Springleaf Holdings, Inc.
Form 10-Q
August 06, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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 001-36129

SPRINGLEAF HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	27-3379612
(State of Incorporation)	(I.R.S. Employer Identification No.)
601 N.W. Second Street, Evansville, IN	47708
(Address of principal executive offices)	(Zip Code)

(812) 424-8031
(Registrant’s telephone number, including area code)

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

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 þ No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

At August 3, 2015, there were 134,482,414 shares of the registrant’s common stock, $0.01 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions)	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$3,594	$879
Investment securities	2,271	2,935
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $3.1 billion in 2015 and $1.9 billion in 2014)	4,300	3,831
SpringCastle Portfolio (includes loans of consolidated VIEs of $1.8 billion in 2015 and $2.0 billion in 2014)	1,764	1,979
Real estate loans	573	625
Retail sales finance	33	48
Net finance receivables	6,670	6,483
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $120 million in 2015 and $72 million in 2014)	(180)	(176)
Net finance receivables, less allowance for finance receivable losses	6,490	6,307
Finance receivables held for sale	193	205
Restricted cash and cash equivalents (includes restricted cash and cash equivalents of consolidated VIEs of $320 million in 2015 and $210 million in 2014)	333	218
Other assets	427	485
Total assets	$13,308	$11,029
Liabilities and Shareholders’ Equity		
Long-term debt (includes debt of consolidated VIEs of $4.9 billion in 2015 and $3.6 billion in 2014)	$9,676	$8,356
Insurance claims and policyholder liabilities	458	446
Deferred and accrued taxes	116	152
Other liabilities	227	238
Total liabilities	10,477	9,192
Commitments and contingent liabilities (Note 14)		
Shareholders’ equity:		
Common stock, par value $.01 per share; 2,000,000,000 shares authorized, 134,482,414 and 114,832,895 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	1,522	529
Accumulated other comprehensive income (loss)	(7)	3
Retained earnings	1,480	1,492

Springleaf Holdings, Inc. shareholders' equity	2,996	2,025
Non-controlling interests	(165)	(188)
Total shareholders' equity	2,831	1,837
Total liabilities and shareholders' equity	$13,308	$11,029

See Notes to Condensed Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

(dollars in millions except earnings (loss) per share)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income:				
Finance charges	$408	$530	$810	$1,078
Finance receivables held for sale originated as held for investment	5	3	9	7
Total interest income	413	533	819	1,085
Interest expense	171	192	329	397
Net interest income	242	341	490	688
Provision for finance receivable losses	80	115	167	276
Net interest income after provision for finance receivable losses	162	226	323	412
Other revenues:				
Insurance	40	43	76	81
Investment	16	10	33	20
Net loss on repurchases and repayments of debt	—	—	—	(7)
Net gain (loss) on fair value adjustments on debt	—	1	—	(16)
Net gain on sales of real estate loans and related trust assets	—	35	—	90
Other	—	3	(2)	5
Total other revenues	56	92	107	173
Other expenses:				
Operating expenses:				
Salaries and benefits	112	92	205	184
Other operating expenses	75	60	140	118
Insurance losses and loss adjustment expenses	20	19	36	37
Total other expenses	207	171	381	339
Income before provision for (benefit from) income taxes	11	147	49	246
Provision for (benefit from) income taxes	(8)	44	(1)	75
Net income	19	103	50	171
Net income attributable to non-controlling interests	31	31	62	47
Net income (loss) attributable to Springleaf Holdings, Inc.	$(12)	$72	$(12)	$124

Share Data:				
Weighted average number of shares outstanding:				
Basic	127,411,208	114,788,439	121,253,548	114,788,439
Diluted	127,411,208	115,176,021	121,253,548	115,160,440
Earnings (loss) per share:				
Basic	$(0.09)	$0.63	$(0.10)	$1.09
Diluted	$(0.09)	$0.63	$(0.10)	$1.08

See Notes to Condensed Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$19	$103	$50	$171
Other comprehensive income (loss):				
Net unrealized gains (losses) on non-credit impaired investment securities	(10)	9	(5)	19
Foreign currency translation adjustments	(1)	—	—	—
Income tax effect:				
Net unrealized (gains) losses on non-credit impaired investment securities	4	(3)	2	(7)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(7)	6	(3)	12
Reclassification adjustments included in net income:				
Net realized gains on investment securities	(4)	(1)	(10)	(3)
Income tax effect:				
Net realized gains on investment securities	1	—	3	1
Reclassification adjustments included in net income, net of tax	(3)	(1)	(7)	(2)
Other comprehensive income (loss), net of tax	(10)	5	(10)	10
Comprehensive income	9	108	40	181
Comprehensive income attributable to non-controlling interests	31	31	62	47
Comprehensive income (loss) attributable to Springleaf Holdings, Inc.	$(22)	$77	$(22)	$134

See Notes to Condensed Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

	Springleaf Holdings, Inc. Shareholders' Equity						
(dollars in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Springleaf Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Shareholders' Equity
Balance, January 1, 2015	$1	$ 529	$ 3	$1,492	$2,025	$ (188)	$1,837
Sale of common stock, net of offering costs	—	976	—	—	976	—	976
Non-cash incentive compensation from Initial Stockholder	—	15	—	—	15	—	15
Share-based compensation expense, net of forfeitures	—	4	—	—	4	—	4
Excess tax benefit from share-based compensation	—	2	—	—	2	—	2
Withholding tax on vested RSUs	—	(4)	—	—	(4)	—	(4)
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(39)	(39)
Change in net unrealized losses:							
Investment securities	—	—	(10)	—	(10)	—	(10)
Net income (loss)	—	—	—	(12)	(12)	62	50
Balance, June 30, 2015	$1	$ 1,522	$ (7)	$1,480	$2,996	$ (165)	$2,831
Balance, January 1, 2014	$1	$ 524	$ 28	$987	$1,540	$ 347	$1,887
Share-based compensation expense, net of forfeitures	—	4	—	—	4	—	4
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(6)	(6)
Change in net unrealized gains:							
Investment securities	—	—	10	—	10	—	10
Net income	—	—	—	124	124	47	171
Balance, June 30, 2014	$1	$ 528	$ 38	$1,111	$1,678	$ 388	$2,066

See Notes to Condensed Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

(dollars in millions)	Six Months Ended June 30, 2015	2014
Cash flows from operating activities		
Net income	$50	$171
Reconciling adjustments:		
Provision for finance receivable losses	167	276
Depreciation and amortization	41	(14)
Deferred income tax benefit	(30)	(155)
Non-cash incentive compensation from Initial Stockholder	15	—
Net loss on fair value adjustments on debt	—	16
Net gain on sales of real estate loans and related trust assets	—	(90)
Net loss on repurchases and repayments of debt	—	7
Share-based compensation expense, net of forfeitures	4	4
Other	(13)	(1)
Cash flows due to changes in:		
Other assets and other liabilities	(13)	4
Insurance claims and policyholder liabilities	13	18
Taxes receivable and payable	(28)	131
Accrued interest and finance charges	3	(7)
Restricted cash and cash equivalents not reinvested	—	(6)
Net cash provided by operating activities	209	354
Cash flows from investing activities		
Finance receivables originated or purchased, net of deferred origination costs	(1,532)	(1,227)
Principal collections on finance receivables	1,227	1,550
Sales and principal collections on finance receivables held for sale originated as held for investment	74	1,080
Available-for-sale investment securities purchased	(209)	(148)
Trading investment securities purchased	(1,318)	(38)
Available-for-sale investment securities called, sold, and matured	223	117
Trading investment securities called, sold, and matured	1,963	12
Change in restricted cash and cash equivalents	(109)	11
Proceeds from sale of real estate owned	10	41
Other, net	—	(1)
Net cash provided by investing activities	329	1,397
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	1,829	673
Proceeds from issuance of common stock, net of offering costs	976	—
Repayment of long-term debt	(591)	(1,959)
Distributions to joint venture partners	(39)	(6)
Excess tax benefit from share-based compensation	2	—
Net cash provided by (used for) financing activities	2,177	(1,292)

Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)

(dollars in millions)	Six Months Ended June 30, 2015	2014
Effect of exchange rate changes on cash and cash equivalents	—	1
Net change in cash and cash equivalents	2,715	460
Cash and cash equivalents at beginning of period	879	431
Cash and cash equivalents at end of period	$3,594	$891
Supplemental non-cash activities		
Transfer of finance receivables to real estate owned	$5	$33
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	$—	$1,291
Unsettled investment security purchases and sales	$13	$—

See Notes to Condensed Consolidated Financial Statements.

