow customers and dealers to complete a loan at the dealership without the need to visit one of our branches. We typically offer indirect loans through larger franchise and independent dealers within our geographic footprint. These larger dealers collect credit applications from their customers and either forward the applications to us specifically or, more commonly, submit the applications to numerous potential lenders through online credit application networks, such as DealerTrack and RouteOne. After receiving an indirect automobile loan application, it is processed by our centralized underwriting department or, to a lesser extent, our branches and supervisors. Once the loan is approved, the dealer closes the loan on a standardized retail installment sales contract at the point of sale. Subsequently, we purchase the loan and service it locally through our branch network.

Direct Automobile Loans. We also offer direct automobile loans to our customers through our relationships with dealerships throughout our geographic footprint. These dealers will contact one of our local branches to initiate a loan application when they have identified a customer who meets our written underwriting standards. Applications for direct automobile loans may also be received through one of the online credit application networks in which we participate, such as DealerTrack and RouteOne. We will review the application and requested loan terms and propose modifications, if necessary, before providing initial approval and inviting the dealer and the customer to come to a local branch to close the loan. Our branch employees interview the customer to verify information in the dealer's credit application, obtain a credit bureau report on the customer, and inspect the vehicle to confirm that the customer's order accurately describes the vehicle before closing the loan.

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The following table sets forth the composition of our finance receivables for automobile loans by state at December 31st of each year from 2012 through 2016:

	At December 31,				
	2012	2013	2014	2015	2016
South Carolina	48%	42%	42%	45%	48%
Texas	19%	22%	23%	18%	14%
North Carolina	26%	26%	24%	23%	23%
Alabama	4%	5%	5%	7%	10%
Tennessee	3%	3%	2%	2%	1%
Oklahoma		1%	2%	3%	2%
New Mexico					1%
Georgia		1%	2%	2%	1%
Virginia					
Total	100%	100%	100%	100%	100%

The following table sets forth the total number of automobile loans, finance receivables, and average per loan for our automobile loans by state at December 31, 2016:

	Total Number of Loans	Finance Receivables (In thousands)	Average Per Loan
South Carolina	5,012	\$ 42,931	\$ 8,566
Texas	1,455	12,571	8,640
North Carolina	2,524	20,733	8,214
Alabama	896	9,281	10,358
Tennessee	187	1,327	7,096
Oklahoma	241	1,543	6,402
New Mexico	48	473	9,854
Georgia	175	1,351	7,720
Virginia	19	222	11,684
Total	10,557	\$ 90,432	\$ 8,566

Retail Loans. Our retail loans are indirect loans made through a retailer at the point of sale without the need for the customer to visit one of our branches, similar to our indirect automobile loans. Our customers use our retail loans to finance the purchase of furniture, appliances, and other retail products. These loans are indirect installment loans structured as retail installment sales contracts that are offered in amounts of up to \$7,500. They are payable in fixed rate, fully amortizing equal monthly installments with terms of between six and 48 months, and are repayable at any time without penalty. In 2016, our average originated net loan size and term for retail loans were \$2,012 and 26 months, respectively. The average yield we earned on our portfolio of retail loans was 19.2% for 2016.

Our retail loans provide financing to customers who may not qualify for prime financing from traditional lenders. As compared to other sources of non-prime financing, including rent-to-own and leasing, our retail loans often offer more attractive interest rates and terms to customers. In recent years, in an effort to expand our relationship with existing retailer partners, we began offering retail loans in states outside of our nine-state brick-and-mortar footprint that are serviced centrally from our headquarters in South Carolina. By providing a source of non-prime financing, we are often able to help our retail partners complete sales to customers who otherwise may not have been able to finance their purchase.

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Our retail partners typically submit applications to us online while the customer waits. If a customer is not accepted by a retailer's prime financing provider, we will evaluate the customer's credit based on the same application data, without the need for the customer to complete an additional application. Underwriting for our retail loans is conducted through RMC Retail, a centralized underwriting team.

We individually evaluate the creditworthiness of potential retail loan customers using the same information and resources used for our other loan products, including a credit bureau report, before providing a credit decision to the retailer, generally within ten minutes. If we approve the loan, the retailer completes our standardized retail installment sales contract, which includes a security interest in the purchased item. The servicing of nearly all such loans are performed within our branches, with only out-of-footprint retail loans being serviced centrally from our headquarters in South Carolina.

The following table sets forth the composition of our finance receivables for retail loans by state at December 31st of each year from 2012 through 2016:

	At December 31,				
	2012	2013	2014	2015	2016
South Carolina	8%	6%	6%	4%	3%
Texas	63%	61%	62%	69%	73%
North Carolina	15%	15%	14%	10%	8%
Alabama	5%	5%	3%	2%	1%
Tennessee	4%	4%	2%	1%	2%
Oklahoma		3%	7%	8%	6%
New Mexico		1%	1%	2%	2%
Georgia					1%
Virginia					1%
Other	5%	5%	5%	4%	3%
Total	100%	100%	100%	100%	100%

The following table sets forth the total number of retail loans, the finance receivables, and average per loan for our retail loans by state at December 31, 2016:

	Total Number of Loans	Finance Receivables (In thousands)	Average Per Loan
South Carolina	682	\$ 952	\$ 1,396
Texas	16,415	24,550	1,496
North Carolina	1,973	2,608	1,322
Alabama	311	406	1,305
Tennessee	408	512	1,255
Oklahoma	1,505	2,105	1,399
New Mexico	593	771	1,300
Georgia	146	304	2,082
Virginia	107	238	2,224
Other	684	1,077	1,575
Total	22,824	\$ 33,523	\$ 1,469

Optional Payment and Collateral Protection Insurance Products. We offer our customers a number of optional payment and collateral protection insurance products in connection with our loans. We do not sell insurance to non-borrowers. The insurance products we offer customers are voluntary and not a condition of the

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loan. Our insurance products, including the types of products offered and their terms and conditions, vary from state to state in compliance with applicable laws and regulations. Premiums and other charges for insurance products are set at, or below, authorized statutory rates and are stated separately in our disclosure to customers, as required by the federal Truth in Lending Act and by various applicable state laws. In 2016, insurance income, net, was \$9.5 million, or 3.9% of our total revenue.

We market and sell insurance policies as an agent for an unaffiliated third-party insurance company. The policies are then ceded to our wholly-owned reinsurance subsidiary, RMC Reinsurance, Ltd., which then bears the full risk of the policy. For the sale of insurance policies, we, as agent, write policies only within the limitations established by our agency contracts with the unaffiliated third-party insurance company.

Credit Life Insurance, Credit Accident and Health Insurance, and Involuntary Unemployment Insurance. We market and sell optional credit life insurance, credit accident and health insurance, and involuntary unemployment insurance in connection with our loans in selected markets. Credit life insurance provides for the payment in full of the borrower's credit obligation to the lender in the event of the borrower's death. Credit accident and health insurance provides for the repayment of certain loan installments to the lender that come due during an insured's period of income interruption resulting from disability from illness or injury. Involuntary unemployment insurance provides for repayment of certain loan installments in the event the borrower is no longer employed as the result of a qualifying event, such as a layoff or reduction in workforce. All customers purchasing these types of insurance from us sign a statement affirming that they understand that their purchase of insurance is optional and not a condition of our granting the loan. In addition, customers may cancel purchased insurance at any time during the life of the loan, including in connection with an early payoff or loan refinancing. Customers who cancel within 30 days of the date of purchase receive a full refund of the insurance premium, and customers who cancel thereafter receive a refund of the unearned portion of the insurance premium.

Property Insurance. We also require that our customers provide proof of acceptable insurance for any personal property securing a loan. Customers can provide proof of such insurance purchased from a third party (such as homeowners or renters insurance) or can purchase the property insurance that we offer. We also collect a state-allowed fee for collateral protection and purchase non-recording insurance in lieu of recording and perfecting our security interest in the assets pledged on certain loans. In addition to offering property insurance on the household goods used as collateral for our loan products, we also offer, in select markets, vehicle single interest insurance that provides coverage on automobiles used as collateral on small and large loans. This affords the borrower flexibility with regards to the requirement to maintain full coverage on the vehicle while also protecting the collateral used to secure the loan.

Reinsurance. The optional payment and collateral protection insurance risks are ceded by the non-affiliated insurance company that issues the policies to RMC Reinsurance, a wholly-owned subsidiary of Regional Management Corp.

Insurance policy premiums, claims and expenses are included in the company's results of operations as insurance income, net in the income statement.

Our Branches

Our branches are generally located in visible, high traffic locations, such as shopping centers. We do not need to keep large amounts of cash at our branches because we disburse the vast majority of loan proceeds by check. As a result, our branches have an open, welcoming, and hospitable layout.

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The following table sets forth the number of branches as of the dates indicated:

	At December 31,				
	2012	2013	2014	2015	2016
South Carolina	69	70	70	72	72
Texas	56	67	83	98	98
North Carolina	26	29	34	36	36
Alabama	42	49	49	50	49
Tennessee	20	21	21	21	21
Oklahoma	6	21	27	28	28
New Mexico	2	4	13	18	19
Georgia		3	3	7	8
Virginia				1	8
Total	221	264	300	331	339

During the period presented in the table above, we grew by a net 118 branches. In 2016, we opened a net 8 new branches. In evaluating whether to locate a branch in a particular community, we examine several factors, including the demographic profile of the community, demonstrated demand for consumer finance, the regulatory and political climate, and the availability of suitable employees to staff, manage, and supervise the new branch. We also look for a concentration of automobile dealers and retailers to build our sales finance business.

The following table sets forth the average finance receivables per branch based on maturity, excluding acquired branches:

Age of Branch (As of December 31, 2016)	Average Finance Receivables Per Branch as of December 31, 2016 (In thousands)	Percentage Increase From Prior Age Category	Number of Branches
Branches open less than one year	\$ 1,163		16
Branches open one to three years	\$ 1,595	37.1%	61
Branches open three to five years	\$ 1,988	24.6%	95
Branches open five years or more	\$ 2,473	24.4%	167

The average contribution to operating income from our branches has historically increased as our branches mature. The following table sets forth the average operating income contribution per branch for the year ended December 31, 2016, based on maturity of the branch, excluding acquired branches.

Age of Branch (As of December 31, 2016)	Average Branch Operating Income (Loss) Contribution (In thousands)	Percentage Increase From Prior Age Category	Number of Branches
Branches open less than one year	\$ (37)		16
Branches open one to three years	\$ 170	559.5%	61
Branches open three to five years	\$ 255	50.0%	95
Branches open five years or more	\$ 403	58.0%	167

We calculate the average branch contribution as total revenues generated by the branch less the expenses directly attributable to the branch, including the provision for losses and operating expenses, such as personnel, lease, and interest expenses. General corporate overhead, including management salaries, are not attributable to any individual branch. Accordingly, the sum of branch contributions from all of our branches is greater than our income before taxes.

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Payment and Loan Servicing

We have implemented company-wide payment and loan servicing policies and practices, which are designed to maintain consistent portfolio performance and to facilitate regulatory compliance. Our district supervisors and state vice presidents, with assistance from centralized training personnel, oversee the training of each branch employee in these policies and practices, which include standard procedures for communicating with customers in our branches, over the telephone, and by mail. Our corporate procedures require the maintenance of a log of servicing activity for each account. Our state vice presidents, district supervisors, and internal audit teams regularly review these records to ensure compliance with our company procedures, which are designed to comply with applicable regulatory requirements.

Our corporate practices also include encouraging customers to visit our branches to make payments. Encouraging payment at the branch allows us to maintain regular contact with our customers and further develop our overall relationship with them. We believe that the development and continual reinforcement of personal relationships with customers improves our ability to monitor their creditworthiness, reduces credit risk, and generates opportunities to offer them new loan products as their credit profiles evolve. To reduce late payment risk, branch employees encourage customers to inform us in advance of expected payment problems.

Branch employees also promptly contact customers following the first missed payment and thereafter remain in close contact with such customers, including through phone calls and letters. We use third-party skip tracing services to locate delinquent customers in the event that our branch employees are unable to do so. In certain cases, we seek legal judgments against delinquent customers.

We obtain security interests for most of our loans, and we perfect the security interests in vehicles securing our loans. Our district supervisors and internal audit teams regularly review collateral documentation to confirm compliance with our guidelines. We perfect all security interests in each pledged vehicle by retaining the title to the collateral in our files until the loan is fully repaid or by recording our lien on the title. We only initiate repossession efforts when an account is seriously delinquent, we have exhausted other means of collection, and in the opinion of management, the customer is unlikely to make further payments. We sell substantially all repossessed vehicles through sales conducted by independent automobile auction organizations, after the required post-repossession waiting period. Losses on the sale of repossessed collateral are charged to the allowance for credit losses.

In certain cases, we permit our existing customers to refinance their loans. Our refinancings of existing loans are divided into three categories: refinancings of loans in an amount greater than the original loan amount, renewals of existing loans at or below the original loan amount, and renewals of existing loans that are 60 or more days contractually past due, which represented 42.2%, 20.0%, and 0.9%, respectively, of our loan originations in 2016. Any refinancing of a loan in an amount greater than the original amount generally requires an underwriting review to determine a customer's qualification for the increased loan amount. Furthermore, we obtain a new credit report and may complete a new application on renewals of existing loans if they have not completed one within the prior year. We limit the refinancing of delinquent loans to those customers who have made recent payments and for whom we have verified current employment. We believe that refinancing delinquent loans for certain deserving customers who have made periodic payments allows us to help customers resolve temporary financial setbacks and repair or sustain their credit. During 2016, we refinanced only \$7.8 million of loans that were 60 or more days contractually past due, and as of December 31, 2016, the outstanding balance of such refinancings was only \$6.9 million, or 0.8% of gross finance receivables as of such date.

Generally, we charge off loans during the month the loan becomes contractually delinquent 180 days. Non-titled accounts in a confirmed Chapter 7 or Chapter 13 bankruptcy are charged off at 60 days contractually delinquent, subject to certain exceptions. Deceased borrower accounts are charged off in the month following the proper notification of passing, with the exception of borrowers with credit life insurance. We initiate repossession proceedings on certain loans when we have exhausted other means of collection and, in the opinion of management, the customer is unlikely to make further payments. We sell substantially all repossessed vehicles through public sales conducted by independent automobile auction organizations, after the required post-

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repossession waiting period. Losses on the sale of repossessed collateral are charged to the allowance for credit losses. In December 2015, we executed our first bulk sale of existing charged-off accounts to a third party and, in connection with this transaction, we committed to sell the flow of loans charged-off between November 2015 and January 2017. We anticipate that we will continue to sell our flow of charged-off loans in the future.

Information Technology

Since 1999, we have used a loan servicing software package developed and owned by ParaData Financial Systems and have invested in customizing the ParaData software to improve the management of our specific processes and product types. The system provides management information and control capabilities, including monitoring of all loans made, collections, delinquencies, and other functions.

While we believe that the ParaData loan management system is adequate for our current business needs, in April 2016, we entered into an agreement with Nortridge Software, LLC to transition to the Nortridge loan origination and servicing platform. We currently use the Nortridge platform in three of the nine states in which we operate. We expect the remaining states to transition from the ParaData software to the Nortridge platform throughout the remainder of 2017, following which we expect that we will no longer use ParaData software.

In addition, we rely on DealerTrack, Route One, Teledata Communications Inc., and other third-party software vendors to provide access to loan applications.

Competition

The consumer finance industry is highly fragmented, with numerous competitors. The competition we face for each of our loan products is distinct.

Small and Large Loans. The installment loan industry is highly fragmented in the nine states in which we operate. We compete with several national competitors operating greater than 800 branch locations each, as well as a handful of smaller, regionally-focused competitors with between 100 and 250 branches in certain of the states in which we operate. We believe that the majority of our competitors are independent operators with generally less than 100 branches. We believe that competition between installment consumer loan companies occurs primarily on the basis of price, breadth of loan product offerings, flexibility of loan terms offered, and the quality of customer service provided. While underbanked customers may also use alternative financial services providers, such as title lenders, payday lenders, and pawn shops, their products offer different terms and typically carry substantially higher interest rates and fees than our installment loans. Accordingly, we believe alternative financial services providers are not an attractive alternative for customers who meet our underwriting standards, which are generally stricter than the underwriting standards of alternative financial services providers. Our small and large loans also compete with pure online lenders, peer-to-peer lenders, and issuers of non-prime credit cards.

Automobile Loans. In the automobile loan industry, we compete with numerous financial service companies, including non-prime auto lenders, dealers that provide financing, captive finance companies owned by automobile manufacturers, banks, and credit unions. Competition among automobile lenders is fierce and is largely on the basis of interest rates charged, the quality of credit accepted, the flexibility of loan terms offered, the speed of approval, and the quality of customer service provided. Much of the automobile loan marketplace has evolved to processing loan applications generated at dealers through online credit application networks such as DealerTrack or RouteOne where prompt service and response times to dealers and their customers are essential to compete in this market.

Retail Loans. In recent years, the retail loan industry has seen an increasing number of lenders enter the market that are dedicated to originating non-prime retail loans. We also face competition from rent-to-own financing providers and credit card companies. Our retail loans are typically made at competitive rates, and competition is largely on the same basis as automobile loans. Point-of-sale financing decisions must be made rapidly while the customer is on the sales floor. We endeavor to provide responses to customers in less than ten minutes, and we staff RMC Retail, our centralized retail loan underwriting team, with multiple shifts seven days per week during peak retail shopping hours to ensure rapid response times.

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Seasonality

Our loan volume and the contractual delinquency of our finance receivable portfolio 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 vacations, back-to-school, and holiday spending. With the exception of automobile loans and retail loans, loan demand has generally been the lowest during the first quarter, which we believe is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first quarter of the year and rise throughout the remainder of the fiscal year. Consequently, we experience seasonal fluctuations in our operating results and cash needs.

Employees

As of December 31, 2016, we had 1,363 employees, none of whom were represented by labor unions. We consider our relations with our personnel to be good. We experience a high level of turnover among our branch employees, which we believe is typical of the consumer finance industry.

Staff and Training. Local branches are generally staffed with two to four employees. The branch manager oversees operations of the branch and is responsible for approving loan applications. Each branch has one or two assistant managers who contact delinquent customers, review loan applications, and prepare operational reports. Generally, each branch also has a customer service representative who takes loan applications, processes loan applications, processes payments, and assists in the preparation of operational reports, collection efforts, and marketing activities. Larger volume branches may employ additional assistant managers and customer service representatives. New employees must complete a comprehensive training curriculum that focuses on the company- and position-specific competencies needed to be successful. The training includes a blended approach utilizing eLearning modules, hands-on exercises, webinars, and assessments. Training content is focused on our operating policies and procedures, as well as several key compliance areas. Incentive compensation for new employees is contingent upon the successful and timely completion of the required new hire training curriculum. All current employees also are required to complete annual compliance training and re-certification. Additional management and developmental training is provided for those employees looking to advance within our company.

Monitoring and Supervision. We have oversight structures and procedures in place to ensure compliance with our operational standards and policies and the applicable regulatory requirements in each state. All of our loans, other than indirect automobile and retail loans, are prepared using our loan management software, which is programmed to compute fees, interest rates, and other loan terms in compliance with our underwriting standards and applicable regulations. We work with our regulatory counsel to develop standardized forms and agreements for each state, ensuring consistency and compliance.

Our loan operations are organized by geography. We have two state vice presidents to oversee Texas; one state vice president to oversee North Carolina and Tennessee; one state vice president to oversee New Mexico and Oklahoma; one state vice president to oversee Alabama; one state vice president to oversee Georgia; one state vice president to oversee South Carolina; and one state vice president to oversee Virginia. Several levels of management monitor and supervise the operations of each of our branches. Each branch manager is directly responsible for the performance of his or her branch. Our district supervisors are responsible for the performance of between six and eleven branches in their districts. Each state vice president is responsible for the performance of all of the branches in his or her state or region. Our information technology platform enables each layer of management to monitor our portfolio in real time, which we believe improves our credit performance.

The majority of our branches undergo an internal audit every year, and every branch undergoes an internal audit at least every two years. These audits, conducted by dedicated internal audit staff, include a review of compliance with state and federal laws and regulations, as well as a review of operations. The review of operations includes a review of adherence to policies and procedures concerning cash management, loan

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approval processes, and all other policies and procedures concerning branch operations, such as servicing procedures. Branches are rated at four different levels, and the timing and frequency of audits is impacted by the rating received. Other factors impacting the timing of branch audits include, but are not limited to, the date the branch opened, the timing of new managers commencing employment at the branch, and the results of branch examinations conducted by state regulators. Our branch employees' compensation is directly impacted by the internal audit rating assigned to the branch.

We have a scorecard program to systematically monitor a range of operating metrics at each branch on a monthly basis. Our scorecard system currently tracks different dimensions of operations, including the performance of each branch on a series of credit metrics. Management receives daily statistical reports to monitor key metrics at the branch, district, state, and enterprise levels. At least three times each year, district supervisors audit the operations of each branch in their district and submit standardized reports detailing their findings to senior management. State vice presidents meet with the executive management team to review branch scorecard results as well as to discuss other operational and financial performance results against our targets.

Government Regulation

Consumer finance companies are subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, regulations, and ordinances. Many of these laws impose detailed constraints on the terms of our loans and the retail installment sales contracts that we purchase, the lending forms that we utilize, and our operations. The software that we use to originate loans is designed in part to aid in compliance with all applicable lending regulations.

State Lending Regulation. In general, state statutes establish maximum loan amounts and interest rates and the types and maximum amounts of fees and insurance premiums that we may charge for both direct and indirect lending. Specific allowable charges vary by state. For example, statutes in Texas allow for indexing the maximum small loan amounts to the Consumer Price Index and set maximum rates for automobile loans based on the age of the vehicle. Except in the states of North Carolina, New Mexico, and Virginia, our direct loan products are pre-computed loans in which the finance charge is determined at the time of the loan origination and is a combination of origination or acquisition fees, account maintenance fees, monthly account handling fees, pre-computed interest, and/or other charges permitted by the relevant state laws. Direct loans in North Carolina, New Mexico, and Virginia are structured as simple interest loans as prescribed by state law.

In addition, state laws regulate the keeping of books and records and other aspects of the operation of consumer finance companies, and state and federal laws regulate account collection practices. Generally, state regulations also establish minimum capital requirements for each local branch. State agency approval is required to open new branches, and each of our branches is separately licensed under the laws of the state in which the branch is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations. In the states in which we currently operate, licenses may be revoked only after an administrative hearing. We believe we are in compliance with state laws and regulations applicable to our lending operations in each state.

We and our operations are regulated by several state agencies, including the Consumer Finance Division of the South Carolina State Board of Financial Institutions, the South Carolina Department of Consumer Affairs, the North Carolina Office of the Commissioner of Banks, the Texas Office of the Consumer Credit Commissioner, the Tennessee Department of Financial Institutions, the Alabama State Banking Department, the Oklahoma Department of Consumer Credit, the New Mexico Regulation and Licensing Department, Financial Institutions Division, the Georgia Industrial Loan Division of the Office of Insurance and Safety Fire Commissioner, and the Virginia Bureau of Financial Institutions of the State Corporation Commission. These state regulatory agencies regularly audit our branches and operations.

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Insurance Regulation. Premiums and charges for optional payment and collateral protection insurance products are set at or below authorized statutory rates and are stated separately in our disclosures to customers, as required by the federal Truth in Lending Act and by various applicable state laws.

We are also subject to state regulations governing insurance agents in the states in which we sell insurance. State insurance regulations require that insurance agents be licensed and limit the premium amount charged for such insurance. Our captive insurance subsidiary is regulated by the insurance authorities of the Turks and Caicos Islands of the British West Indies, where the subsidiary is organized and domiciled.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act). At the federal level, Congress enacted comprehensive financial regulatory reform legislation in 2010. A significant focus of the law, known as the Dodd-Frank Act, is heightened consumer protection. The Dodd-Frank Act established a new body, called the Consumer Financial Protection Bureau (the CFPB), which has regulatory, supervisory, and enforcement powers over providers of consumer financial products and services, including explicit supervisory authority to examine and require registration of non-depository lenders and promulgate rules that can affect the practices and activities of lenders.

Although the Dodd-Frank Act expressly provides that the CFPB has no authority to establish usury limits, some consumer advocacy groups have suggested that various forms of alternative financial services or specific features of consumer loan products should be a regulatory priority, and it is possible that at some time in the future the CFPB could propose and adopt rules making such lending services materially less profitable or impractical, which may include installment loans or other products that we offer.

The Dodd-Frank Act also gives the CFPB the authority to examine and regulate large non-depository financial companies and gives the CFPB authority over anyone deemed by rule to be a larger participant of a market for other consumer financial products or services. The CFPB contemplates regulating the installment lending industry as part of the consumer credit and related activities market. However, this so-called larger participant rule will not impose substantive consumer protection requirements, but rather will provide to the CFPB the authority to supervise larger participants in certain markets, including by requiring reports and conducting examinations to ensure, among other things, that they are complying with existing federal consumer financial law. While the CFPB has defined a larger participant standard for certain markets, such as the debt collection, automobile finance, and consumer reporting markets, it has not yet acted to define larger participant in the traditional installment lending market. The rule will likely cover only the largest installment lenders, and we do not yet know whether the definition of larger participant will cover us. We do not meet the definition of larger participant in the automobile finance market.

In addition to the grant of certain regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties.

Although many of the regulations implementing portions of the Dodd-Frank Act have been promulgated, we are still unable to predict how this significant legislation may be interpreted and enforced or the full extent to which implementing regulations and supervisory policies may affect us. Finally, President Donald Trump and the Congressional majority have indicated that the Dodd-Frank Act will be under further scrutiny and some of the provisions of the Dodd-Frank Act and rules promulgated thereunder, including those provisions establishing the CFPB and the rules and regulations proposed and enacted by the CFPB, may be revised, repealed, or amended.

Other Federal Laws and Regulations. In addition to the Dodd-Frank Act and state and local laws, regulations, and ordinances, numerous other federal laws and regulations affect our lending operations. These laws include the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, and in each case the regulations thereunder, and the Federal Trade Commission's

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Credit Practices Rule. These laws require us to provide complete disclosure of the principal terms of each loan to the borrower, prior to the consummation of the loan transaction, prohibit misleading advertising, protect against discriminatory lending practices, govern the manner in which we report customer information to consumer reporting agencies, and proscribe unfair credit practices.

Truth in Lending Act. Under the Truth in Lending Act and Regulation Z promulgated thereunder, we must disclose certain material terms related to a credit transaction, including, but not limited to, the annual percentage rate, finance charge, amount financed, total of payments, the number and amount of payments, and payment due dates to repay the indebtedness.

Equal Credit Opportunity Act. Under the Equal Credit Opportunity Act and Regulation B promulgated thereunder, we cannot discriminate against any credit applicant on the basis of any protected category, such as race, color, religion, national origin, sex, marital status, or age. We are also required to make certain disclosures regarding consumer rights and advise customers whose credit applications are not approved of the reasons for the rejection.

Fair Credit Reporting Act. Under the Fair Credit Reporting Act, we must provide certain information to customers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency, promptly update any credit information reported to a credit reporting agency about a customer, and have a process by which customers may inquire about credit information furnished by us to a consumer reporting agency.

Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act, we must protect the confidentiality of our customers' non-public personal information and disclose information on our privacy policy and practices, including with regard to the sharing of customers' non-public personal information with third parties. This disclosure must be made to customers at the time the customer relationship is established and, in some cases, at least annually thereafter.

Credit Practices Rule. The Federal Trade Commission's Credit Practices Rule limits the types of property we may accept as collateral to secure a consumer loan.

Violations of these statutes and regulations may result in actions for damages, claims for refund of payments made, certain fines and penalties, injunctions against certain practices, and the potential forfeiture of rights to repayment of loans. 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 Item 1A, Risk Factors.

Additional Information

The Company's principal internet address is www.regionalmanagement.com. The information contained on, or that can be accessed through, the Company's website is not incorporated by reference into this Annual Report on Form 10-K. The Company has included its website address as a factual reference and does not intend it as an active link to its website. The Company provides its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to those reports, free of charge on www.regionalmanagement.com, as soon as reasonably practicable after they are electronically filed, or furnished to, the Securities and Exchange Commission.

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ITEM 1A. RISK FACTORS.

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of the risks which may affect our future operating results. These are the risks and uncertainties we believe are most important for you to consider, but the risks described below are not the only risks facing our company. Additional risks and uncertainties not presently known to us, which we currently deem immaterial, or which are similar to those faced by other companies in our industry or in business in general, may also impair our business operations. If any of the following risks or uncertainties occurs, continues, or worsens, our business, financial condition, and operating results would likely suffer. You should carefully consider the risks described below together with the other information set forth in this Annual Report on Form 10-K.

Risks Related to Our Business

We have grown significantly in recent years, and our delinquency and credit loss rates and overall results of operations may be adversely affected if we do not manage our growth effectively.

We have experienced substantial growth in recent years, opening or acquiring 36 branches in 2014, 31 branches in 2015, and a net 8 branches in 2016, and increasing the size of our finance receivables portfolio from \$544.7 million at the beginning of 2014 to \$717.8 million at the end of 2016, a compound annual growth rate of 9.6%. We intend to continue our growth strategy in the future. As we increase the number of branches we operate, we will be required to find new, or relocate existing, employees to operate our branches and allocate resources to train and supervise those employees. The success of a branch depends significantly on the manager overseeing its operations and on our ability to enforce our underwriting standards and implement controls over branch operations. Recruiting suitable managers for new branches can be challenging, particularly in remote areas and in areas where we face significant competition. Furthermore, the annual turnover rate among our branch managers was approximately 25% in 2015 and 24% in 2016, and turnover rates of managers in our new branches may be similar or higher. Increasing the number of branches that we operate may divide the attention of our senior management or strain our ability to adapt our infrastructure and systems to accommodate our growth. If we are unable to promote, relocate, or recruit suitable managers, oversee their activities effectively, and otherwise appropriately and effectively staff our branches, our delinquency and credit loss rates may increase and our overall results of operations may be adversely impacted.