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
June 30, 2015

1. Business and Basis of Presentation

Springleaf Holdings, Inc. ("SHI" or, collectively with its subsidiaries, whether directly or indirectly owned, "Springleaf," the "Company," "we," "us," or "our") is a Delaware corporation, primarily owned by Springleaf Financial Holdings, LLC (the "Initial Stockholder").

At June 30, 2015, the Initial Stockholder owned approximately 58% of SHI's common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress Investment Group LLC ("Fortress") and AIG Capital Corporation, a subsidiary of American International Group, Inc. ("AIG"). As a result of our offering of common stock in May of 2015, the economic interests of Fortress and AIG have been reduced to approximately 55% and 3%, respectively, at June 30, 2015. See Note 2 for further information on this offering.

SHI is a financial services holding company whose principal subsidiary is Springleaf Finance, Inc. ("SFI"). SFI's principal subsidiary is Springleaf Finance Corporation ("SFC"), a financial services holding company with subsidiaries engaged in the consumer finance and insurance businesses.

BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using generally accepted accounting principles in the United States of America ("U.S. GAAP"). These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements, but does not include all disclosures required by U.S. GAAP. The statements include the accounts of SHI, its subsidiaries (all of which are wholly owned, except for certain indirect subsidiaries associated with a joint venture in which we own a 47% equity interest), and variable interest entities ("VIEs") in which we hold a controlling financial interest and for which we are considered to be the primary beneficiary as of the financial statement date.

We eliminated all material intercompany accounts and transactions. We made judgments, estimates, and assumptions that affect amounts reported in our condensed consolidated financial statements and disclosures of contingent assets and liabilities. In management's opinion, the condensed consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. These statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 ("2014 Annual Report on Form 10-K"). We follow the same significant accounting policies for our interim reporting.

To conform to the 2015 presentation, we reclassified certain prior period items as a result of our early adoption of accounting standards update ("ASU") 2015-03, Interest - Imputation of Interest ("ASU 2015-03"). See Note 3 for further information on the adoption of this ASU.

Prior Period Revisions

During the fourth quarter of 2014, we discovered that our personal loans and loans included in the SpringCastle Portfolio deemed to be troubled debt restructured ("TDR") finance receivables were previously incorrectly excluded in the related disclosures of our finance receivables and allowance for finance receivable losses. The applicable prior period amounts have been corrected in Notes 4 and 5 in this report.

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During the second quarter of 2015, we identified incorrect allocations of our total assets disclosure within the segment footnote. We have evaluated the impact of these errors and concluded that they were not material to any previously issued financial statements, however, we have corrected the previously disclosed periods in Note 16 of this report. We will also correct the prior period segment disclosures presented in our applicable quarterly and annual reports as follows:

(dollars in millions)	Consumer and Insurance	Real Estate	Other
Assets*			
March 31, 2015	$5,117	$3,613	$1,690
December 31, 2014	4,411	4,116	441
September 30, 2014	4,633	3,745	615
June 30, 2014	4,397	6,688	963
December 31, 2013	4,139	8,650	520

* The revised amounts do not reflect the retrospective reclassifications of our debt issuance costs previously recorded in other assets to long-term debt, as a result of our early adoption of ASU 2015-03.

During the second quarter of 2015, we discovered that we had not charged-off certain bankrupt accounts in our SpringCastle Portfolio and we identified an error in the calculation of the allowance for our TDR personal loans. As a result of these findings, we recorded an out-of-period adjustment in the second quarter of 2015, which increased provision for finance receivable losses by $8 million, decreased provision for income taxes by $3 million, and decreased basic and diluted earnings per share each by $0.03 for the three and six months ended June 30, 2015.

2. Significant Transactions

PENDING ACQUISITION OF ONEMAIN FINANCIAL

On March 2, 2015, SHI entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with CitiFinancial Credit Company (“Citigroup”) to acquire OneMain Financial Holdings, LLC (formerly OneMain Financial Holdings, Inc.) (“OneMain”), which we refer to in this report as the “Proposed Acquisition”. The Stock Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, SHI will purchase from Citigroup all of the equity of OneMain for an aggregate purchase price of $4.25 billion in cash, which will be adjusted up or down, as applicable, by the amount by which OneMain’s stockholder’s equity as of the closing exceeds or is less than $1.94 billion. The Proposed Acquisition would bring together two branch-based consumer finance companies, with complementary strategies and locations, focused on the non-prime market in the United States. On a combined basis, Springleaf and OneMain have approximately 2,000 branches, with OneMain’s larger geographic footprint covering 43 states.

The parties’ respective obligations to consummate the Proposed Acquisition are subject to customary closing conditions, including (i) the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the “HSR Act”); (ii) receipt of all consents, authorizations or approvals of all state regulatory authorities governing consumer lending and insurance in various states in which OneMain or any of its subsidiaries operates; (iii) the accuracy of the other party’s representations and warranties as of the closing date; and (iv) compliance by the other party with its covenants and agreements contained in the Stock Purchase Agreement (in the case of clauses (iii) and (iv), subject to customary materiality qualifiers). Under the Stock Purchase Agreement, we are required to take all action necessary to resolve any objection that antitrust enforcement authorities may assert with respect to the Proposed Acquisition, provided that we will not be required to commit or agree to divest, license or hold separate assets of the Company and/or OneMain that account for

more than $677 million in revenue of the Company and/or OneMain, as the case may be, for the twelve months ended December 31, 2014. If the Stock Purchase Agreement is terminated as a result of the failure to obtain antitrust approvals, we will be required to pay Citigroup a termination fee of $213 million.

Because the Proposed Acquisition is not likely to be a reportable transaction pursuant to the HSR Act, the parties do not plan to file premerger notification forms with the U.S. Department of Justice (the "DOJ") and the Federal Trade Commission, and therefore are likely not subject to a mandatory HSR waiting period. On March 22, 2015, we were notified by the DOJ, Antitrust Division, that they would be reviewing the Proposed Acquisition from an antitrust perspective and we and OneMain subsequently met with, and provided information to, the DOJ staff on a voluntary basis. Thereafter, both parties received a voluntary request for information from the DOJ. On April 28, 2015, the DOJ also issued a Civil Investigative Demand ("CID") to both parties. The voluntary request for information and the CID seek documentary materials and information regarding the

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Proposed Acquisition and the marketplace in which both parties operate. We have responded to the DOJ's request. On June 5, 2015, we, OneMain and the DOJ entered into a timing agreement whereby we and OneMain agreed not to consummate the Proposed Acquisition prior to September 10, 2015, in order to provide the DOJ with a sufficient opportunity to complete its review of the Proposed Acquisition from an antitrust perspective. In addition, we have been contacted by certain state Attorney General's offices, which may seek to coordinate their antitrust review of the Proposed Acquisition with the DOJ.

The review of the Proposed Acquisition from an antitrust perspective has not yet been completed. The DOJ and certain state Attorneys General have expressed to us potential concerns with respect to the Proposed Acquisition. We expect to constructively engage with the DOJ and the states in an attempt to resolve any potential concerns. These discussions could result in a delay in the consummation of the Proposed Aquisition beyond the third quarter.

EQUITY OFFERING

On May 4, 2015, we completed an offering of 27,864,525 shares of common stock, consisting of 19,417,476 shares of common stock offered by us and 8,447,049 shares of common stock offered by the Initial Stockholder. Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc., and Credit Suisse Securities (USA) LLC acted as joint book-running managers.