We face significant risks in implementing our growth strategy, some of which are outside of our control.

We intend to continue our growth strategy, which is based on opening and acquiring branches in existing and new markets, introducing new products and channels, and increasing the finance receivables portfolios of our existing branches. Our ability to execute this growth strategy is subject to significant risks, some of which are beyond our control, including:

the inherent uncertainty regarding general economic conditions;

the prevailing laws and regulatory environment of each state in which we operate or seek to operate and federal laws and regulations, all of which are subject to change at any time;

the degree of competition in new markets and its effect on our ability to attract new customers;

our ability to identify attractive locations for new branches;

our ability to recruit qualified personnel, particularly in remote areas and in areas where we face a great deal of competition; and

our ability to obtain adequate financing for our expansion plans.

For example, certain states into which we may expand limit the number of lending licenses granted. For instance, Georgia requires a convenience and advantage assessment of a new lending license and location prior

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to the granting of the license. This assessment adds time and expense to opening new locations and creates risk that our state regulator will deny an application for a new lending license due to a perceived oversaturation of existing licensed lenders in the area in which we seek to expand and operate. There can be no assurance that if we apply for a license for a new branch, whether in one of the states where we currently operate or in a state into which we would like to expand, we will be granted a license to operate. We also cannot be certain that any such license, even if granted, would be obtained in a timely manner or without burdensome conditions or limitations. In addition, we may not be able to obtain and maintain the regulatory approvals, government permits, or licenses that may be required to operate.

We are exposed to credit risk in our lending activities.

Our ability to collect on loans depends on the willingness and repayment ability of our borrowers. Any material adverse change in the ability or willingness of a significant portion of our borrowers to meet their obligations to us, whether due to changes in general economic, political, or social conditions, the cost of consumer goods, interest rates, natural disasters, acts of war or terrorism, or other causes over which we have no control, or to changes or events affecting our borrowers such as unemployment, major medical expenses, divorce, or death, would have a material adverse impact on our earnings and financial condition. Further, a substantial majority of our borrowers are non-prime borrowers, who are more likely to be affected, and more severely affected, by adverse macroeconomic conditions. We cannot be certain that our credit administration personnel, policies, and procedures will adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio.

Our convenience check strategy exposes us to certain risks.

A significant portion of the growth in our installment loans has been achieved through direct mail campaigns. One aspect of our direct mail campaigns involves mailing to pre-screened recipients convenience checks, which customers can sign and cash or deposit, thereby agreeing to the terms of the loan, which are disclosed on the front and back of the check and in the accompanying disclosures. We use convenience checks to seed new branch openings and to attract new customers to existing branches in our geographic footprint. In 2015 and 2016, loans initiated through convenience checks represented 16.8% and 16.4%, respectively, of the value of our originated loans. We expect that convenience checks will continue to represent a meaningful portion of our small installment loan originations in the future. There are several risks associated with the use of convenience checks, including the following:

it is more difficult to maintain sound underwriting standards with convenience check customers, and these customers have historically presented a higher risk of default than customers that originate loans in our branches, as we do not meet convenience check customers prior to soliciting them and extending a loan to them, and we may not be able to verify certain elements of their financial condition, including their current employment status, income, or life circumstances;

we rely on credit information from a third-party credit bureau that is more limited than a full credit report to pre-screen potential convenience check recipients, which may not be as effective or may be inaccurate or outdated;

we face limitations on the number of potential borrowers who meet our lending criteria within proximity to our branches;

we may not be able to continue to access the demographic and credit file information that we use to generate our mailing lists due to expanded regulatory or privacy restrictions;

convenience checks pose a risk of fraud;

we depend on one bank to issue and clear our convenience checks, and any failure by that bank to properly process the convenience checks could limit the ability of a recipient to cash the check and enter into a loan with us;

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customers may opt out of direct mail solicitations and solicitations based on their credit file or may otherwise prohibit us from soliciting them; and

postal rates and piece printing rates may continue to rise.

For example, in 2014, we experienced a convenience check credit quality deterioration in our direct mail campaigns. We responded to these issues by hiring a Chief Risk Officer and other personnel focused on credit risk management, establishing a Credit Committee to oversee direct mail campaign underwriting and origination processes, implementing additional policies and internal control procedures related to the audit of direct mail campaign files, and improving upon early-stage delinquency reporting and communication. Despite these efforts, we may experience future issues relating to our credit inquiries and other processes associated with our direct mail strategy. Our expected increase in the use of convenience checks will further increase our exposure to, and the magnitude of, these risks.

Our policies and procedures for underwriting, processing, and servicing loans are subject to potential failure or circumvention, which may adversely affect our results of operations.

A substantial portion of our underwriting activities and our credit extension decisions are made at our local branches. We train our employees individually onsite in the branch and through online training modules to make loans that conform to our underwriting standards. Such training includes critical aspects of state and federal regulatory compliance, cash handling, account management, and customer relations. Although we have standardized employee manuals and online training modules, we primarily rely on our district supervisors, with oversight by our state vice presidents, branch auditors, and headquarters personnel, to train and supervise our branch employees, rather than centralized training programs. Therefore, the quality of training and supervision may vary from district to district and branch to branch depending upon the amount of time apportioned to training and supervision and individual interpretations of our operations policies and procedures. In addition, we sometimes rely on third-party service providers in connection with loan underwriting and origination. Any error or failure by a third-party service provider in providing loan underwriting and origination services may cause us to originate loans to borrowers that do not meet our underwriting standards. We cannot be certain that every loan is made in accordance with our underwriting standards and rules. We have experienced instances of loans extended that varied from our underwriting standards. Variances in underwriting standards and lack of supervision could expose us to greater delinquencies and credit losses than we have historically experienced.

In addition, underwriting decisions are based on information provided by customers, counterparties, and other third parties, including credit bureaus and data aggregators, the inaccuracy or incompleteness of which may adversely affect our results of operations. In deciding whether to extend credit or enter into other transactions with customers and counterparties, we rely on such information furnished to us by or on behalf of customers, counterparties, and other third parties, including financial information. We also rely on representations of customers and counterparties as to the accuracy and completeness of that information. Our earnings and our financial condition could be negatively impacted to the extent the information furnished to us by and on behalf of customers, counterparties, and other third parties is not correct or complete.

We may be limited in our ability to collect on our loan portfolio, and the security interests securing a significant portion of our loan portfolio are not perfected, which may increase our credit losses.

Legal and practical limitations may limit our ability to collect on our loan portfolio, resulting in increased credit losses, decreased revenues, and decreased earnings. State and federal laws and regulations restrict our collection efforts. Most of our loan portfolio is secured, but a significant portion of such security interests have not been and will not be perfected, which means that we cannot be certain that such security interests will be given first priority over other creditors. The amounts that we are able to recover from the repossession and sale of collateral typically do not cover the outstanding loan balance and costs of recovery. In cases where we repossess a vehicle securing a loan, we generally sell our repossessed automobile inventory through sales conducted by

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independent automobile auction organizations after the required post-repossession waiting period. In certain instances, we may sell repossessed collateral other than vehicles through our branches after the required post-repossession waiting period and appropriate receipt of valid bids. The proceeds we receive from such sales depend upon various factors, including the supply of, and demand for, used vehicles and other property at the time of sale. During periods of economic slowdown or recession, such as have existed in the United States for much of the past several years, there may be less demand for used vehicles and other property that we desire to resell.

Further, a significant portion of our loan portfolio is not secured by perfected security interests, including small installment loans. The lack of perfected security interests is one of several factors that may make it more difficult for us to collect on our loan portfolio. During 2016, net credit losses as a percentage of average finance receivables on our small installment loans, which are typically secured by unperfected interests in personal property, were 12.3%, while net credit losses as a percentage of average finance receivables for our large installment loans, which are often secured by perfected interests in an automobile or other vehicle, for the same period were 4.3%. Additionally, for those of our loans which are unsecured, borrowers may choose to repay obligations under other indebtedness before repaying loans to us because such borrowers may feel that they have no collateral at risk. Lastly, given the relatively small size of our loans, the costs of collecting loans may be high relative to the amount of the loan. As a result, many collection practices that are legally available, such as litigation, may be financially impracticable. These factors may increase our credit losses, which would have a material adverse effect on our results of operations and financial condition.

In addition, there is an inherent risk that a portion of the retail installment contracts that we hold will be in default or be subject to certain claims or defenses that the borrower may assert against the originator of the contract and, by extension, us as the holder of the contract. We face the risk that if high unemployment or adverse economic developments occur or continue in one or more of our markets, a large number of retail installment contracts will become defaulted. In addition, most of the borrowers under these contracts have some negative credit history. There can be no assurance that our allowance for credit losses will prove sufficient to cover actual losses in the future on these contracts.

Our insurance operations are subject to a number of risks and uncertainties, including claims.

We market and sell optional credit life, credit accident and health, credit personal property, and credit involuntary unemployment insurance in connection with our loans in selected markets as an agent for an unaffiliated third-party insurance company. The policies are then ceded to our wholly-owned reinsurance subsidiary, RMC Reinsurance, Ltd., which then bears the full risk of the policies. Insurance claims and policyholder liabilities are difficult to predict and may exceed the related reserves set aside for claims and associated expenses for claims adjudication. In 2016, we transitioned our insurance business to a new unaffiliated third-party insurance company. The transition was complex and included, among other things, the retraining of our branch network and the reprogramming of our loan management system to appropriately calculate premium amounts and to generate required disclosures on a state-by-state basis. Any failure to perform these functions in a legally compliant manner may result in refunds being sent to our customers or our inability to offer our insurance products in certain states, each of which will have a material and adverse effect on our business, results of operations, and financial condition.

Other risks relating to our insurance operations include changes to laws and regulations applicable to us, as well as changes to the regulatory environment. Examples include changes to laws or regulations affecting our ability to offer one or more of our insurance products or the way in which such products are offered; capital and reserve requirements; frequency and type of regulatory monitoring and reporting; consumer privacy, use of customer data, and data security; benefits or loss ratio requirements; insurance producer licensing or appointment requirements; required disclosures to consumers; and collateral protection insurance (i.e., insurance purchased at the borrower's expense on the borrower's automobile collateral for the periods of time the borrower fails to adequately, as required by his or her loan, insure that collateral). Moreover, our insurance operation is dependent

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on our lending operation for its sole source of business and product distribution. If our lending operations discontinue offering insurance products, our insurance operations would have no method of distribution, and our business, results of operations, and financial condition may be adversely affected.

A reduction in demand for our products and a failure by us to adapt to such reduction could adversely affect our business and results of operations.

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that decrease customer access to particular products, or the availability of competing products. For example, we are highly dependent upon selecting and maintaining attractive branch locations. These locations are subject to local market conditions, including the employment available in the area, housing costs, traffic patterns, crime, and other demographic influences, any of which may quickly change. Should we fail to adapt to significant changes in our customers' demand for, or access to, our products, our revenues could decrease significantly and our operations could be harmed. Even if we do make changes to existing products or introduce new products to fulfill customer demand, customers may resist or may reject such products. Moreover, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time, and by that time it may be too late to make further modifications to such product without causing further harm to our business, results of operations, and financial condition.

We face strong direct and indirect competition.

The consumer finance industry is highly competitive, and the barriers to entry for new competitors are relatively low in the markets in which we operate. We compete for customers, locations, employees, and other important aspects of our business with many other local, regional, national, and international financial institutions, many of which have greater financial resources than we do.

Our installment loan operations compete with other installment lenders, as well as with alternative financial services providers (such as payday and title lenders, check advance companies, and pawnshops), online or peer-to-peer lenders, issuers of non-prime credit cards, and other competitors. We believe that future regulatory developments in the consumer finance industry may cause lenders that currently focus on alternative financial services to begin to offer installment loans. In addition, if companies in the installment loan business attempt to provide more attractive loan terms than is standard across the industry, we may lose customers to those competitors. With respect to installment loans, we compete primarily on the basis of price, breadth of loan product offerings, flexibility of loan terms offered, and the quality of customer service provided.

Our automobile purchase loan operations compete with numerous financial services providers, including non-prime auto lenders, dealers that provide financing, captive finance companies owned by automobile manufacturers, banks, and credit unions. Our retail purchase loan operations compete with non-prime retail lenders, store and third-party credit cards, prime lending sources, rent-to-own finance providers, and other competitors. With respect to automobile purchase loans and retail purchase loans, we compete primarily on the basis of interest rates charged, the quality of credit accepted, the flexibility of loan terms offered, the speed of approval, and the quality of customer service provided.

If we fail to compete successfully, we could face lower sales and may decide or be compelled to materially alter our lending terms to our customers, which could result in decreased profitability.

We may attempt to pursue acquisitions or strategic alliances which may be unsuccessful.

We may attempt to achieve our business objectives through acquisitions and strategic alliances. We compete with other companies for these opportunities, including companies with greater financial resources, and we cannot be certain that we will be able to effect acquisitions or strategic alliances on commercially reasonable

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terms, or at all. Furthermore, most acquisition targets that we have pursued previously have been significantly smaller than us. We do not have extensive experience with integrating larger acquisitions. In pursuing these transactions, we may experience, among other things:

overvaluing potential targets;

difficulties in integrating any acquired companies, branches, or products into our existing business, including integration of account data into our information systems;

inability to realize the benefits we anticipate in a timely fashion, or at all;

attrition of key personnel from acquired businesses;

unexpected losses due to the acquisition of loan portfolios with loans originated using less stringent underwriting criteria;

significant costs, charges, or writedowns; or

unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development and expansion of our existing operations.

A substantial majority of our revenue is generated by our branches in South Carolina, Texas, and North Carolina.

Our branches in South Carolina, Texas, and North Carolina accounted for 23%, 29%, and 12%, respectively, of our revenue in 2016. Furthermore, all of our operations are in five Southeastern, one mid-Atlantic, and three Southwestern states. As a result, we are highly susceptible to adverse economic conditions in those areas. The unemployment and bankruptcy rates in some states in our footprint are among the highest in the country. High unemployment rates may reduce the number of qualified borrowers to whom we will extend loans, which would result in reduced loan originations. Adverse economic conditions and elevated bankruptcy filings may increase delinquencies and credit losses and decrease our overall loan portfolio quality. If any of the adverse regulatory or legislative events described in this Risk Factors section were to occur in South Carolina, Texas, or North Carolina, it could materially adversely affect our business, results of operations, and financial condition. For example, if interest rates in South Carolina, which currently are not capped, were to be capped, our business, results of operations, and financial condition would be materially and adversely affected.

Failure of third-party service providers upon which we rely could adversely affect our business.

We rely on certain third-party service providers. In particular, we currently rely on one key vendor to print and mail our convenience check and other offers for our direct mail marketing campaigns, and on certain other third-party service providers in connection with loan underwriting, origination, and servicing. Our reliance on these and other third parties can expose us to risks. For example, an error by our current convenience check vendor during 2015 resulted in check offers being misdirected, requiring us in some cases to notify state regulators and to refund certain interest and fee amounts, and exposing us to increased credit risk. If any of our third-party service providers, including our direct mail vendor and those third parties providing services in connection with loan underwriting, origination, and servicing, are unable to provide their services timely, accurately, and effectively, or at all, it could have a material adverse effect on our business, financial condition, and results of operations and cash flows.

We rely on information technology products developed, owned, and supported by third parties, including our competitors. Our ability to manage our business and monitor results is highly dependent upon these information technology products. A failure of these products and systems or of the implementation of new information technology products and systems could disrupt our business.

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In the operation of our business, we are highly dependent upon a variety of information technology products, including our loan management system, which allows us to record, document, and manage our loan

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portfolio. In six of the nine states in which we operate, we currently use a loan management software package developed and owned by ParaData Financial Systems (ParaData), a wholly owned subsidiary of World Acceptance Corporation, one of our primary competitors. In April 2016, we entered into an agreement with Nortridge Software, LLC (Nortridge) pursuant to which Nortridge provides us with loan management software and related services. We currently use the Nortridge loan management software in three of the nine states in which we operate. We expect the remaining states to transition from the ParaData software to the Nortridge platform throughout the remainder of 2017, following which we expect that we will no longer use the ParaData software.

Over the years, we have tailored the ParaData software to meet our specific needs. We depend on the willingness and ability of ParaData to continue to provide customized solutions and support our evolving products and business model. In the future, ParaData may not be willing or able to modify the loan management software to meet our needs, or it could alter the program without notice to us or cease to adequately support it. ParaData could also decide in the future to refuse to provide support for its software to us on commercially reasonable terms, or at all. If any of these events were to occur, we would be forced to migrate to an alternative software package, which could materially affect our business, results of operations, and financial condition.

Our transition to the Nortridge platform has proven to be a lengthy and expensive process, resulting in a diversion of resources from other operations. Continued execution of a transition project plan, or a divergence from it, may result in cost overruns, project delays, or business interruptions. In addition, divergence from our project plan could impact the timing and/or extent of benefits we expect to achieve from the Nortridge platform and process efficiencies. Any disruptions, delays, or deficiencies in the design and/or implementation of the Nortridge platform, or in the performance of our legacy ParaData software, particularly any disruptions, delays, or deficiencies that impact our operations, could adversely affect our ability to effectively run and manage our business.

Further, following the complete transition, the Nortridge platform may not perform in a manner consistent with our current expectations and may be inadequate for our needs. As we are dependent upon our ability to gather and promptly transmit accurate information to key decision makers, our business, results of operations, and financial condition may be adversely affected if our loan management systems do not allow us to transmit accurate information, even for a short period of time. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could adversely affect our competitive position, business, results of operations, and financial condition.

In addition, we have capitalized certain costs associated with our licensing of and transition to the Nortridge platform. If we are unable to accomplish a full transition to the Nortridge platform, we will be required immediately to expense some or all of those capitalized costs, which could adversely affect our results of operations and financial conditions.

We also rely on DealerTrack, Route One, Teledata Communications Inc., and other third-party software vendors to provide access to loan applications and/or screen applications. There can be no assurance that these third party providers will continue to provide us information in accordance with our lending guidelines or that they will continue to provide us lending leads at all. If this occurs, our credit losses, business, results of operations, and financial condition may be adversely affected.

We may not be able to make technological improvements as quickly as some of our competitors, which could harm our competitive ability and adversely affect our business, prospects, results of operations, and financial condition.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. We rely on our integrated branch network as the foundation of our multiple channel platform and the primary point of contact with our active accounts. However, to serve customers who want to reach us over the Internet, we developed a new channel in late 2008 by making an online loan application available on our consumer website, and in late 2015, we began testing end-to-end origination of

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unsecured consumer loans via our website. Our future success and, in particular, the success of our online sourcing, will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demand for convenience, as well as to create additional efficiencies in our operations. If we fail to effectively implement new technology-driven products and services as quickly as some of our competitors or if we fail to be successful in marketing these products to our customers, our business, prospects, results of operations, and financial condition may be harmed.

Security breaches, cyber-attacks, failures in our information systems, or fraudulent activity could result in damage to our operations or lead to reputational damage.

We also rely heavily on communications and information systems to conduct our business. Each branch is part of an information network that is designed to permit us to maintain adequate cash inventory, reconcile cash balances on a daily basis, and report revenues and expenses to our headquarters. Any failure, interruption, or breach in security of these systems, including any failure of our back-up systems, hardware failures, or an inability to access data maintained offsite, could result in failures or disruptions in our customer relationship management, general ledger, loan, and other systems and could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation, possible financial liability, and other adverse consequences, any of which could have a material adverse effect on our financial condition and results of operations. Furthermore, we may not be able to detect immediately any such breach, which may increase the losses that we would suffer. In addition, our existing insurance policies would not reimburse us for all of the damages that we might incur as a result of a breach.

A security breach or cyber-attack on our computer systems could interrupt or damage our operations or harm our reputation. Despite the implementation of security measures, our systems may still be vulnerable to data theft, computer viruses, programming errors, attacks by third parties, or similar disruptive problems. If we were to experience a security breach or cyber-attack, we could be required to incur substantial costs and liabilities, including, among other things, the following:

expenses to rectify the consequences of the security breach or cyber-attack;

liability for stolen assets or information;

costs of repairing damage to our systems;

lost revenue and income resulting from any system downtime caused by such breach or attack;

increased costs of cyber security protection;

costs of incentives we may be required to offer to our customers or business partners to retain their business; and

damage to our reputation causing customers and investors to lose confidence in our company.

In addition, any compromise of security or a cyber-attack could deter consumers from entering into transactions that require them to provide confidential information to us. Further, if confidential customer information or information belonging to our business partners is misappropriated from our computer systems, we could be sued by those who assert that we did not take adequate precautions to safeguard our systems and confidential data belonging to our customers or business partners, which could subject us to liability and result in significant legal fees and expenses of defending these claims. As a result, any compromise of security of our computer systems or cyber-attack could have a material adverse effect on our business, prospects, results of operations, and financial condition.

Our centralized headquarters functions and branch operations are susceptible to disruption by catastrophic events, which could have a material adverse effect on our business, results of operations, and financial condition.

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In October 2016, we relocated our headquarters to a new office building located in Greer, South Carolina, a town located outside of Greenville, South Carolina. Our information systems and administrative and

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management processes are primarily provided to our branches from this centralized location, and our separate data management facility is located in Greenville, South Carolina. These processes could be disrupted if a catastrophic event, such as a tornado, power outage, or act of terror, affected Greenville, Greer, or the nearby areas. Any such catastrophic event(s) or other unexpected disruption of our headquarters or data management facility could have a material adverse effect on our business, results of operations, and financial condition.

Our business could suffer if we are unsuccessful in making, continuing, and growing relationships with automobile dealers and retailers, or if the dealers and retailers with whom we have relationships experience a decline or disruption in their sales volumes.

Our automobile purchase loans and retail purchase loans are reliant on our relationships with automobile dealers and retailers. In particular, our automobile purchase loan operations depend in large part upon our ability to establish and maintain relationships with reputable dealers who direct customers to our branches or originate loans at the point of sale, which we subsequently purchase. Although we have relationships with certain automobile dealers, none of our relationships are exclusive, some of them are newly established, and they may be terminated at any time. If, due to economic reasons, competition, or otherwise, we are unable to establish and maintain relationships with reputable dealers, our business, results of operations, and financial condition may be adversely affected.

Our retail purchase loan business model is based on our ability to enter into agreements with individual retailers to provide financing to customers in their stores. If a competitor were to offer better service or more attractive loan products to our retailer partners, it is possible that our retail partners would terminate their relationships with us. If we are unable to continue to grow our existing relationships and develop new relationships, our results of operations, financial condition, and ability to continue to expand could be adversely affected.

Even with good relationships with automobile dealers and retailers, our ability to originate automobile purchase loans and retail purchase loans is dependent, in large part, on the underlying consumer demand for automobiles and retail goods. Automobile and retail sales are subject to fluctuation as a result of general economic trends and other factors. If sales volumes at the automobile dealerships and retailers with whom we have relationships decrease in the future as a result of general economic trends or due to any other factors, we may experience a corresponding decrease in the volume of such loans that we originate. In such circumstances, we may experience an adverse effect on our business, results of operations, and financial condition.

Interest rates on automobile purchase and retail purchase loans are determined at competitive market interest rates, and we may fail to adequately set interest rates, which may adversely affect our business.

Unlike installment loans, particularly small installment loans, which in certain states are typically made at or near the maximum interest rates permitted by law, automobile purchase loans and retail purchase loans are often made at competitive market interest rates, which are governed by laws for installment sales contracts. If we fail to set interest rates at a level that adequately reflects market rates or the credit risks of our customers, or if we set interest rates at a level too low to sustain our profitability, our business, results of operations, and financial condition could be adversely affected.

Regular turnover among our managers and other employees at our branches makes it more difficult for us to operate our branches and increases our costs of operations, which could have an adverse effect on our business, results of operations, and financial condition.

Our workforce is comprised primarily of employees who work on an hourly basis. In certain areas where we operate, there is significant competition for employees. In the past, we have lost employees and candidates to competitors who have been willing to pay higher compensation than we pay. Our ability to continue to expand our operations depends on our ability to attract, train, and retain a large and growing number of qualified

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employees. The turnover among all of our branch employees was approximately 44% in 2014, 44% in 2015, and 42% in 2016. This turnover increases our cost of operations and makes it more difficult to operate our branches. Our customer service representative and assistant manager roles have historically experienced high turnover. We may not be able to retain and cultivate personnel at these ranks for future promotion to branch manager. If our employee turnover rates increase above historical levels or if unanticipated problems arise from our high employee turnover and we are unable to readily replace such employees, our business, results of operations, financial condition, and ability to continue to expand could be adversely affected.

The departure, transition, or replacement of key personnel could significantly impact the results of our operations. If we cannot continue to hire and retain high quality employees, our business and financial results may be negatively affected.

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

Our continued growth is also dependent, in part, on the skills, experience, and efforts of our executive officers and senior management, including but not limited to, Peter R. Knitzer, who succeeded Michael R. Dunn as our Chief Executive Officer on August 1, 2016, and Jody L. Anderson, our President and Chief Operating Officer. We may not be successful in retaining the members of our executive or senior management team or our other key employees. The loss of the services of any of our executive officers, senior management, or key team members, including state vice presidents, or the inability to attract additional qualified personnel as needed, could have an adverse effect on our business, financial condition, and results of operations. We also depend on our district supervisors to supervise, train, and motivate our branch employees. These supervisors have significant experience with our company and within our industry, and would be difficult to replace. If we lose a district supervisor to a competitor, we could also be at risk of losing other employees and customers. In addition, the process of identifying management successors creates uncertainty and could become a distraction to our senior management and our Board of Directors, and we may not be successful in attracting qualified candidates to replace key positions when necessary. The identification and recruitment of candidates to fill senior management positions, when necessary, and the resulting transition process may be disruptive to our business and operations.

Employee misconduct or misconduct by third-parties acting on our behalf could harm us by subjecting us to significant legal liability, regulatory scrutiny, and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees or third-party contractors could engage in misconduct that adversely affects our business. For example, if an employee or third-party contractor were to engage or be accused of engaging in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships, and ability to attract future customers. Employee or third-party misconduct could prompt regulators to allege or to determine, based upon such misconduct, that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee or third-party misconduct, and the precautions we take to detect and

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prevent misconduct may not be effective in all cases. Misconduct by our employees or third-party contractors, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our business.

Security breaches in our branches or acts of theft, fraud, or violence could adversely affect our financial condition and results of operations.

A substantial majority of our account payments occur at our branches, either in person or by mail, and frequently consist of cash payments, which we deposit at local banks throughout the day. This business practice exposes us daily to the potential for employee theft of funds or, alternatively, to theft and burglary due to the cash we maintain in our branches. Despite controls and procedures to prevent such losses, we have sustained losses due to employee fraud (including collusion) and theft. We are also susceptible to break-ins at our branches, where money and/or customer records could be taken. A breach in the security of our branches or in the safety of our employees could result in employee injury, loss of funds or records, and adverse publicity, and could result in a loss of customer business or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as regulatory and operational risks related to our business, assets, and liabilities. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future.

We may be unsuccessful in maintaining effective internal controls over financial reporting and disclosure controls and procedures.

Controls and procedures are particularly important for consumer finance companies. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud or material error. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurance that the objectives of the system are met. Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires management of public companies to develop and implement internal controls over financial reporting and evaluate the effectiveness thereof. Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. Any failure to implement current internal controls or required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations.

If material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future or if our controls and procedures fail or are circumvented, our consolidated financial statements may contain material misstatements, we could be required to restate our financial results, we may be unable to produce accurate and timely financial statements, and we may be unable to maintain compliance with applicable stock exchange listing requirements, any of which could have a material adverse effect on our business, results of operations, financial condition, and stock price. The discovery of a material weakness and the disclosure of that fact, even if quickly remediated, could reduce the market value of shares of our common stock. Additionally, the existence of any material weakness or significant deficiency requires management to devote significant time and incur significant expense to remediate any such material weaknesses

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or significant deficiency, and management may not be able to remediate any such material weaknesses or significant deficiency in a timely manner. Undetected material weaknesses in our internal controls could lead to financial statement restatements, which could have a material adverse effect on our business, financial condition, and results of operation.

If our estimates of reserves for credit losses are not adequate to absorb actual losses, our provision for credit losses would increase, which would adversely affect our results of operations.

We maintain an allowance for credit losses for all loans we make. To estimate the appropriate level of credit loss reserves, we consider known and relevant internal and external factors that affect loan collectability, including the total amount of loans outstanding; delinquency levels, roll rates, and trends; historical credit losses; our current collection patterns; and economic trends. Our methodology for establishing our reserves for credit losses is based in large part on our delinquency roll rates and our historic loss experience. If customer behavior changes as a result of economic, political, social, or other conditions and if we are unable to predict how the unemployment rate and general economic uncertainty may affect our credit loss reserves, our provision may be inadequate. During fiscal 2016, our provision for credit losses was \$63.0 million, and we had net credit losses of \$59.2 million related to losses on our loans. As of December 31, 2016, our finance receivables were \$717.8 million. Maintaining the adequacy of our allowance for credit losses may require that we make significant and unanticipated increases in our provisions for credit losses, which would materially affect our results of operations. Our credit loss reserves, however, are estimates, and if actual credit losses are materially greater than our credit loss reserves, our financial condition and results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our allowance for credit losses.