The net proceeds from this sale to the Company were approximately $976 million, after deducting the underwriting discounts and commissions and additional offering-related expenses totaling $24 million. We intend to use the net proceeds of the offering, together with cash on hand, the proceeds from the sale of investment securities, and other funding options, to fund the Proposed Acquisition and/or for general corporate purposes, which may include debt repurchases and repayments, capital expenditures and other possible acquisitions.

In connection with our initial public offering in October 2013, certain executives of Springleaf received a grant of incentive units in the Initial Stockholder. These incentive units are subject to their continued employment with the Company and provide benefits (in the form of distributions) in the event the Initial Stockholder makes distributions to one or more of its members that exceed certain specified amounts. In connection with the sale of our common stock by the Initial Stockholder, certain of the specified thresholds were satisfied. In accordance with Accounting Standards Codification Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of $15 million in the second quarter of 2015 related to the incentive units.

3. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Troubled Debt Restructurings

In January of 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when an in substance repossession or foreclosure occurs — that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The amendments in this ASU became effective prospectively for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

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Debt Issuance Costs

In April of 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest, which simplifies the presentation of debt issuance costs. Under this standard, debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of that note. The ASU also clarifies that discount, premium or debt issuance costs shall not be classified as a deferred charge or deferred credit. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued and must be applied retrospectively. We elected to early adopt this ASU as of June 30, 2015 and have applied this ASU retrospectively. On June 30, 2015, we reclassified $32 million of debt issuance costs previously recorded in other assets to long-term debt. After retrospectively applying this new ASU, we also reclassified $29 million of debt issuance costs as of December 31, 2014 from other assets to long-term debt in our condensed consolidated balance sheet. We will continue to report fees paid to access our conduit facilities in other assets. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

Push Down Accounting

In May of 2015, the FASB issued ASU 2015-08, Business Combinations-Pushdown Accounting, to remove Securities and Exchange Commission (the “SEC”) staff guidance on pushdown accounting from the Accounting Standards Codification. The SEC staff had previously rescinded its guidance with the issuance of Staff Accounting Bulletin No. 115 when the FASB issued its own pushdown accounting guidance in November 2014. The ASU is effective immediately. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Revenue from Contracts

In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides a consistent revenue accounting model across industries. In July of 2015, the FASB decided to defer the effective date of the new revenue recognition standard by one year, which would result in the ASU becoming effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Many of our revenue sources are not within the scope of this new standard, and we are evaluating whether the adoption of this ASU for those revenue sources that are in scope will have a material effect on our consolidated financial statements.

Consolidation

In February of 2015, the FASB issued ASU 2015-02, Consolidation - Amendments to the Consolidation Analysis, which amends the current consolidation guidance and ends the deferral granted to reporting entities with variable interests in investment companies from applying certain prior amendments to the VIE guidance. This ASU is applicable to entities across all industries, particularly those that use limited partnerships as well as entities in any industry that outsource decision making or have historically applied related party tiebreaker in their consolidation analysis and disclosures. The standard is effective for public business entities for annual periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. We are currently evaluating whether the adoption of this ASU will have a material effect on our consolidated financial statements.

Cloud Computing Software

In April of 2015, the FASB issued ASU 2015-05, Intangibles-Goodwill and Other Internal-Use Software, to provide guidance on a customer's accounting for fees paid in a cloud computing arrangement ("CCA"). Under the new standard, customers will apply the same criteria as vendors to determine whether a CCA contains a software license or is solely a service contract. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the potential impact of adopting this ASU on our consolidated financial statements.

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Fair Value Measurement Disclosures

In May of 2015, the FASB issued ASU 2015-07, Fair Value Measurement, to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We have a few investments for which fair value is measured using the net asset value per share practical expedient. However, application of this ASU will not have a material effect on our consolidated financial statements.

Short-Duration Insurance Contracts Disclosures

In May of 2015, the FASB issued ASU 2015-09, Disclosures about Short-Duration Contracts, to address enhanced disclosure requirements for insurers relating to short-duration insurance contract claims and unpaid claims liability rollforward for long and short-duration contracts. The disclosures are intended to provide users of financial statements with more transparent information about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, the methodologies and judgments used to estimate claims, and the timing, frequency, and severity of claims. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently evaluating the potential impact of adopting the ASU on our consolidated financial statements.

Technical Corrections and Improvements

In June 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements, to correct differences between original guidance and the Codification, clarify the guidance, correct references and make minor improvements affecting a variety of topics. While most of the amendments are not expected to have a significant effect on practice, some of them could change practice for some entities. The amendments to transition guidance are effective for fiscal years beginning after December 15, 2015; all other changes are effective upon issuance of this ASU. We are currently evaluating the potential impact of this ASU on our consolidated financial statements.

We do not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on our consolidated financial statements or disclosures.

4. Finance Receivables

Our finance receivable types include personal loans, the SpringCastle Portfolio, real estate loans, and retail sales finance as defined below:

- Personal loans — are secured by consumer goods, automobiles, or other personal property or are unsecured, typically non-revolving with a fixed-rate and a fixed, original term of two to five years. At June 30, 2015, $2.3 billion of personal loans, or 53%, were secured by collateral consisting of titled personal property (such as automobiles) and $2.0 billion, or 47%, were secured by consumer household goods or other items of personal property or were unsecured.

- SpringCastle Portfolio — are loans acquired through a joint venture in which we own a 47% equity interest (the "SpringCastle Portfolio"). These loans include unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). The SpringCastle Portfolio includes both closed-end accounts and open-end lines of credit. These

loans are in a liquidating status and vary in substance and form from our originated loans.

- Real estate loans — are secured by first or second mortgages on residential real estate, generally have maximum original terms of 360 months, and are considered non-conforming. At June 30, 2015, $215 million of real estate loans, or 38%, were secured by first mortgages and $358 million, or 62%, were secured by second mortgages. Real estate loans may be closed-end accounts or open-end home equity lines of credit and are primarily fixed-rate products. Since we ceased real estate lending in January of 2012, our real estate loans are in a liquidating status.

- Retail sales finance — include retail sales contracts and revolving retail accounts. Retail sales contracts are closed-end accounts that represent a single purchase transaction. Revolving retail accounts are open-end accounts that can be used for financing repeated purchases from the same merchant. Retail sales contracts are secured by the personal property designated in the contract and generally have maximum original terms of 60 months.

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Revolving retail accounts are secured by the goods purchased and generally require minimum monthly payments based on the amount financed calculated after the most recent purchase or outstanding balances. Our retail sales finance portfolio is also in a liquidating status.

Components of net finance receivables by type were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
June 30, 2015					
Gross receivables *	$5,033	$1,730	$569	$36	$7,368
Unearned finance charges and points and fees	(840)	—	—	(3)	(843)
Accrued finance charges	60	34	4	—	98
Deferred origination costs	47	—	—	—	47
Total	$4,300	$1,764	$573	$33	$6,670
December 31, 2014					
Gross receivables *	$4,493	$1,941	$621	$52	$7,107
Unearned finance charges and points and fees	(765)	—	(1)	(5)	(771)
Accrued finance charges	58	38	5	1	102
Deferred origination costs	45	—	—	—	45
Total	$3,831	$1,979	$625	$48	$6,483

*Gross receivables are defined as follows:

- finance receivables purchased as a performing receivable — gross finance receivables equal the unpaid principal balance (“UPB”) for interest bearing accounts and the gross remaining contractual payments for precompute accounts; additionally, the remaining unearned discount, net of premium established at the time of purchase, is included in both interest bearing and precompute accounts to reflect the finance receivable balance at its fair value;

- finance receivables originated subsequent to the Fortress Acquisition (as defined in the Purchased Credit Impaired Finance Receivables section located in this Note) — gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts; and

- purchased credit impaired finance receivables — gross finance receivables equal the remaining estimated cash flows less the current balance of accretable yield on the purchased credit impaired accounts.