If assumptions or estimates we use in preparing our financial statements are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.

We are required to use certain assumptions and estimates in preparing our financial statements under U.S. Generally Accepted Accounting Principles (GAAP), including in determining allowances for credit losses, fair value of financial instruments, asset impairment, reserves related to litigation and other legal matters, valuation of income, and other taxes and regulatory exposures. In addition, significant assumptions and estimates are involved in determining certain disclosures required under GAAP, including those involving the fair value of our financial instruments. If the assumptions or estimates underlying our financial statements are incorrect, the actual amounts realized on transactions and balances subject to those estimates will be different, and this could have a material adverse effect on our results of operations and financial condition.

In addition, the Financial Accounting Standards Board (FASB) is currently reviewing or proposing changes to several financial accounting and reporting standards that govern key aspects of our financial statements, including areas where assumptions or estimates are required. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we previously used in preparing our financial statements, which could negatively impact how we record and report our results of operations and financial condition generally. For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Note 2 (Significant Accounting Policies) of our audited consolidated financial statements.

We depend to a substantial extent on borrowings under our senior revolving credit facility to fund our liquidity needs.

We have a senior revolving credit facility committed through August 2019 that allows us to borrow up to \$585.0 million, assuming we are in compliance with a number of covenants and conditions. The credit facility also has an accordion provision that allows for the expansion of the facility up to \$650.0 million. The senior

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revolving credit facility is collateralized by certain of our assets, including substantially all of our finance receivables (other than those held by Regional Management Receivables, LLC, as described below) and equity interests of the majority of our subsidiaries. As of December 31, 2016, the amount outstanding under our senior revolving credit facility was \$452.8 million and we had \$132.2 million of unused capacity on the credit facility (subject to certain covenants and conditions). During fiscal 2016, the maximum amount of borrowings outstanding under the facility at any one time was \$455.9 million. We use our senior revolving credit facility as a source of liquidity, including for working capital and to fund the loans we make to our customers. If our existing sources of liquidity become insufficient to satisfy our financial needs or our access to these sources becomes unexpectedly restricted, we may need to try to raise additional capital in the future. If such an event were to occur, we can give no assurance that such alternate sources of liquidity would be available to us on favorable terms or at all. In addition, we cannot be certain that we will be able to replace the amended and restated senior revolving credit facility when it matures on favorable terms or at all. If any of these events occur, our business, results of operations, and financial condition could be adversely affected.

Our revolving credit agreement contains restrictions and limitations that could affect our ability to operate our business.

The credit agreement governing our senior revolving credit facility contains a number of covenants that could adversely affect our business and the flexibility to respond to changing business and economic conditions or opportunities. Among other things, these covenants limit our ability to:

incur or guarantee additional indebtedness;

purchase loan portfolios in bulk;

pay dividends or make distributions on our capital stock or make certain other restricted payments;

sell assets, including our loan portfolio or the capital stock of our subsidiaries;

enter into transactions with our affiliates;

offer certain loan products;

create or incur liens; and

consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets.

In addition, the credit agreement imposes certain obligations on us relating to our underwriting standards, recordkeeping and servicing of our loans, and our loss reserves and charge-off policies. It also requires us to maintain certain financial ratios, including an interest coverage ratio and a borrowing base ratio. If we were to breach any covenants or obligations under the credit agreement and such breaches were to result in an event of default, our lenders could cause all amounts outstanding to become due and payable, subject to applicable grace periods. This could trigger cross-defaults under existing and future debt instruments, and materially and adversely affect our financial condition and ability to continue operating our business as a going concern.

We may be required to repurchase certain finance receivables if these finance receivables fail to meet certain criteria or characteristics or under other circumstances, which could adversely affect our results of operations, financial condition, and liquidity.

On December 11, 2015, we and our wholly-owned subsidiary, Regional Management Receivables, LLC (RMR), entered into a credit agreement with Wells Fargo Bank, National Association, and Wells Fargo Securities, LLC as administrative agent. This credit agreement provides for a \$75.7 million amortizing loan to RMR that is secured by certain retail installment contracts and promissory notes secured by new or used

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automobiles, light-duty trucks, minivans, sport utility vehicles, and other passenger vehicles (excluding motorcycles) which were originated (either directly or indirectly) by certain of our subsidiaries (the Receivables). On the closing date of the transactions contemplated by the credit agreement, RMR made certain

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representations and warranties about the quality and nature of the Receivables. The amortizing loan requires RMR to pay the administrative agent a release fee for the release of certain Receivables as collateral under certain circumstances, including circumstances in which the representations and warranties made by RMR concerning the quality and characteristics of the Receivables are inaccurate.

As a result of the current market environment, we believe that many purchasers of loans and other counterparties to transactions like those provided for in the amortizing loan and other similar securitization transactions are particularly aware of the conditions under which originators must indemnify for or repurchase finance receivables, and may benefit from enforcing any available repurchase remedies. If we are required to repurchase Receivables that we have sold or pledged, this could adversely affect our results of operations, financial condition, and liquidity.

In addition, the \$75.7 million amortizing asset-backed loan resembles a securitization of asset-backed securities transaction. The Dodd-Frank Act (defined below) may adversely affect the securitization market because it requires, among other things, that a securitizer generally retain not less than 5% of the credit risk for certain types of securitized assets that are transferred, sold, or conveyed through issuance of asset-backed securities. These regulations and others may result in additional costs or limit our ability to securitize loans or engage in similar transactions in the future.

We are subject to interest rate risk resulting from general economic conditions and policies of various governmental and regulatory agencies.

Interest rate risk arises from the possibility that changes in interest rates will affect our results of operations and financial condition. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Furthermore, market conditions or regulatory restrictions on interest rates we charge may prevent us from passing any increases in interest rates along to our customers. We originate finance receivables at either prevailing market rates or at statutory limits. Subject to statutory limits, our ability to react to changes in prevailing market rates is dependent upon the speed at which our customers pay off or renew loans in our existing loan portfolio, which allows us to originate new loans at prevailing market rates. Our loan portfolio turns over approximately 1.4 times per year from cash payments, renewals, and charged-off loans. Because our automobile loans have longer maturities and typically are not refinanced prior to maturity, the rate of turnover of the loan portfolio may change as these loans change as a percentage of our portfolio.

In addition, rising interest rates will increase our cost of capital by influencing the amount of interest we pay on our senior revolving credit facility or any other floating interest rate obligations we may incur, which would increase our operating costs and decrease our operating margins. Interest payable on our senior revolving credit facility is variable, based on LIBOR with a LIBOR floor of 1.00%, and could increase in the future.

Our use of derivatives exposes us to credit and market risk.

From time to time, we enter into derivative transactions for economic hedging purposes, such as managing our exposure to interest rate risk. By using derivative instruments, we are exposed to credit and market risk, including the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost, default risk, and the risk of insolvency or other inability of the counterparty to a particular derivative transaction to perform its obligations. For additional information, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk.

Macroeconomic conditions could have a material adverse effect on our business, financial position, results of operations, and cash flows, and may increase loan defaults and affect the value and liquidity of your investment.

We are not insulated from the pressures and potentially negative consequences of financial crises and similar risks beyond our control that have in the past and may in the future affect the capital and credit markets,

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the broader economy, the financial services industry, or the segment of that industry in which we operate. Our financial performance generally, and in particular the ability of our borrowers to make payments on outstanding loans, is highly dependent upon the business and economic environments in the markets where we operate and in the United States as a whole.

During an economic downturn or recession, credit losses in the financial services industry generally increase and demand for credit products often decreases. Declining asset values, defaults on consumer loans, and the lack of market and investor confidence, as well as other factors, all combine to decrease liquidity during an economic downturn. As a result of these factors, some banks and other lenders have suffered significant losses during economic downturns, and the strength and liquidity of many financial institutions worldwide has weakened due to the most recent economic crisis. Additionally, during an economic downturn, our loan servicing costs and collection costs may increase as we may have to expend greater time and resources on these activities. Our underwriting criteria, policies and procedures, and product offerings may not sufficiently protect our growth and profitability during a sustained period of economic downturn or recession. Any renewed economic downturn will adversely affect the financial resources of our customers and may result in the inability of our customers to make principal and interest payments on, or refinance, the outstanding debt when due.

In addition, periods of economic slowdown or recession are typically accompanied by decreased consumer demand for automobiles and other retail goods. Our ability to originate automobile purchase loans and retail purchase loans depends, in large part, on the underlying demand for such products. Further, our business is focused on customers who generally do not qualify for conventional automobile or retail financing, and customers in this demographic are more likely to be affected, and more severely affected, by an economic downturn. Accordingly, our business, financial position, results of operations and cash flows may be adversely impacted during any economic downturn or recession.

Should economic conditions worsen, they may adversely affect the credit quality of our loans. In the event of increased default by borrowers under the loans, and/or a decrease in the volume of the loans we originate, our business, results of operations, and financial condition could be adversely affected.

Risks Related to Regulation and Legal Proceedings

Our business products and activities are strictly and comprehensively regulated at the local, state, and federal level.

Our business is subject to numerous local, state, and federal laws and regulations. These regulations impose significant costs and limitations on the way we conduct and expand our business, and these costs and limitations may increase in the future if such laws and regulations are changed. These laws and regulations govern or affect, among other things:

the interest rates that we may charge customers;

terms of loans, including fees, maximum amounts, and minimum durations;

the number of simultaneous or consecutive loans and required waiting periods between loans;

disclosure practices, including posting of fees;

currency and suspicious activity reporting;

recording and reporting of certain financial transactions;

privacy of personal customer information;

the types of products and services that we may offer;

collection practices;

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approval of licenses; and

locations of our branches.

Changes to statutes, regulations, or regulatory policies, including the interpretation, implementation, and enforcement of statutes, regulations, or policies, could affect us in substantial and unpredictable ways, including limiting the types of financial services and products that we may offer and increasing the ability of competitors to offer competing financial services and products. Compliance with laws and regulations requires us to invest increasingly significant portions of our resources in compliance planning and training, monitoring tools, and personnel, and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. Because these laws and regulations are complex and often subject to interpretation, or because of a result of unintended errors, we may, from time to time, inadvertently violate these laws, regulations, and policies, as each is interpreted by our regulators. If we do not successfully comply with laws, regulations, or policies, our compliance costs could increase, our operations could be limited, and we may suffer damage to our reputation. If more restrictive laws, rules, and regulations are enacted or more restrictive judicial and administrative interpretations of those laws are issued, compliance with the laws could become more expensive or difficult. Furthermore, changes in these laws and regulations could require changes in the way we conduct our business, and we cannot predict the impact such changes would have on our profitability.

Our primary regulators are the state regulators for the states in which we operate: Alabama, Georgia, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. We operate each of our branches under licenses granted to us by these state regulators. State regulators may enter our branches and conduct audits of our records and practices at any time, with or without notice. If we fail to observe, or are not able to comply with, applicable legal requirements, we may be forced to discontinue certain product offerings, which could adversely affect our business, results of operations, and financial condition. In addition, violation of these laws and regulations could result in fines and other civil and/or criminal penalties, including the suspension or revocation of our branch licenses, rendering us unable to operate in one or more locations. All of the states in which we operate have laws governing the interest rates and fees that we can charge and required disclosure statements, among other restrictions. Violation of these laws could involve penalties requiring the forfeiture of principal and/or interest and fees that we have charged. Depending on the nature and scope of a violation, fines and other penalties for noncompliance of applicable requirements could be significant and could have a material adverse effect on our business, results of operation, and financial condition.

Licenses to open new branches are granted in the discretion of state regulators. Accordingly, licenses may be denied unexpectedly or for reasons outside of our control. This could hinder our ability to implement our business plans in a timely manner or at all.

As we enter new markets and develop new products, we may become subject to additional state and federal regulations. For example, although we intend to expand into new states, we may encounter unexpected regulatory or other difficulties in these new states or markets, which may prevent us from growing in new states or markets. As a result, we may not be able to successfully execute our strategies to grow our revenue and earnings.

Changes in laws and regulations or interpretations of laws and regulations could negatively impact our business, results of operations, and financial condition.

The laws and regulations directly affecting our lending activities are under review and are subject to change, especially as a result of current economic conditions, changes in the make-up of the current executive and legislative branches, and the political focus on issues of consumer and borrower protection. In addition, consumer advocacy groups and various other media sources continue to advocate for governmental and regulatory action to prohibit or severely restrict various financial products, including the loan products we offer.

Any changes in such laws and regulations, or the implementation, interpretation, or enforcement of such laws and regulations, could force us to modify, suspend, or cease part or, in the worst case, all of our existing

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operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities. The enactment of one or more of such regulatory changes could materially and adversely affect our business, results of operations, and prospects.

State and federal legislatures and regulators may also seek to impose new requirements or interpret or enforce existing requirements in new ways. Changes in current laws or regulations or the implementation of new laws or regulations in the future may restrict our ability to continue our current methods of operation or expand our operations. Additionally, these laws and regulations could subject us to liability for prior operating activities or lower or eliminate the profitability of operations going forward by, among other things, reducing the amount of interest and fees we charge in connection with our loans or limiting the types of insurance and other ancillary products that we may offer to our customers. If these or other factors lead us to close our branches in a state, in addition to the loss of net revenues attributable to that closing, we would incur closing costs such as lease cancellation payments and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we would also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

In addition to state and federal laws and regulations, our business is subject to various local rules and regulations, such as local zoning regulations. Local zoning boards and other local governing bodies have been increasingly restricting the permitted locations of consumer finance companies. Any future actions taken to require special use permits for or impose other restrictions on our ability to provide products could adversely affect our ability to expand our operations or force us to attempt to relocate existing branches. If we were forced to relocate any of our branches, in addition to the costs associated with the relocation, we may be required to hire new employees in the new areas, which may adversely impact the operations of those branches. Relocation of an existing branch may also hinder our collection abilities, as our business model relies in part on the location of our branches being close to where our customers live in order to successfully collect on outstanding loans.

Changes in laws or regulations may have a material adverse effect on all aspects of our business in a particular state and on our overall business, results of operations, and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) authorizes the Consumer Financial Protection Bureau (the CFPB) to adopt rules and undertake supervisory and enforcement activity that could potentially have a serious impact on our ability to offer installment loans or otherwise materially and adversely affect our operations and financial performance.

Title X of the Dodd-Frank Act establishes the CFPB, which became operational on July 21, 2011. Under the Dodd-Frank Act, the CFPB has regulatory, supervisory, and enforcement powers over providers of consumer financial products that we offer, including explicit supervisory authority to examine and require registration of installment lenders such as ourselves. Included in the powers afforded to the CFPB is the authority to adopt rules describing specified acts and practices as being unfair, deceptive, or abusive, and hence unlawful. Specifically, the CFPB has the authority to declare an act or practice abusive if it, among other things, materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service or takes unreasonable advantage of a lack of understanding on the part of the consumer of the product or service.

Although the Dodd-Frank Act expressly provides that the CFPB has no authority to establish usury limits, some consumer advocacy groups have suggested that certain forms of alternative consumer finance products, such as traditional installment loans, should be a regulatory priority, and it is possible that the CFPB could propose and adopt rules making the products that we offer materially less profitable or impractical. Further, the CFPB may target specific features of loans or loan practices, such as refinancings, by rulemaking that could cause us to cease offering certain products or cease engaging in certain practices. It is possible that the CFPB will adopt and finalize rules that specifically restrict refinancings of existing loans. Our refinancings of existing loans

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are divided into three categories: refinancings of loans in an amount greater than the original loan amount, renewals of existing loans at or below the original loan amount, and renewals of existing loans that are 60 or more days past due, which represented 42.2%, 20.0%, and 0.9%, respectively, of our loan originations in 2016. The CFPB could also adopt rules imposing new and potentially burdensome requirements and limitations with respect to any of our current or future products or lines of business or on our methods of servicing our loans. For example, the CFPB has indicated that it is considering issuing proposed rules covering debt collection activities by first-party lenders. Any such rules could have a material adverse effect on our business, results of operation, and financial condition.

The Dodd-Frank Act also gives the CFPB the authority to examine and regulate entities it classifies as a larger participant of a market for other consumer financial products or services. The CFPB has indicated that it anticipates acting in 2017 to issue a proposed rule defining larger participants in the installment lending market. The rule will likely cover only the largest installment lenders, and we do not yet know whether the definition will cover us. If we are covered by the final larger participant rule for the installment lending market, we will be subject to CFPB supervisory examinations. In June 2015, the CFPB adopted a rule defining larger participants of the automobile financing market as nonbank lenders that have at least 10,000 aggregate annual originations. In addition, this rule defined the term financial product or service to include refinancings and certain automobile leases but to exclude title loans. While our automobile purchase loan originations at this time do not qualify us as a larger participant in the automobile financing market, an expansion of our automobile lending operations may in the future cause us to qualify as a larger participant in the automobile financing market.

In June 2016, the CFPB announced a proposed rule under its unfair, deceptive, and abusive acts and practices rulemaking authority relating to payday, vehicle title, and certain other loans, including certain types of installment loans. The proposal covers short-term loans with a contractual term of 45 days or less, as well as certain longer-term loans with a term of longer than 45 days with a total cost of credit in excess of 36% in which the lender has either a non-purchase money security interest in the consumer's vehicle or certain rights to collect repayment from the consumer's bank account or paycheck. While we do not originate loans with a contractual term of 45 days or less, we do originate longer-term loans with an all-in annual percentage rate of interest in excess of 36% and take a non-purchase money security interest in a vehicle. The proposal requires a lender, as a condition of making a covered longer-term loan, to first make a good-faith reasonable determination that the consumer has the ability to repay the covered longer-term loan without re-borrowing or defaulting. The proposal also requires lenders to verify income, major financial obligations, basic living expenses, and borrowing history. Lenders would also be required to determine that a consumer is able to make all projected payments under the covered longer-term loan as those payments are due, while still fulfilling other major financial obligations and meeting basic living expenses. This ability to repay assessment would apply to both the initial longer-term loan and to any subsequent refinancing. In addition, the proposal includes a rebuttable presumption that customers seeking to refinance a covered longer-term loan lack an ability to repay if certain conditions exist at the time of the proposed refinancing. The proposed rule is subject to several procedural requirements and to possible change before any final rule is issued and implemented, and we cannot predict what the ultimate rulemaking will provide. These proposals, if and when implemented in final rulemaking, may require changes to our practices and procedures regarding such loans that could materially and adversely affect our ability to make such loans, the cost of making such loans, our ability to, or the frequency with which we are able to, refinance any such covered loans, or the profitability of such loans.

In May 2016, the CFPB announced a proposed rule to regulate the use of arbitration agreements in consumer financial products and services. The proposal applies to installment loans, credit cards, checking and deposit accounts, prepaid cards, money transfer services, auto title loans, small dollar or payday loans, and several other types of financial products or services. The proposal requires any arbitration agreement subject to the rule to provide explicitly that the arbitration agreement is inapplicable to cases filed in court on behalf of a class unless and until class certification is denied or the class claims are dismissed. The proposal also requires persons subject to the rulemaking, and who continue to use arbitration agreements, to submit information on initial claim filings and awards to the CFPB. Such claims or awards information could ultimately be published by

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the CFPB. These proposals may have a direct material impact on our operations by increasing our litigation costs and requiring us to incur expenses related to the modification of our contracts to comply with the rule. In addition, any publication of claims or awards involving us could result in reputational damage.

In addition to the Dodd-Frank Act's grant of regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from a maximum of \$5,000 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to \$25,000 per day for reckless violations and \$1 million per day for knowing violations. If we are subject to such administrative proceedings, litigation, orders, or monetary penalties in the future, this could have a material adverse effect on our operations and financial performance. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state officials find that we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on us.

In conducting an investigation, the CFPB may issue a civil investigative demand (a CID) requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If the CFPB issues a CID to us or otherwise commences an investigation of our company, the required response could result in substantial costs and a diversion of our management's attention and resources. In addition, the market price of our common stock could decline as a result of the initiation of a CFPB investigation of our company or even the perception that such an investigation could occur, even in the absence of any finding by the CFPB that we have violated any state or federal law.

Although many of the regulations implementing portions of the Dodd-Frank Act have been promulgated, we are still unable to predict how this significant legislation may be interpreted and enforced or the full extent to which implementing regulations and supervisory policies may affect us. Finally, President Donald Trump and the Congressional majority have indicated that the Dodd-Frank Act will be under further scrutiny and some of the provisions of the Dodd-Frank Act and rules promulgated thereunder, including those provisions establishing the CFPB and the rules and regulations proposed and enacted by the CFPB, may be revised, repealed, or amended. There can be no assurance that these or future reforms will not significantly impact our business, financial condition and results of operations.

We sell certain of our loans, including, in some instances, charged-off loans and loans where the borrower is in default. This practice could subject us to heightened regulatory scrutiny, which may expose us to legal action, cause us to incur losses, and/or limit or impede our collection activity.

On December 23, 2015, we sold approximately \$112 million of our existing charged-off loan portfolio and committed to the sale of the forward flow of accounts charged off between November 2015 and October 2016. In January 2017, we elected to extend the forward-flow arrangement for a term of an additional three months, and we expect to continue to sell our forward flow of charged-off accounts to one or more buyers indefinitely into the future. As part of our business model, we may purchase and sell other finance receivables in the future, including loans that have been charged-off and loans where the borrower is in default. The CFPB and other regulators recently have significantly increased their scrutiny of debt sales, especially delinquent and charged-off debt. The CFPB has criticized sellers of debt for insufficient documentation to support and verify the validity or amount of the debt. It has also criticized debt collectors for, among other things, collection tactics, attempting to collect debts that are no longer valid, misrepresenting the amount of the debt, and not having sufficient documentation to verify the validity or amount of the debt. Accordingly, our sales of loans could expose us to lawsuits or fines by regulators if we do not have sufficient documentation to support and verify the validity and amount of the loans underlying the transactions, or if we or purchasers of our loans use collection methods that are viewed as unfair, deceptive, or abusive. In addition, our collections could suffer and we may incur additional expenses if we are

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required to change collection practices or stop collecting on certain debts as a result of a lawsuit or action on the part of regulators.

Our use of third-party vendors is subject to increasing regulatory attention.

Recently, the CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist, or other remedial actions, which could have an adverse effect on our business, financial condition, and operating results

We are subject to government regulations concerning our hourly and our other employees, including minimum wage, overtime, and health care laws.

We are subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime, and working conditions and immigration status. Legislated increases in the federal minimum wage and increases in additional labor cost components, such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, as well as the cost of litigation in connection with these regulations, would increase our labor costs. Unionizing and collective bargaining efforts have received increased attention nationwide in recent periods. Should our employees become represented by unions, we would be obligated to bargain with those unions with respect to wages, hours, and other terms and conditions of employment, which is likely to increase our labor costs. Moreover, as part of the process of union organizing and collective bargaining, strikes and other work stoppages may occur, which would cause disruption to our business. Similarly, many employers nationally in similar retail environments have been subject to actions brought by governmental agencies and private individuals under wage-hour laws on a variety of claims, such as improper classification of workers as exempt from overtime pay requirements and failure to pay overtime wages properly, with such actions sometimes brought as class actions. These actions can result in material liabilities and expenses. Should we be subject to employment litigation, such as actions involving wage-hour, overtime, break, and working time, it may distract our management from business matters and result in increased labor costs. In addition, we currently sponsor employer-subsidized premiums for major medical programs for eligible personnel who elect health care coverage through our insurance programs. As a result of regulatory changes, we may not be able to continue to offer health care coverage to our employees on affordable terms or at all and subsequently may face increased difficulty in hiring and retaining employees. If we are unable to locate, attract, train, or retain qualified personnel, or if our costs of labor increase significantly, our business, results of operations, and financial condition may be adversely affected.

Rising health care costs and continuing uncertainties concerning the implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 and similar laws may have a material adverse effect on our business and financial performance.

Despite our efforts to control costs while still providing competitive health care benefits to our employees, significant increases in health care costs continue to occur, and we can provide no assurance that our cost containment efforts in this area will be effective. In March 2010, the federal Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Affordability Reconciliation Act of 2010 became law. While we have performed an analysis regarding the anticipated impact of these laws on our cost structure, we may be unable to accurately predict the impact of this federal health care legislation on our health care benefit costs due to continued uncertainty with respect to implementation of such legislation as a result of the changing political environment, including the potential full or partial repeal of the PPACA and the effects of any replacement federal health care legislation. Significant increases in costs due either to the PPACA or general

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health care cost increases are likely and could adversely impact our operating results, as there is no assurance that we will be able to absorb, pass through, and/or offset the costs of such legislation.

Our stock price or results of operations could be adversely affected by media and public perception of installment and automobile loans and of legislative and regulatory developments affecting activities within the installment and automobile lending sector.

Consumer advocacy groups and various media sources continue to criticize alternative financial services providers (such as payday and title lenders, check advance companies, and pawnshops). These critics frequently characterize such alternative financial services providers as predatory or abusive toward consumers. If these persons were to criticize the products that we offer, it could result in further regulation of our business and could negatively impact our relationships with existing borrowers and efforts to attract new borrowers. Furthermore, our industry is highly regulated, and announcements regarding new or expected governmental and regulatory action in the alternative financial services sector may adversely impact our stock price and perceptions of our business even if such actions are not targeted at our operations and do not directly impact us.

Legal proceedings to which we are subject or may become subject may have a material adverse impact on our financial position and results of operations.

Like many companies in our industry, we are from time to time involved in various legal proceedings and subject to claims and other actions related to our business activities brought by borrowers and others, including, for example, the securities class action lawsuit described in Item 3, Legal Proceedings of this Annual Report on Form 10-K. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. Similarly, if we settle such legal proceedings, it may affect our financial condition and how we operate our business. Future court decisions, alternative dispute resolution awards, business expansion, or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial non-economic remedies or punitive damages may be sought. Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment, or settlement that may be entered against us, that such coverage will prove to be adequate, or that such coverage will continue to remain available on acceptable terms, if at all. For example, we and our primary insurance carrier may in the future be required to negotiate an allocation between denied and acknowledged claims in the securities class action lawsuit. If in the securities class action lawsuit or any other legal proceeding we incur liability that exceeds our insurance coverage or that is not within the scope of the coverage in legal proceedings brought against us, it could have a material adverse effect on our business, financial condition, and results of operations.

Current and proposed regulation related to consumer privacy, data protection, and information security could increase our costs.

We are subject to a number of federal and state consumer privacy, data protection, and information security laws and regulations. Moreover, various federal and state regulatory agencies require us to notify customers in the event of a security breach. Federal and state legislators and regulators are increasingly pursuing new guidance, laws, and regulations. Compliance with current or future customer privacy, data protection, and information security laws and regulations could result in higher compliance, technology, or other operating costs. Any violations of these laws and regulations may require us to change our business practices or operational structure, and could subject us to legal claims, monetary penalties, sanctions, and the obligation to indemnify and/or notify customers or take other remedial actions.

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Risks Related to the Ownership of Our Common Stock

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our common stock or publishes inaccurate or unfavorable research about our business, our common stock price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

The market price of shares of our common stock may continue to be volatile, which could cause the value of your investment to decline.

The market price of our common stock has been highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies, speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, or capital commitments, adverse publicity about the industries we participate in, or individual scandals, and in response the market price of shares of our common stock could decrease significantly.

In the past several years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, Securities and Exchange Commission (SEC) investigations and securities class action litigation have sometimes been instituted against these companies. We currently are subject to a securities class action lawsuit described in Item 3, Legal Proceedings of this Annual Report on Form 10-K. The securities class action lawsuit and any further legal proceedings of this nature that may be instituted against us could result in substantial costs and a diversion of our management's attention and resources.

We have no current plans to pay cash dividends on our common stock for the foreseeable future.

We do not expect to pay cash dividends for the foreseeable future. Instead, we intend to retain future earnings, if any, for future operation, expansion, and debt repayment. The declaration, amount, and payment of any future cash dividends on shares of common stock will be at the sole discretion of our Board of Directors. Our Board of Directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions and implications on the payment of cash dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board of Directors may deem relevant. In addition, our ability to pay cash dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior revolving credit facility. As a result, investors may need to rely on sales of their common stock after price appreciation, which may not occur, as the only way to realize future gains on their investment.

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Your stock ownership may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions, or otherwise.

We have approximately 987 million shares of common stock authorized but unissued, as of February 9, 2017. Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock and options, rights, warrants, and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion, whether in connection with acquisitions or otherwise. On April 22, 2015, our stockholders approved the Regional Management Corp. 2015 Long-Term Incentive Plan (the 2015 Plan). Subject to adjustments as provided in the 2015 Plan, the maximum aggregate number of shares of our common stock that may be issued under the 2015 Plan may not exceed the sum of (a) 350,000 shares plus (b) any shares (i) remaining available for the grant of awards as of the effective date under the 2007 Management Incentive Plan (the 2007 Plan) or the 2011 Stock Incentive Plan (the 2011 Plan), and/or (ii) subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cancelled, terminated, expires or lapses. We have 314,164 shares available for issuance under the 2015 Plan, as of February 9, 2017. In addition, our Board may recommend in the future that our stockholders approve new stock plans. Any common stock that we issue, including under our 2015 Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by our stockholders. In addition, the market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to issue equity securities in the future at a time and at a price that we deem appropriate.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result of these exemptions, our stockholders may not have access to certain information that they may deem important. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

The requirements of being a public company may strain our resources and distract our management.