Included in the table above are personal loans with a carrying value of $3.1 billion at June 30, 2015 and $1.9 billion at December 31, 2014 and SpringCastle Portfolio loans with a carrying value of $1.8 billion at June 30, 2015 and $2.0 billion at December 31, 2014 associated with securitizations that remain on our balance sheet.

Unused lines of credit extended to customers by the Company were as follows:

(dollars in millions)	June 30, 2015	December 31, 2014
Personal loans	$2	$1

SpringCastle Portfolio	365	354
Real estate loans	31	31
Total	$398	$386

Unused lines of credit on our personal loans can be suspended if one of the following occurs: (1) the value of the collateral declines significantly; (2) we believe the borrower will be unable to fulfill the repayment obligations; or (3) any other default by the borrower of any material obligation under the agreement occurs. Unused lines of credit on our real estate loans and the SpringCastle Portfolio secured by subordinate residential real estate mortgages can be suspended if one of the following occurs:

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(1) the value of the real estate declines significantly below the property's initial appraised value; (2) we believe the borrower will be unable to fulfill the repayment obligations because of a material change in the borrower's financial circumstances; or (3) any other default by the borrower of any material obligation under the agreement occurs. Unused lines of credit on home equity lines of credit, including the SpringCastle Portfolio secured by subordinate residential real estate mortgages, can be terminated for delinquency. Unused lines of credit on the unsecured loans of the SpringCastle Portfolio can be terminated at our discretion.

CREDIT QUALITY INDICATORS

We consider the delinquency status and nonperforming status of the finance receivable as our credit quality indicators.

We accrue finance charges on revolving retail finance receivables up to the date of charge-off at 180 days past due. Our revolving retail finance receivables that were more than 90 days past due and still accruing finance charges at June 30, 2015 and at December 31, 2014 were immaterial. Our personal loans, SpringCastle Portfolio, and real estate loans do not have finance receivables that were more than 90 days past due and still accruing finance charges.

Delinquent Finance Receivables

We consider the delinquency status of the finance receivable as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. We consider finance receivables 60 days or more past due as delinquent and consider the likelihood of collection to decrease at such time.

The following is a summary of net finance receivables by type and by days delinquent:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
June 30, 2015					
Net finance receivables:					
60-89 days past due	$37	$22	$9	$1	$69
90-119 days past due	28	14	4	—	46
120-149 days past due	21	10	3	—	34
150-179 days past due	19	11	3	—	33
180 days or more past due	2	1	12	—	15
Total delinquent finance receivables	107	58	31	1	197
Current	4,126	1,662	528	31	6,347
30-59 days past due	67	44	14	1	126
Total	$4,300	$1,764	$573	$33	$6,670
December 31, 2014					
Net finance receivables:					
60-89 days past due	$37	$31	$12	$1	$81
90-119 days past due	30	19	9	—	58
120-149 days past due	24	16	5	1	46
150-179 days past due	21	14	4	—	39
180 days or more past due	2	2	12	—	16
Total delinquent finance receivables	114	82	42	2	240
Current	3,661	1,839	565	45	6,110

30-59 days past due	56	58	18	1	133
Total	$3,831	$1,979	$625	$48	$6,483

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Nonperforming Finance Receivables

We also monitor finance receivable performance trends to evaluate the potential risk of future credit losses. At 90 days or more past due, we consider our finance receivables to be nonperforming. Once the finance receivables are considered as nonperforming, we consider them to be at increased risk for credit loss.

Our performing and nonperforming net finance receivables by type were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
June 30, 2015					
Performing	$4,230	$1,728	$551	$33	$6,542
Nonperforming	70	36	22	—	128
Total	$4,300	$1,764	$573	$33	$6,670
December 31, 2014					
Performing	$3,754	$1,928	$595	$47	$6,324
Nonperforming	77	51	30	1	159
Total	$3,831	$1,979	$625	$48	$6,483

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

In connection with a joint venture acquisition of the SpringCastle Portfolio (the “SCP Loans”) on April 1, 2013, SHI owns a 47% equity interest in the SCP Loans, certain of which were determined to be credit impaired on the date of purchase.

As a result of the significance of the ownership interest acquired by FCFI Acquisition LLC, an affiliate of Fortress (the “Fortress Acquisition”), we revalued our assets and liabilities based on their fair value at the date of the Fortress Acquisition, November 30, 2010, in accordance with business combination standards (“push-down accounting”) and adjusted the carrying value of our finance receivables (the “FA Loans”) to their fair value.

We report the carrying amount (which initially was the fair value) of our purchased credit impaired finance receivables in net finance receivables, less allowance for finance receivable losses or in finance receivables held for sale as discussed below.

At June 30, 2015 and December 31, 2014, finance receivables held for sale totaled $193 million and $205 million, respectively. See Note 6 for further information on our finance receivables held for sale, which consist of our non-core real estate loans. Finance receivables held for sale include purchased credit impaired real estate loans, as well as TDR real estate loans. Therefore, we are presenting the financial information for our purchased credit impaired finance receivables and TDR finance receivables combined for finance receivables held for investment and finance receivables held for sale in the tables below. The financial data for the three and six months ended June 30, 2014 related to finance receivables held for sale in the following tables were immaterial since the loans were transferred and sold within the same months.

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Information regarding our purchased credit impaired finance receivables held for investment and held for sale were as follows:

(dollars in millions)	SCP Loans	FA Loans	Total
June 30, 2015			
Carrying amount, net of allowance (a)	$279	$88	$367
Outstanding balance (b)	549	143	692
Allowance for purchased credit impaired finance receivable losses	—	5	5
December 31, 2014			
Carrying amount, net of allowance (a)	$340	$93	$433
Outstanding balance (b)	628	151	779
Allowance for purchased credit impaired finance receivable losses	—	5	5

(a) The carrying amount of purchased credit impaired FA Loans at June 30, 2015 and December 31, 2014 includes $64 million and $68 million, respectively, of purchased credit impaired finance receivables held for sale.

(b) The outstanding balance of purchased credit impaired FA Loans at June 30, 2015 and December 31, 2014 includes $94 million and $99 million, respectively, of purchased credit impaired finance receivables held for sale.

The allowance for purchased credit impaired finance receivable losses at June 30, 2015 and December 31, 2014, reflected the net carrying value of the purchased credit impaired FA Loans being higher than the present value of the expected cash flows.

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Changes in accretable yield for purchased credit impaired finance receivables held for investment and held for sale were as follows:

(dollars in millions)	SCP Loans	FA Loans	Total
Three Months Ended June 30, 2015			
Balance at beginning of period	$505	$16	$521
Accretion (a)	(22)	(2)	(24)
Disposals of finance receivables (b)	(9)	(1)	(10)
Balance at end of period	$474	$13	$487
Three Months Ended June 30, 2014			
Balance at beginning of period	$294	$680	$974
Accretion	(17)	(27)	(44)
Reclassifications to nonaccretable difference (c)	(1)	—	(1)
Transfers due to finance receivables sold	—	(21)	(21)
Disposals of finance receivables (b)	(9)	(5)	(14)
Balance at end of period	$267	$627	$894
Six Months Ended June 30, 2015			
Balance at beginning of period	$541	$19	$560
Accretion (a)	(46)	(5)	(51)
Disposals of finance receivables (b)	(21)	(1)	(22)
Balance at end of period	$474	$13	$487
Six Months Ended June 30, 2014			
Balance at beginning of period	$325	$772	$1,097
Accretion	(37)	(56)	(93)
Reclassifications to nonaccretable difference (c)	(1)	—	(1)
Transfers due to finance receivables sold	—	(78)	(78)
Disposals of finance receivables (b)	(20)	(11)	(31)
Balance at end of period	$267	$627	$894

(a) Accretion on our purchased credit impaired FA Loans for the three and six months ended June 30, 2015 includes $1 million and $3 million, respectively, of accretion on purchased credit impaired finance receivables held for sale, which is reported as interest income on finance receivables held for sale originated as held for investment.