As a public company, we are subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the Exchange Act), and requirements of the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we will need to commit significant resources, hire additional staff, and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining our growth also will require us to commit additional management, operational, and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our

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business, financial condition, results of operations, and cash flows. We expect to incur significant annual expenses related to these steps and, among other things, additional directors and officers liability insurance, director fees, reporting requirements, transfer agent fees, hiring additional accounting, legal, and administrative personnel, increased auditing and legal fees, and similar expenses.

Anti-takeover provisions in our charter documents and applicable state law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board of Directors. Among other things, these provisions:

authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

prohibit stockholder action by written consent, which will require all stockholder actions to be taken at a meeting of our stockholders;

provide that the Board of Directors is expressly authorized to make, alter, or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80% or more of all of the outstanding shares of our capital stock entitled to vote; and

establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, a Texas regulation requires, under certain circumstances, the approval of the Texas Consumer Credit Commissioner for the acquisition, directly or indirectly, of 10% or more of the voting or common stock of a consumer finance company. The overall effect of this law, and similar laws in other states, is to make it more difficult to acquire a consumer finance company than it might be to acquire control of a nonregulated corporation.

Furthermore, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay, or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities identified by our non-employee directors and their affiliates.

Certain of our non-employee directors and their affiliates are in the business of providing buyout capital and growth capital to developing companies and may acquire interests in businesses that directly or indirectly compete with certain portions of our business. Our amended and restated certificate of incorporation provides for the allocation of certain corporate opportunities between us, on the one hand, and certain of our non-employee directors and their affiliates, on the other hand. As set forth in our amended and restated certificate of incorporation, such non-employee directors and their affiliates shall not have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Therefore, a non-employee director of our company may pursue certain acquisition opportunities that may be complementary to our business and, as a result, such acquisition opportunities may not be available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations, or prospects if attractive corporate opportunities are allocated by such non-employee directors to themselves or their other affiliates instead of to us.

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ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

In October 2016, in order to accommodate our growth, we relocated our headquarters operations to an approximately 51,700 square foot leased facility in Greer, South Carolina, a town located outside of Greenville, South Carolina. Our headquarters operations previously were located in five office buildings in Greenville, South Carolina. Of the five office buildings that we previously occupied, we owned two buildings and leased three buildings. As of January 31, 2017, we are under contract to sell the two buildings that we own and the leases on each of the three other buildings have expired.

As of February 9, 2017, each of our 339 branches is leased under fixed term lease agreements. Our branches are located throughout South Carolina, Texas, North Carolina, Tennessee, Alabama, Oklahoma, New Mexico, Georgia, and Virginia, and the average branch size is approximately 1,500 square feet.

In the opinion of management, our properties have been well-maintained, are in sound operating condition, and contain all equipment and facilities necessary to operate at present levels. We believe all of our facilities are suitable and adequate for our present purposes. Our only reportable segment, which is our consumer finance segment, uses the properties described in this Item 2, Properties.

ITEM 3. LEGAL PROCEEDINGS.

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

On March 30, 2016, the Court granted the Defendants' motion to dismiss the second amended complaint in its entirety. On May 23, 2016, the Plaintiffs moved for leave to file a third amended complaint. The Defendants' opposition brief was filed on June 9, 2016, and the Plaintiffs' reply was filed on June 20, 2016. On January 27, 2017, the Court denied the Plaintiffs' motion for leave to file a third amended complaint and directed entry of final judgment in favor of the Defendants. On January 30, 2017, the Court entered final judgment in favor of the Defendants. The Plaintiffs have until March 1, 2017 to appeal the Court's decision. The Company believes that the claims against it are without merit and will continue to defend against the litigation vigorously.

The Company's primary insurance carrier during the applicable time period has (i) denied coverage for the 1933 Act Claims and (ii) acknowledged coverage of the Company and other insureds for the 1934 Act Claims

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under a reservation of rights and subject to the terms and conditions of the applicable insurance policy. The parties plan to negotiate an allocation between denied and acknowledged claims, as appropriate.

In addition, as of December 31, 2016, the Company was involved in a purchase price dispute stemming from the Company's acquisition of certain consumer loan receivables in 2012. The dispute was submitted to a large public accounting firm for resolution and determination of the final purchase price for such receivables pursuant to the terms of the purchase agreement. The accounting firm had the discretion to calculate a final purchase price between \$27.9 million and \$29.9 million, based upon the arguments, purchase price calculations, and support submitted by the parties. As of December 31, 2016, the Company had paid \$28.1 million toward the purchase price and had accrued a reserve of an additional \$0.5 million for the matter. On February 2, 2017, the accounting firm issued its determination that the final purchase price for the consumer loan receivables was \$28.67 million. The accounting firm's decision as to the final purchase price resolves the material aspects of this litigation matter.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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Our common stock has been listed on the New York Stock Exchange (the "NYSE") under the symbol RM since March 28, 2012. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low intra-day sale prices of our common stock on the NYSE. The last reported sale price of our common stock on the NYSE on February 9, 2017, was \$22.14 per share.

	High	Low
Fiscal Year Ended December 31, 2016		
First Quarter	\$ 17.17	\$ 11.94
Second Quarter	18.71	13.40
Third Quarter	22.21	14.15
Fourth Quarter	26.89	21.00
Fiscal Year Ended December 31, 2015		
First Quarter	\$ 16.56	\$ 13.79
Second Quarter	19.24	13.45
Third Quarter	20.27	14.25
Fourth Quarter	17.62	13.90

Holders

As of February 9, 2017, there were 15 registered holders of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to determine the exact number of beneficial stockholders represented by those record holders, but we believe that there were approximately 2,952 beneficial owners of our common stock as of January 30, 2017.

Non-Affiliate Ownership

For purposes of calculating the aggregate market value of shares of our common stock held by non-affiliates, as set forth on the cover page of this Annual Report on Form 10-K, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors, and 5% or greater stockholders as of June 30, 2016. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors, and 5% or greater stockholders are, in fact, affiliates of our company, or that there are no other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors, and principal stockholders is included or incorporated by reference in Item 12, Security Ownership of Certain Beneficial and Management and Related Stockholder Matters of this Annual Report on Form 10-K.

Dividend Policy

We did not pay any cash dividends in fiscal 2016 or fiscal 2015. We have no current plans to pay any cash dividends on our common stock for the foreseeable future and instead currently intend to retain earnings, if any, for future operations, expansion, and debt repayment.

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The declaration, amount, and payment of any future cash dividends on shares of common stock will be at the sole discretion of our Board of Directors. Our Board of Directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions and implications on the payment of cash dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board of Directors may deem relevant. In addition, our amended and restated senior revolving credit facility includes a provision restricting our ability to pay dividends on our common stock based upon, among other things, our net income and hypothetical availability under the credit facility. Likewise, our \$75.7 million amortizing asset-backed loan restricts our wholly-owned subsidiary, Regional Management Receivables, LLC, from paying dividends to us, subject to certain exceptions.

Equity Compensation Plan Information

The following table gives information about the common stock that may be issued upon the exercise of options, warrants, and rights under all of our existing equity compensation plans as of December 31, 2016.

Plan Category	(a) Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (\$)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Security Holders			
2007 Management Incentive Plan ⁽¹⁾	234,844	5.46	
2011 Stock Incentive Plan ⁽²⁾	438,246 ⁽⁴⁾	17.41 ⁽⁵⁾	
2015 Long-Term Incentive Plan ⁽³⁾	834,947 ⁽⁶⁾	16.66 ⁽⁵⁾	161,277
Equity Compensation Plans Not Approved by Security Holders			
Total:	1,508,037	14.66	161,277

- (1) Regional Management Corp. 2007 Management Incentive Plan, as amended (the 2007 Plan). On April 22, 2015, the Company's stockholders approved the Regional Management Corp. 2015 Long-Term Incentive Plan (the 2015 Plan), at which time all shares then available for issuance under the 2007 Plan rolled over to the 2015 Plan. Awards may no longer be granted under the 2007 Plan. However, awards that are outstanding under the 2007 Plan will continue in accordance with their respective terms.
- (2) Regional Management Corp. 2011 Stock Incentive Plan, as amended (the 2011 Plan). On April 22, 2015, the Company's stockholders approved the 2015 Plan, at which time all shares then available for issuance under the 2011 Plan rolled over to the 2015 Plan. Awards may no longer be granted under the 2011 Plan. However, awards that are outstanding under the 2011 Plan will continue in accordance with their respective terms.
- (3) Regional Management Corp. 2015 Long-Term Incentive Plan. As of February 9, 2017, there were 314,164 shares that remained available for issuance under the 2015 Plan, which allows for grants of incentive stock options, non-qualified stock options, stock appreciation rights, unrestricted shares, restricted shares, restricted stock units, phantom stock awards, and awards that are valued in whole or in part by reference to, or otherwise based on, the fair market value of shares, including performance-based awards.
- (4) Includes 42,000 restricted stock units outstanding under the 2011 Plan. There is no exercise price associated with these restricted stock units.
- (5) Calculation excludes shares subject to restricted stock unit awards.
- (6) Includes 204,531 restricted stock units outstanding under the 2015 Plan and 95,449 restricted shares issuable pursuant to the key team member incentive program under the 2015 Plan. There is no exercise price associated with these restricted stock units or restricted shares.

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Stock Performance Graph

This performance graph shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the Securities Act).

The following graph shows a comparison from March 28, 2012 (the date our common stock commenced trading on the NYSE) through December 31, 2016, of the cumulative total return for our common stock, the NYSE Composite Index, and the NYSE Financial Sector Index. The graph assumes that \$100 was invested at the market close on March 28, 2012, in the common stock of the Company, the NYSE Composite Index, and the NYSE Financial Sector Index, and data for the NYSE Composite Index and the NYSE Financial Sector Index assumes reinvestments of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

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The selected consolidated historical financial data set forth below for the years ended December 31, 2012, 2013, 2014, 2015, and 2016 are derived from audited consolidated financial statements. We derived the selected historical consolidated statement of income data for each of the years ended December 31, 2014, 2015, and 2016 and the selected historical consolidated balance sheet data as of December 31, 2015 and 2016 from our audited consolidated financial statements, which appear in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K. We have derived the selected historical consolidated statement of income data for the years ended December 31, 2012 and 2013 and the selected historical consolidated balance sheet data as of December 31, 2012, 2013, and 2014 from our audited financial statements, which do not appear elsewhere in this Annual Report on Form 10-K.

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected for any future period.

<i>In thousands, except per share data</i>	Year Ended December 31,				
	2016	2015	2014	2013	2012
Consolidated Statements of Income Data:					
Revenue					
Interest and fee income	\$ 220,963	\$ 195,794	\$ 184,797	\$ 152,343	\$ 119,035
Insurance income, net, and other income	19,555	21,512	19,922	18,286	16,662
Total revenue	240,518	217,306	204,719	170,629	135,697
Expenses					
Provision for credit losses	63,014	47,348	69,057	39,192	27,765
General and administrative expenses	118,632	115,598	96,776	71,039	55,558
Consulting and advisory fees ⁽¹⁾					1,451
Interest expense					
Senior and other debt	19,924	16,221	14,947	14,144	10,580
Mezzanine debt ⁽¹⁾					1,030
Total interest expense	19,924	16,221	14,947	14,144	11,610
Total expenses	201,570	179,167	180,780	124,375	96,384
Income before income taxes	38,948	38,139	23,939	46,254	39,313
Income taxes	14,917	14,774	9,137	17,460	14,561
Net income	\$ 24,031	\$ 23,365	\$ 14,802	\$ 28,794	\$ 24,752
Earnings per Share Data:					
Basic earnings per share	\$ 2.03	\$ 1.82	\$ 1.17	\$ 2.29	\$ 2.12
Diluted earnings per share	\$ 1.99	\$ 1.79	\$ 1.14	\$ 2.23	\$ 2.07
Basic weighted-average shares	11,824	12,849	12,701	12,572	11,695
Diluted weighted-average shares	12,085	13,074	12,951	12,894	11,981
Consolidated Balance Sheet Data (at period end):					
Finance receivables ⁽²⁾	\$ 717,775	\$ 628,444	\$ 546,192	\$ 544,684	\$ 439,474
Allowance for credit losses	(41,250)	(37,452)	(40,511)	(30,089)	(23,616)
Net finance receivables ⁽³⁾	\$ 676,525	\$ 590,992	\$ 505,681	\$ 514,595	\$ 415,858
Total assets	712,224	626,373	529,401	532,606	433,846
Long-term debt	491,678	411,177	341,419	362,750	292,379
Total liabilities	504,749	421,146	351,078	371,468	304,642
Total stockholders' equity	\$ 207,475	\$ 205,227	178,323	161,173	129,204

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- (1) On March 21, 2007, Palladium Equity Partners III, L.P. and Parallel 2005 Equity Fund, LP (which we sometimes refer to herein as our sponsors) acquired the majority of our outstanding common stock. In connection with the acquisition transaction, we issued \$25.0 million of mezzanine debt at an interest rate of 18.375%, plus related fees, which we refinanced in 2007 and again in 2010 with Palladium Equity Partners III, L.P. and certain of our individual owners. Additionally, we paid the sponsors annual advisory fees of \$675,000 in the aggregate and paid certain individual owners annual consulting fees of \$450,000 in the aggregate, in each case, plus certain expenses. Following the closing of our initial public offering on April 2, 2012, we repaid the mezzanine debt in full with proceeds from the initial public offering and we terminated the consulting and advisory agreements following the payment of certain termination fees.
- (2) Finance receivables equal the total amount due from the customer, net of unearned finance charges and insurance premiums.
- (3) Net finance receivables equal the total amount due from the customer, net of unearned finance charges, insurance premiums, and allowance for credit losses.

Table of Contents**ITEM 7. 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 audited consolidated financial statements and the related notes that appear elsewhere in this Annual Report on Form 10-K. These discussions contain forward-looking statements that reflect our current expectations and that include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, expectations regarding demand and acceptance for our financial products, growth opportunities and trends in the market in which we operate, prospects, and plans and objectives of management. The words anticipates, believes, estimates, expects, intends, may, plans, projects, will, would, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements involve risks and uncertainties that could cause actual results or events to differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements. Such risks and uncertainties include, without limitation, the risks set forth elsewhere in this Annual Report on Form 10-K. The forward-looking information we have provided in this Annual Report on Form 10-K pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise such statements, except as required by the federal securities laws.

Overview

We are a diversified consumer finance company providing a broad array of loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other traditional lenders. We began operations in 1987 with four branches in South Carolina and have expanded our branch network to 339 locations in the states of Alabama, Georgia, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia as of December 31, 2016. Most of our loan products are secured, and each is structured on a fixed rate, fixed term basis with fully amortizing equal monthly installment payments, repayable at any time without penalty. Our loans are sourced through our multiple channel platform, which includes our branches, direct mail campaigns, automobile dealerships, retailers, and our consumer website. We operate an integrated branch model in which nearly all loans, regardless of origination channel, are serviced through our branch network, providing us with frequent in-person contact with our customers, which we believe improves our credit performance and customer loyalty. Our goal is to consistently and soundly grow our finance receivables and manage our portfolio risk while providing our customers with attractive and easy-to-understand loan products that serve their varied financial needs.