(b) Disposals of finance receivables represent finance charges forfeited due to purchased credit impaired finance receivables charged off during the period.

(c) Reclassification to nonaccretable difference represent the decreases in accretion resulting from lower estimated undiscounted cash flows.

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TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES

Information regarding TDR finance receivables held for investment and held for sale were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
June 30, 2015				
TDR gross finance receivables (a) (b)	$28	$14	$197	$239
TDR net finance receivables (c)	27	12	198	237
Allowance for TDR finance receivable losses	7	3	31	41
December 31, 2014				
TDR gross finance receivables (a) (b)	$22	$11	$196	$229
TDR net finance receivables (c)	22	10	196	228
Allowance for TDR finance receivable losses	1	3	32	36

(a) As defined earlier in this Note.

(b) TDR real estate loan gross finance receivables at June 30, 2015 and December 31, 2014 include $91 million of TDR finance receivables held for sale.

(c) TDR real estate loan net finance receivables at June 30, 2015 and December 31, 2014 include $91 million of TDR finance receivables held for sale.

We have no commitments to lend additional funds on our TDR finance receivables.

TDR average net receivables held for investment and held for sale and finance charges recognized on TDR finance receivables held for investment and held for sale were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
Three Months Ended June 30, 2015				
TDR average net receivables (a)	$28	$12	$198	$238
TDR finance charges recognized (b)	1	—	3	4
Three Months Ended June 30, 2014				
TDR average net receivables	$15	$4	$1,391	$1,410
TDR finance charges recognized	1	—	17	18
Six Months Ended June 30, 2015				
TDR average net receivables (a)	$27	$11	$196	$234
TDR finance charges recognized (b)	2	—	6	8
Six Months Ended June 30, 2014				

TDR average net receivables	$14	$2	$1,409	$1,425
TDR finance charges recognized	1	—	35	36

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(a) TDR real estate loan average net receivables for the three and six months ended June 30, 2015 include $91 million of TDR average net receivables held for sale.

(b) TDR real estate loan finance charges recognized for the three and six months ended June 30, 2015 include $1 million and $2 million, respectively, of interest income on TDR finance receivables held for sale.

Information regarding the new volume of the TDR finance receivables held for investment and held for sale were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
Three Months Ended June 30, 2015				
Pre-modification TDR net finance receivables (a)	$7	$2	$6	$15
Post-modification TDR net finance receivables (b)	$6	$2	$7	$15
Number of TDR accounts (c)	1,479	213	99	1,791
Three Months Ended June 30, 2014				
Pre-modification TDR net finance receivables	$3	$4	$79	$86
Post-modification TDR net finance receivables	$4	$4	$77	$85
Number of TDR accounts	891	440	902	2,233
Six Months Ended June 30, 2015				
Pre-modification TDR net finance receivables (a)	$16	$4	$10	$30
Post-modification TDR net finance receivables (b)	$14	$4	$11	$29
Number of TDR accounts (c)	3,343	408	177	3,928
Six Months Ended June 30, 2014				
Pre-modification TDR net finance receivables	$6	$5	$182	$193
Post-modification TDR net finance receivables	$6	$5	$171	$182
Number of TDR accounts	1,553	566	1,896	4,015

(a) TDR real estate loan net finance receivables for the three and six months ended June 30, 2015 include $2 million and $3 million, respectively, of pre-modification TDR net finance receivables held for sale.

(b) TDR real estate loan net finance receivables for the three and six months ended June 30, 2015 include $2 million and $3 million, respectively, of post-modification TDR net finance receivables held for sale.

(c) Number of new TDR real estate loan accounts for the three and six months ended June 30, 2015 includes 35 and 44, respectively, of new TDR accounts that were held for sale.

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Net finance receivables held for investment and held for sale that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period to cause the TDR finance receivables to be considered nonperforming (90 days or more past due) were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
Three Months Ended June 30, 2015				
TDR net finance receivables (a) (b) (c)	$2	$1	$—	$3
Number of TDR accounts (b)	457	86	8	551
Three Months Ended June 30, 2014				
TDR net finance receivables (a) (c)	$—	$—	$13	$13
Number of TDR accounts	17	—	205	222
Six Months Ended June 30, 2015				
TDR net finance receivables (a) (b)	$2	$1	$1	$4
Number of TDR accounts (b)	514	96	26	636
Six Months Ended June 30, 2014				
TDR net finance receivables (a) (c)	$—	$—	$29	$29
Number of TDR accounts	32	—	434	466

(a) Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

(b) Includes 4 TDR real estate loan accounts totaling less than $1 million that were held for sale for the three months ended June 30, 2015 and 13 TDR real estate loan accounts totaling $1 million that were held for sale for the six months ended June 30, 2015.

(c) TDR personal loans for the three and six months ended June 30, 2014 and TDR real estate loans for the three months ended June 30, 2015 that defaulted during the previous 12 month period were less than $1 million and, therefore, are not quantified in the table above.

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5. Allowance for Finance Receivable Losses

Changes in the allowance for finance receivable losses by finance receivable type were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Consolidated Total
Three Months Ended June 30, 2015					
Balance at beginning of period	$134	$3	$39	$1	$177
Provision for finance receivable losses	56	23	—	1	80
Charge-offs	(59)	(26)	(5)	(1)	(91)
Recoveries	10	3	1	—	14
Balance at end of period	$141	$3	$35	$1	$180
Three Months Ended June 30, 2014					
Balance at beginning of period	$102	$1	$260	$3	$366
Provision for finance receivable losses	46	40	29	—	115
Charge-offs	(48)	(44)	(26)	(2)	(120)
Recoveries	7	4	1	—	12
Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (a)	—	—	(5)	—	(5)
Balance at end of period	$107	$1	$259	$1	$368
Six Months Ended June 30, 2015					
Balance at beginning of period	$132	$3	$40	$1	$176
Provision for finance receivable losses	112	50	4	1	167
Charge-offs	(121)	(56)	(11)	(2)	(190)
Recoveries	18	6	2	1	27
Balance at end of period	$141	$3	$35	$1	$180
Six Months Ended June 30, 2014					
Balance at beginning of period	$95	$1	$235	$2	$333
Provision for finance receivable losses	93	93	88	2	276
Charge-offs	(92)	(101)	(54)	(3)	(250)
Recoveries (b)	11	8	5	—	24
Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (a)	—	—	(15)	—	(15)
Balance at end of period	$107	$1	$259	$1	$368

(a) During the three and six months ended June 30, 2014, we reduced the carrying value of certain real estate loans to $451 million and $1.3 billion, respectively, as a result of the transfer of these loans from finance receivables held for investment to finance receivables held for sale due to management’s intent to no longer hold these finance receivables for the foreseeable future.

(b) Recoveries during the six months ended June 30, 2014 included $2 million of real estate loan recoveries resulting from a sale of previously charged-off real estate loans in March of 2014.

Included in the allowance for finance receivable losses are allowances associated with securitizations that totaled $120 million at June 30, 2015 and $72 million at December 31, 2014. See Note 10 for further discussion regarding our securitization transactions.

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The carrying value charged-off for purchased credit impaired loans was as follows:

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Charged-off against provision for finance receivable losses:				
SCP Loans	$6	$13	$13	$32
FA Loans gross charge-offs *	1	7	1	13

* Represents additional impairment recognized, subsequent to the establishment of the pools of purchased credit impaired loans, related to loans that have been foreclosed and transferred to real estate owned status.

The allowance for finance receivable losses and net finance receivables by type and by impairment method were as follows:

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
June 30, 2015					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	$134	$—	$—	$1	$135
Acquired with deteriorated credit quality (purchased credit impaired finance receivables)	—	—	4	—	4
Individually evaluated for impairment (TDR finance receivables)	7	3	31	—	41
Total	$141	$3	$35	$1	$180
Finance receivables:					
Collectively evaluated for impairment	$4,273	$1,473	$346	$33	$6,125
Purchased credit impaired finance receivables	—	279	29	—	308
TDR finance receivables	27	12	198	—	237
Total	$4,300	$1,764	$573	$33	$6,670
December 31, 2014					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	$131	$—	$3	$1	$135
Purchased credit impaired finance receivables	—	—	5	—	5
TDR finance receivables	1	3	32	—	36
Total	$132	$3	$40	$1	$176
Finance receivables:					
Collectively evaluated for impairment	$3,809	$1,629	$490	$48	$5,976
	—	340	30	—	370

Purchased credit impaired finance receivables					
TDR finance receivables	22	10	105	—	137
Total	$3,831	$1,979	$625	$48	$6,483

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6. Finance Receivables Held for Sale

We report finance receivables held for sale of $193 million at June 30, 2015 and $205 million at December 31, 2014, which are carried at the lower of cost or fair value and secured by first mortgages. At June 30, 2015 and December 31, 2014, the fair value of our finance receivables held for sale exceeded the cost. We used the aggregate basis to determine the lower of cost or fair value of the finance receivables held for sale since the underlying real estate loans were presented to the buyers on a portfolio basis. We also separately present the interest income on our finance receivables held for sale as interest income on finance receivables held for sale originated as held for investment on our condensed consolidated statements of operations, which totaled $5 million and $9 million for the three and six months ended June 30, 2015, respectively, compared to $3 million and $7 million for the three and six months ended June 30, 2014, respectively.

We did not have any transfer activity to or from finance receivables held for sale during the six months ended June 30, 2015.

During the three and six months ended June 30, 2014, we transferred real estate loans totaling $451 million and $1.3 billion, respectively, (after deducting allowance for finance receivable losses) from held for investment to held for sale due to management’s intent to no longer hold these finance receivables for the foreseeable future. During the three and six months ended June 30, 2014, we sold the finance receivables held for sale totaling $444 million and $1.3 billion, respectively, and recorded net gains of $35 million and $90 million, respectively.

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7. Investment Securities

AVAILABLE-FOR-SALE SECURITIES

Cost/amortized cost, unrealized gains and losses, and fair value of available-for-sale securities by type were as follows:

(dollars in millions)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2015				
Fixed maturity available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	$49	$1	$—	$50
Obligations of states, municipalities, and political subdivisions	87	—	—	87
Certificates of deposit and commercial paper (a)	1	—	—	1
Corporate debt	261	5	(3)	263
Mortgage-backed, asset-backed, and collateralized:				
Residential mortgage-backed securities (“RMBS”)	86	1	(1)	86
Commercial mortgage-backed securities (“CMBS”)	43	—	—	43
Collateralized debt obligations (“CDO”)/Asset-backed securities (“ABS”)	48	—	—	48
Total	575	7	(4)	578
Preferred stock	7	—	—	7
Other long-term investments	1	—	—	1
Total (b)	$583	$7	$(4)	$586
December 31, 2014				
Fixed maturity available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	$61	$3	$—	$64
Obligations of states, municipalities, and political subdivisions	99	3	—	102
Certificates of deposit and commercial paper (a)	3	—	—	3
Corporate debt	256	12	(1)	267
Mortgage-backed, asset-backed, and collateralized:				
RMBS	71	2	—	73
CMBS	25	—	(1)	24
CDO/ABS	63	—	—	63
Total	578	20	(2)	596
Preferred stock	7	—	—	7
Other long-term investments	1	—	—	1
Total (b)	$586	$20	$(2)	$604

(a) Includes certificates of deposit totaling $1 million and $2 million pledged as collateral, primarily to support bank lines of credit at June 30, 2015 and December 31, 2014, respectively.

(b) Excludes an immaterial interest in a limited partnership that we account for using the equity method and Federal Home Loan Bank common stock of $1 million at June 30, 2015 and December 31, 2014, which is classified as a restricted investment and carried at cost.

As of June 30, 2015 and December 31, 2014, we had no available-for-sale securities with other-than-temporary impairments recognized in accumulated other comprehensive income or loss.

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Fair value and unrealized losses on available-for-sale securities by type and length of time in a continuous unrealized loss position were as follows:

(dollars in millions)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses
June 30, 2015						
Bonds:						
U.S. government and government sponsored entities	$11	$—	$1	$—	$12	$—
Obligations of states, municipalities, and political subdivisions	27	—	6	—	33	—
Corporate debt	91	(3)	—	—	91	(3)
RMBS	42	(1)	—	—	42	(1)
CMBS	21	—	3	—	24	—
CDO/ABS	22	—	—	—	22	—
Total	214	(4)	10	—	224	(4)
Preferred stock	7	—	—	—	7	—
Other long-term investments	1	—	—	—	1	—
Total	$222	$(4)	$10	$—	$232	$(4)
December 31, 2014						
Bonds:						
U.S. government and government sponsored entities	$—	$—	$1	$—	$1	$—
Obligations of states, municipalities, and political subdivisions	27	—	1	—	28	—
Corporate debt	36	(1)	6	—	42	(1)
RMBS	9	—	—	—	9	—
CMBS	16	(1)	2	—	18	(1)
CDO/ABS	46	—	—	—	46	—
Total	134	(2)	10	—	144	(2)
Preferred stock	6	—	—	—	6	—
Total	$140	$(2)	$10	$—	$150	$(2)

* Unrealized losses on certain available-for-sale securities were less than $1 million and, therefore, are not quantified in the table above.

We continue to monitor unrealized loss positions for potential impairments. During the six months ended June 30, 2015 and 2014, we did not recognize any other-than-temporary impairment credit loss write-downs to investment revenues.

During the three and six months ended June 30, 2015 and 2014, there were no additions or reductions in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired available-for-sale securities.

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The fair values of available-for-sale securities sold or redeemed and the resulting realized gains, realized losses, and net realized gains were as follows:

(dollars in millions)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Fair value	$130	$50	$206	$107
Realized gains	$4	$—	$11	$2
Realized losses	—	—	(1)	—
Net realized gains	$4	$—	$10	$2

Contractual maturities of fixed-maturity available-for-sale securities at June 30, 2015 were as follows:

(dollars in millions)	Fair Value	Amortized Cost
Fixed maturities, excluding mortgage-backed, asset-backed, and collateralized securities:		
Due in 1 year or less	$45	$45
Due after 1 year through 5 years	146	145
Due after 5 years through 10 years	86	85
Due after 10 years	124	123
Mortgage-backed, asset-backed, and collateralized securities	177	177
Total	$578	$575

Actual maturities may differ from contractual maturities since borrowers may have the right to call or prepay obligations. We may sell investment securities before maturity to achieve corporate requirements and investment strategies.

The fair value of bonds on deposit with insurance regulatory authorities totaled $11 million and $12 million at June 30, 2015 and December 31, 2014, respectively.

TRADING SECURITIES

The fair value of trading securities by type was as follows:

(dollars in millions)	June 30, 2015	December 31, 2014
Fixed maturity trading securities:		
Bonds:		
U.S. government and government sponsored entities	$841	$303
Obligations of states, municipalities, and political subdivisions	3	14
Certificates of deposit and commercial paper	—	238
Non-U.S. government and government sponsored entities	—	20
Corporate debt	484	1,056
Mortgage-backed, asset-backed, and collateralized:		
RMBS	13	36
CMBS	118	151
CDO/ABS	225	512
Total	$1,684	$2,330

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The net unrealized and realized gains on our trading securities, which we report in investment revenues, were as follows:

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net unrealized gains on trading securities held at period end	$1	$1	$4	$1
Net realized gains on trading securities sold or redeemed	(1)	—	(1)	—
Total	$—	$1	$3	$1

8. Transactions with Affiliates of Fortress or AIG

SUBSERVICING AGREEMENT

Nationstar Mortgage LLC (“Nationstar”) subservices the real estate loans of certain indirect subsidiaries (collectively, the “Owners”). Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar. The Owners paid Nationstar subservicing fees of less than $1 million for the three months ended June 30, 2015, and $1 million for the six months ended June 30, 2015, compared to $2 million and $4 million for the three and six months ended June 30, 2014, respectively.