Our diversified product offerings include:

Small Loans (£\$2,500) As of December 31, 2016, we had approximately 267.8 thousand small installment loans outstanding, representing \$358.5 million in finance receivables. This included 84.9 thousand small loan convenience checks, representing \$96.9 million in finance receivables as of December 31, 2016.

Large Loans (>\$2,500) As of December 31, 2016, we had approximately 56.6 thousand large installment loans outstanding, representing \$235.3 million in finance receivables. This included 1.6 thousand large loan convenience checks, representing \$4.5 million in finance receivables as of December 31, 2016.

Automobile Loans As of December 31, 2016, we had approximately 10.6 thousand automobile purchase loans outstanding, representing \$90.4 million in finance receivables. This included 5.2 thousand indirect automobile loans and 5.4 thousand direct automobile loans, representing \$46.1 million and \$44.3 million in finance receivables, respectively.

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Retail Loans As of December 31, 2016, we had approximately 22.8 thousand retail purchase loans outstanding, representing \$33.5 million in finance receivables.

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

Factors Affecting Our Results of Operations

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

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

Growth in Loan Portfolio. The revenue that we derive from interest and fees is largely driven by the balance of loans that we originate and purchase. Average finance receivables grew 10.9% from \$477.4 million in 2013 to \$529.5 million in 2014, grew 8.2% to \$572.8 million in 2015, and grew 14.8% to \$657.4 million in 2016. We source our loans through our branches and our direct mail program, as well as through automobile dealerships, retail partners, and our consumer website. Our loans are made almost exclusively in geographic markets served by our network of branches. Increasing the number of loans per branch and the number of branches we operate allows us to increase the number of loans that we are able to service. We opened 8, 31, and 36 net new branches in 2016, 2015, and 2014, respectively. We believe we have the opportunity to add as many as 700 additional branches in states where it is currently favorable for us to conduct business, and we have plans to continue to grow our branch network.

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

Asset Quality and Allowance for Credit Losses. Our results of operations are highly dependent upon the quality of our loan portfolio. We recorded a \$63.0 million provision for credit losses during 2016 (or 9.6% of average finance receivables) and a \$47.3 million provision for credit losses during 2015 (or 8.3% of average finance receivables). The quality of our loan portfolio is the result of our ability to enforce sound underwriting standards, maintain diligent servicing of the portfolio, and respond to changing economic conditions as we grow our loan portfolio. In late 2014, we created a credit risk function and have been making changes to continue to improve our credit underwriting guidelines. We believe that these changes have impacted, and will continue to impact, our business and results of operations, and improved credit quality in our portfolio. We will continue to monitor how these changes impact our business and results of operations, and we will make further revisions to our credit underwriting guidelines when appropriate.

The allowance for credit losses calculation uses the current delinquency profile and historical delinquency roll rates as key data points in estimating the allowance. We believe that the primary underlying factors driving the provision for credit losses for each loan type are our underwriting standards, the general economic conditions

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in the areas in which we conduct business, portfolio growth, and the effectiveness of our collection efforts. In addition, the market for repossessed automobiles at auction is another underlying factor that we believe influences the provision for credit losses for automobile purchase loans and, to a lesser extent, large loans. We monitor these factors, and the amount and past due status of delinquencies for all loans one or more days past due, to identify trends that might require us to modify the allowance for credit losses.

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

Operating Costs. Our financial results are impacted by the costs of operations and home office functions. Those costs are included in general and administrative expenses on our consolidated statements of income. Our receivable efficiency ratio (sum of general and administrative expenses divided by average finance receivables) was 18.0% in 2016, compared to 20.2% in 2015. The decrease was primarily due to non-operating compensation-related costs of \$1.5 million incurred in 2015, retirement agreement costs of \$0.5 million associated with our former Vice Chairman incurred in 2015, the discontinuation of our automobile allowance program around the end of 2015, and lower marketing expenses. While this ratio is relatively in line with industry standards, we have a number of initiatives underway that we believe will improve our operating leverage over the next couple of years, including the continued implementation of the Nortridge loan management system, which will allow us to accept electronic payments and reduce the amount of time it takes to originate a loan.

Components of Results of Operations

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

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

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

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

We issue insurance certificates as agents on behalf of an unaffiliated insurance company and then remit to the unaffiliated insurance company the premiums we collect (net of refunds on prepaid loans and net of commission on new business). The unaffiliated insurance company cedes life insurance premiums to our wholly-owned insurance subsidiary, RMC Reinsurance, Ltd. ([RMC Reinsurance](#)), as written and non-life premiums as earned. We maintain cash reserves for life insurance claims in an amount determined by the unaffiliated insurance companies. As of December 31, 2016, the restricted cash balance for these cash reserves was \$3.9 million. The unaffiliated insurance companies maintain the reserves for non-life claims. Insurance income, net includes all of the above-described insurance premiums, claims, and expenses.

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

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

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

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

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

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

Other expenses consist primarily of legal, compliance, audit, consulting, director compensation, amortization of software licenses and implementation costs, bank service charges, office supplies, and credit bureau charges. We expect legal and compliance costs to remain elevated due to the regulatory environment in the consumer finance industry and as a result of certain litigation matters, including those discussed in Item 3, [Legal Proceedings](#). For a discussion regarding how risks and uncertainties associated with legal proceedings and the current regulatory environment may impact our future expenses, net income, and overall financial condition, see Item 1A, [Risk Factors](#).

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

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

Results of Operations

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

<i>In thousands</i>	2016		Year Ended December 31, 2015		2014	
	Amount	% of Average Receivables	Amount	% of Average Receivables	Amount	% of Average Receivables
Revenue						
Interest and fee income	\$ 220,963	33.6%	\$ 195,794	34.2%	\$ 184,797	34.9%
Insurance income, net	9,456	1.4%	11,654	2.0%	10,673	2.0%
Other income	10,099	1.6%	9,858	1.7%	9,249	1.8%
Total revenue	240,518	36.6%	217,306	37.9%	204,719	38.7%
Expenses						
Provision for credit losses	63,014	9.6%	47,348	8.3%	69,057	13.0%
Personnel	68,979	10.5%	69,247	12.1%	55,383	10.5%
Occupancy	20,059	3.1%	17,313	3.0%	14,760	2.8%
Marketing	6,837	1.0%	7,017	1.2%	6,330	1.2%
Other	22,757	3.4%	22,021	3.9%	20,303	3.8%
Total general and administrative	118,632	18.0%	115,598	20.2%	96,776	18.3%
Interest expense	19,924	3.1%	16,221	2.7%	14,947	2.9%
Income before income taxes	38,948	5.9%	38,139	6.7%	23,939	4.5%
Income taxes	14,917	2.2%	14,774	2.6%	9,137	1.7%
Net income	\$ 24,031	3.7%	\$ 23,365	4.1%	\$ 14,802	2.8%

Comparison of December 31, 2016, Versus December 31, 2015

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

Small Loans (£\$2,500) Small loans outstanding increased by \$20.3 million, or 6.0%, to \$358.5 million at December 31, 2016, from \$338.2 million at December 31, 2015, despite the cross-sell of many small loan customers to large loans. The growth in receivables in branches opened in 2015 and 2016 contributed to the growth in overall small loans outstanding.

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Large Loans (>\$2,500) Large loans outstanding increased by \$88.8 million, or 60.6%, to \$235.3 million at December 31, 2016 from \$146.6 million at December 31, 2015. The increase was primarily

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due to the addition of expertise in this product type, increased marketing, and the cross-sell of many small loan customers to large loans.

Automobile Loans Automobile loans outstanding decreased by \$25.7 million, or 22.1%, to \$90.4 million at December 31, 2016, from \$116.1 million at December 31, 2015, as we began restructuring our automobile loan business to a centralized model in the fourth quarter of 2015. We expect that the automobile loan portfolio will liquidate at a slower rate in 2017 compared to 2016 and that a majority of the restructuring will be complete by the second quarter of 2017.

Retail Loans Retail loans outstanding increased \$5.9 million, or 21.4%, to \$33.5 million at December 31, 2016, from \$27.6 million at December 31, 2015. The increase in retail loans outstanding resulted from the additional relationships we established with new retailers, an increase in average loan amount, and an expansion of volume through our existing relationships.

<i>In thousands</i>	Finance Receivables by Product			YoY %
	December 31, 2016	December 31, 2015	YoY \$ Inc (Dec)	Inc (Dec)
Small loans	\$ 358,471	\$ 338,157	\$ 20,314	6.0%
Large loans	235,349	146,553	88,796	60.6%
Total core loans	593,820	484,710	109,110	22.5%
Automobile loans	90,432	116,109	(25,677)	(22.1)%
Retail loans	33,523	27,625	5,898	21.4%
Total finance receivables	\$ 717,775	\$ 628,444	\$ 89,331	14.2%
Number of branches at period end	339	331	8	2.4%
Average finance receivables per branch	\$ 2,117	\$ 1,899	\$ 218	11.5%

Comparison of the Year Ended December 31, 2016, Versus the Year Ended December 31, 2015

Net Income. Net income increased \$0.7 million, or 2.9%, to \$24.0 million in 2016, from \$23.4 million in 2015. The increase was primarily due to an increase in revenue of \$23.2 million, offset by an increase in provision for credit losses of \$15.7 million, an increase in general and administrative expenses of \$3.0 million, and an increase of \$3.7 million in interest expense.

Revenue. Total revenue increased \$23.2 million, or 10.7%, to \$240.5 million in 2016, from \$217.3 million in 2015. The components of revenue are explained in greater detail below.

Interest and Fee Income. Interest and fee income increased \$25.2 million, or 12.9%, to \$221.0 million in 2016, from \$195.8 million in 2015. The increase in interest and fee income was primarily due to a 14.8% increase in average finance receivables offset by a 0.6% yield decrease.

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

<i>In thousands</i>	Average Finance Receivables for the			Average Yields for the Year Ended		
	December 31, 2016	Year Ended December 31, 2015	YoY % Inc (Dec)	December 31, 2016	December 31, 2015	YoY Inc (Dec)
Small loans	\$ 334,152	\$ 316,945	5.4%	42.5%	43.9%	(1.4)%
Large loans	190,855	93,243	104.7%	28.8%	27.6%	1.2%
Automobile loans	102,023	137,249	(25.7)%	17.7%	19.0%	(1.3)%
Retail loans	30,321	25,392	19.4%	19.2%	18.8%	0.4%
Total interest and fee yield	\$ 657,351	\$ 572,829	14.8%	33.6%	34.2%	(0.6)%
Total revenue yield	\$ 657,351	\$ 572,829	14.8%	36.6%	37.9%	(1.3)%

Small loan yields decreased 1.4% compared to 2015 primarily due to a change in state mix of average finance receivables. Large loan yields increased 1.2% compared to 2015 as a result of adjusted pricing that reflects current market conditions. Automobile loan yields decreased 1.3% compared to 2015 due to our revised pricing model for our automobile loan program.

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

<i>In thousands</i>	Net Loans Originated for the Year Ended			
	December 31, 2016	December 31, 2015	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 580,936	\$ 592,211	\$ (11,275)	(1.9)%
Large loans	250,862	173,560	77,302	44.5%
Automobile loans	37,038	41,621	(4,583)	(11.0)%
Retail loans	34,629	31,710	2,919	9.2%
Total finance receivables	\$ 903,465	\$ 839,102	\$ 64,363	7.7%

Average finance receivables and net loans originated increased 14.8% and 7.7%, respectively, compared to 2015. Average finance receivables grew more than net loans originated primarily due to an increase in large loans average finance receivables of \$97.6 million, or 104.7%, since December 31, 2015. Average finance receivables for large loans were 29.0% of total average finance receivables in 2016 compared to 16.3% in 2015. Our higher balance large loans amortize at a slower rate than our other core products due to longer contractual terms.

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

<i>In thousands</i>	Components of Increase in Interest and Fee Income		
	Volume	Rate	Net
Small loans	\$ 7,406	\$ (4,546)	\$ 2,860
Large loans	28,073	1,186	29,259
Automobile loans	(6,339)	(1,641)	(7,980)
Retail loans	943	87	1,030

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Total increase (decrease) in interest and fee income	\$ 30,083	\$ (4,914)	\$ 25,169
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Insurance Income, Net. Insurance income, net decreased \$2.2 million, or 18.9%, to \$9.5 million in 2016 from \$11.7 million in 2015. Insurance income, net as a percentage of average finance receivables decreased to 1.4% in 2016 from 2.0% in 2015. The decrease was primarily due to increased non-filing insurance claims expense in 2016 compared to 2015. Our average non-filing claim amount has increased during 2016 due to the growth of our large loan portfolio.

Other Income. Other income, which consists primarily of late charges, increased \$0.2 million, or 2.4%, to \$10.1 million in 2016 from \$9.9 million in 2015. Other income represented 1.6% of average receivables in 2016 compared to 1.7% of average receivables in 2015.

Provision for Credit Losses. Our provision for credit losses increased \$15.7 million, or 33.1%, to \$63.0 million in 2016 from \$47.3 million in 2015. The provision for credit losses represented 9.6% of average receivables in 2016 compared to 8.3% of average receivables in 2015. The increase in the provision for credit losses was due to the \$2.0 million bulk sale of charged-off loans (bulk sale) in 2015, an increase in net credit losses of \$6.8 million, and an increase in the estimated allowance of \$6.9 million, primarily due to portfolio growth.

Net credit losses increased \$8.8 million, or 17.5%, to \$59.2 million in 2016 from \$50.4 million in 2015. Net credit losses as a percentage of average receivables were 9.0% in 2016, compared to 8.8% in 2015. This increase was due to \$2.0 million in proceeds from the bulk sale, representing 0.3% as a percentage of average receivables in 2015. In order to improve future net credit losses, we are utilizing more advanced analytical techniques we have recently developed to reduce lending to specific underperforming segments of our customer base. However, as a result of the higher late stage delinquencies at the end of 2016, we expect net credit losses in the first quarter of 2017 to be slightly higher sequentially compared to the fourth quarter of 2016.

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

	December 31, 2016			December 31, 2015		
	Finance Receivables	Allowance for Credit Losses	Allowance as Percentage of Related Finance Receivables	Finance Receivables	Allowance for Credit Losses	Allowance as Percentage of Related Finance Receivables
<i>In thousands</i>						
Small loans	\$ 358,471	\$ 21,770	6.1%	\$ 338,157	\$ 21,535	6.4%
Large loans	235,349	11,460	4.9%	146,553	5,593	3.8%
Automobile loans	90,432	5,910	6.5%	116,109	8,828	7.6%
Retail loans	33,523	2,110	6.3%	27,625	1,496	5.4%
Total	\$ 717,775	\$ 41,250	5.7%	\$ 628,444	\$ 37,452	