As a result of the sales of our real estate loans during 2014 (some of which were serviced by Nationstar) and the sale of certain mortgage servicing rights in 2014, our exposure to these affiliated services is reduced.

INVESTMENT MANAGEMENT AGREEMENT

Logan Circle Partners, L.P. (“Logan Circle”) provides investment management services for our investments. Logan Circle is a wholly owned subsidiary of Fortress. Costs and fees incurred for these investment management services were under $1 million for the three months ended June 30, 2015 and 2014 and $1 million for the six months ended June 30, 2015 and 2014.

REINSURANCE AGREEMENTS

Merit Life Insurance Co. (“Merit”), our indirect wholly owned subsidiary, enters into reinsurance agreements with subsidiaries of AIG, for reinsurance of various group annuity, credit life, and credit accident and health insurance where Merit reinsures the risk of loss. The reserves for this business fluctuate over time and, in some instances, are subject to recapture by the insurer. Reserves recorded by Merit for reinsurance agreements with subsidiaries of AIG totaled $44 million at June 30, 2015 and December 31, 2014.

INSURANCE COVERAGE

We hold various insurance policies with AIG subsidiaries covering liabilities of directors and officers, errors and omissions, lawyers, employment practices, fiduciary, and fidelity bond. Premium expenses on these policies were under $1 million for the three months ended June 30, 2015 and 2014 and $1 million for the six months ended June 30, 2015 and 2014.

JOINT VENTURE

Certain subsidiaries of New Residential Investment Corp. (“NRZ”), own a 30% equity interest in the joint venture that acquired the SpringCastle Portfolio, in which we own a 47% equity interest. NRZ is managed by an affiliate of Fortress.

THIRD STREET DISPOSITION

On March 6, 2014, we entered into an agreement to sell, subject to certain closing conditions, all of our interest in the mortgage-backed retained certificates related to a securitization transaction completed in 2009 to Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPFS”). Concurrently, NRZ and MLPFS entered into an agreement pursuant to which NRZ agreed to purchase approximately 75% of these retained certificates. NRZ is managed by an affiliate of Fortress.

MSR SALE

SFC and MorEquity, Inc. (“MorEquity”), a wholly owned subsidiary of SFC, entered into an agreement, dated and effective August 1, 2014, to sell the servicing rights of the mortgage loans primarily underlying the mortgage securitizations completed

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during 2011 through 2013 to Nationstar for a purchase price of $39 million (the “MSR Sale”). From the closing of the MSR Sale on August 29, 2014, until the servicing transfer on September 30, 2014, we continued to service certain loans on behalf of Nationstar under an interim servicing agreement. At December 31, 2014, the receivable from Nationstar for our interim servicing fees totaled $1 million. In May of 2015, Nationstar paid off the remaining balance of $1 million of this receivable. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

9. Long-term Debt

Principal maturities of long-term debt (excluding projected securitization repayments by period) by type of debt at June 30, 2015 were as follows:

(dollars in millions)	Retail Notes	Medium Term Notes	Securitizations	Junior Subordinated Debt	Total
Interest rates (a)	7.00%-7.50%	5.25%-8.25%	2.41%-6.82%	6.00 %	
Third quarter 2015	$24	$—	$—	$—	$24
Fourth quarter 2015	—	750	—	—	750
First quarter 2016	—	—	—	—	—
Second quarter 2016	—	—	—	—	—
Remainder of 2016	—	375	—	—	375
2017	—	1,902	—	—	1,902
2018	—	—	—	—	—
2019	—	700	—	—	700
2020-2067	—	1,250	—	350	1,600
Securitizations (b)	—	—	4,919	—	4,919
Total principal maturities	$24	$4,977	$4,919	$350	$10,270
Total carrying amount (c)	$23	$4,577	$4,904	$172	$9,676
Debt issuance costs (d)	$—	$(13)	$(19)	$—	$(32)

(a) The interest rates shown are the range of contractual rates in effect at June 30, 2015.

(b) Securitizations are not included in above maturities by period due to their variable monthly repayments. See Note 10 for further information on our long-term debt associated with securitizations.

(c) The net carrying amount of our long-term debt associated with certain securitizations that were either (1) issued at a premium or discount or (2) revalued at a premium or discount based on its fair value at the time of the Fortress Acquisition or (3) recorded at fair value on a recurring basis in circumstances when the embedded derivative within the securitization structure cannot be separately accounted for at fair value.

(d) As a result of our early adoption of ASU 2015-03, we reclassified $32 million of debt issuance costs from other assets to long-term debt.

GUARANTY AGREEMENTS

On December 3, 2014, SHI entered into an Indenture and First Supplemental Indenture pursuant to which it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on $700 million of 5.25%

of Senior Notes due 2019 issued by SFC. As of June 30, 2015, approximately $700 million aggregate principal amount of senior notes were outstanding.

On December 30, 2013, SHI entered into Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any), and interest on approximately $5.2 billion aggregate principal amount of senior notes on a senior basis and $350 million aggregate principal amount of a junior subordinated debenture (collectively, the “notes”) on a junior subordinated basis issued by SFC. The notes consist of the following: 8.25% Senior Notes due 2023; 7.75% Senior Notes due 2021; 6.00% Senior Notes due 2020; a 60-year junior subordinated debenture; and all senior notes outstanding on December 30, 2013, issued pursuant to the Indenture dated as of May 1, 1999 (the “1999 Indenture”), between SFC and

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Wilmington Trust, National Association (the successor trustee to Citibank N.A.). The 60-year junior subordinated debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, SHI entered into a Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of June 30, 2015, approximately $5.0 billion aggregate principal amount of senior notes, including $3.1 billion aggregate principal amount of senior notes under the 1999 Indenture, and $350 million aggregate principal amount of a junior subordinated debenture were outstanding.

10. Variable Interest Entities

As part of our overall funding strategy and as part of our efforts to support our liquidity from sources other than our traditional capital market sources, we have transferred certain finance receivables to VIEs for securitization transactions. Since these transactions involve securitization trusts required to be consolidated, the securitized assets and related liabilities are included in our condensed consolidated financial statements and are accounted for as secured borrowings. As a result of the 2014 sales of the Company's beneficial interests in the mortgage-backed retained certificates related to its previous mortgage securitization transactions, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt.

CONSOLIDATED VIES

We evaluated the securitization trusts and determined that these entities are VIEs of which we are the primary beneficiary; therefore, we consolidated such entities. We are deemed to be the primary beneficiaries of these VIEs because we have the ability to direct the activities of each VIE that most significantly impact the entity's economic performance and the obligation to absorb losses and the right to receive benefits that are potentially significant to the VIE. Such ability stems from SHI's and/or its affiliates' contractual right to service the securitized finance receivables. Our retained subordinated notes and residual interest trust certificates expose us to potentially significant losses and potentially significant returns.

The remaining asset-backed securities issued by the securitization trusts are supported by the expected cash flows from the underlying securitized finance receivables. Cash inflows from these finance receivables are distributed to investors and service providers in accordance with each transaction's contractual priority of payments ("waterfall") and, as such, most of these inflows must be directed first to service and repay each trust's senior notes or certificates held principally by third-party investors. The holders of the asset-backed securities have no recourse to the Company if the cash flows from the underlying qualified securitized assets are not sufficient to pay all principal and interest on the asset-backed securities. After these senior obligations are extinguished, substantially all cash inflows will be directed to the subordinated notes until fully repaid and, thereafter, to the residual interest that we own in each trust. We retain interests in these securitization transactions, including subordinated securities issued by the VIEs and residual interests. We retain credit risk in the securitizations because our retained interests include the most subordinated interest in the securitized assets, which are the first to absorb credit losses on the securitized assets. We expect that any credit losses in the pools of securitized assets will likely be limited to our subordinated and residual retained interests. We have no obligation to repurchase or replace qualified securitized assets that subsequently become delinquent or are otherwise in default.

The carrying amounts of consolidated VIE assets and liabilities associated with our securitization trusts were as follows:

(dollars in millions)	June 30, 2015	December 31, 2014
Assets		
Finance receivables:		

Personal loans	$3,059	$1,853
SpringCastle Portfolio	1,764	1,979
Allowance for finance receivable losses	120	72
Restricted cash and cash equivalents	320	210
Liabilities		
Long-term debt *	$4,904	$3,630

* As a result of our early adoption of ASU 2015-03, we reclassified $19 million and $14 million of debt issuance costs related to our long-term debt associated with our securitizations as of June 30, 2015 and December 31, 2014, respectively, from other assets to long-term debt.

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Amendment to Sumner Brook 2013-VFN1 Securitization

On January 16, 2015, we amended the note purchase agreement with Sumner Brook Funding Trust 2013-VFN1 to extend the two-year revolving period ending December of 2015 to a three-year revolving period ending January of 2018. Following the revolving period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in August of 2024. The maximum principal balance of variable funding notes that can be issued remained at $350 million. At June 30, 2015, no amounts were drawn under the notes.

2015-A Securitization

On February 26, 2015, we completed a private term securitization transaction in which a wholly owned special purpose vehicle of SFC sold $1.2 billion of notes issued by Springleaf Funding Trust 2015-A at a 3.58% weighted average yield. The notes are backed by personal loans acquired from subsidiaries of SFC. We sold the asset-backed notes for $1.2 billion, after the price discount but before expenses and a $12 million interest reserve requirement.

Sale of SpringCastle 2014-A Notes

On March 9, 2015, Springleaf Acquisition Corporation (“SAC”) agreed to sell $232 million and $131 million principal amount of the previously retained Class C and Class D SpringCastle 2014-A Notes, respectively, to an unaffiliated third party at a premium to the principal balance. The sale was completed on March 16, 2015.

Amendments to Whitford Brook 2014-VFN1 Securitization

On March 24, 2015, we amended the sale and servicing agreement relating to the Whitford Brook Funding Trust 2014-VFN1 (the “Whitford Brook 2014-VFN1 Trust”) to remove the requirement for a $100 million minimum balance drawn under the variable funding notes, which are to be backed by personal loans acquired from subsidiaries of SFC from time to time. On March 25, 2015, we paid down the note balance of $100 million.

On June 3, 2015, we amended the note purchase agreement relating to the Whitford Brook 2014-VFN1 Trust to reduce the $300 million maximum principal balance to $250 million. At June 30, 2015, no amounts were drawn under the notes.

2015-B Securitization

On April 7, 2015, we completed a private term securitization transaction in which a wholly owned special purpose vehicle of SFC sold $314 million of notes issued by Springleaf Funding Trust 2015-B at a 3.84% weighted average yield. The notes are backed by personal loans acquired from subsidiaries of SFC. We sold the asset-backed notes for $314 million, after the price discount but before expenses and a $3 million interest reserve requirement.

Amendment to Springleaf 2013-VFN1 Securitization

On May 20, 2015, we amended the note purchase agreement with Springleaf Funding Trust 2013-VFN1 to, among other things, extend the original two-year revolving period ending October of 2015 to a two-year revolving period ending April of 2017, which may be extended for up to one additional year, subject to satisfaction of customary conditions precedent. During the revolving period, the notes can be paid down in whole or in part and then redrawn. Following the revolving period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in May of 2020. The maximum amount that can be drawn under the notes remained at $350 million. At June 30, 2015, no amounts were drawn under the

notes.

Mill River 2015-VFN1 Securitization

On May 27, 2015, we established a private securitization facility in which Mill River Funding Trust 2015-VFN1, a wholly owned special purpose vehicle of SFC, issued variable funding notes with a maximum principal balance of $400 million to be backed by personal loans acquired from subsidiaries of SFC from time to time. No amounts were funded at closing, but may be funded from time to time over a three-year revolving period, subject to the satisfaction of customary conditions precedent. During the revolving period, the notes can be paid down in whole or in part and then redrawn. Following the revolving period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in June of 2021. At June 30, 2015, no amounts were drawn under the notes.

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Second Avenue Funding LLC Securitization

On June 3, 2015, we established a private securitization facility in which Second Avenue Funding LLC, a wholly owned special purpose vehicle of SFC, issued variable funding notes with a maximum principal balance of $250 million to be backed by auto loans acquired from subsidiaries of SFC. No amounts were funded at closing, but may be funded from time to time over a three-year revolving period, subject to the satisfaction of customary conditions precedent. During the revolving period, the notes can paid down in whole or in part and then redrawn. Following the three-year revolving period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying auto loans and will be due and payable in full in June of 2019. At June 30, 2015, no amounts were drawn under the notes.

First Avenue Funding LLC Securitization

On June 10, 2015, we established a private securitization facility in which First Avenue Funding LLC (“First Avenue”), a wholly owned special purpose vehicle of SFC, issued variable funding notes with a maximum principal balance of $250 million to be backed by auto loans acquired from subsidiaries of SFC. No amounts were funded at closing, but may be funded from time to time over a two-year revolving period, subject to the satisfaction of customary conditions precedent. During the revolving period, the notes can paid down in whole or in part and then redrawn. Following the two-year revolving period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying auto loans and will be due and payable in full twelve months following the maturity of the last auto loan held by First Avenue. At June 30, 2015, no amounts were drawn under the notes.

VIE Interest Expense

Other than our retained subordinate and residual interests in the remaining consolidated securitization trusts, we are under no obligation, either contractually or implicitly, to provide financial support to these entities. Consolidated interest expense related to our VIEs for the three and six months ended June 30, 2015 totaled $49 million and $87 million, respectively, compared to $62 million and $129 million for the three and six months ended June 30, 2014, respectively.

DECONSOLIDATED VIES

As a result of the sales of the mortgage-backed retained certificates during 2014, we deconsolidated the securitization trusts holding the underlying real estate loans and previously issued securitized interests which were reported in long-term debt. The total carrying value of these real estate loans as of the sale dates was $5.2 billion. During 2014, we established a reserve for sales recourse obligations of $7 million related to these sales. At June 30, 2015, this reserve totaled $7 million. We had no repurchase activity associated with these sales as of June 30, 2015. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly.

11. Earnings (Loss) Per Share

The computation of earnings (loss) per share was as follows:

(dollars in millions except earnings (loss) per share)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator (basic and diluted):				
Net income (loss) attributable to Springleaf Holdings, Inc.	$(12)	$72	$(12)	$124
Denominator:				

Weighted average number of shares outstanding (basic)	127,411,208	114,788,439	121,253,548	114,788,439
Effect of dilutive securities *	—	387,582	—	372,001
Weighted average number of shares outstanding (diluted)	127,411,208	115,176,021	121,253,548	115,160,440
Earnings (loss) per share:				
Basic	$(0.09)	$0.63	$(0.10)	$1.09
Diluted	$(0.09)	$0.63	$(0.10)	$1.08

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* We have excluded the following shares in the diluted earnings (loss) per share calculation for the three and six months ended June 30, 2015 because these shares would be anti-dilutive, which could impact the earnings per share calculation in the future:

- 593,331 performance shares and 490,464 service shares for the three months ended June 30, 2015; and
- 593,331 performance shares and 447,825 service shares for the six months ended June 30, 2015.

Basic earnings (loss) per share is computed by dividing net income or loss by the weighted-average number of shares outstanding during each period. Diluted earnings (loss) per share is computed based on the weighted-average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares represent outstanding unvested restricted stock units ("RSUs") and awards.

12. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) were as follows:

(dollars in millions)	Unrealized Gains Investment Securities	Retirement Plan Liabilities Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Three Months Ended June 30, 2015				
Balance at beginning of period	$11	$(13)	$5	$3
Other comprehensive loss before reclassifications	(6)	—	(1)	(7)
Reclassification adjustments from accumulated other comprehensive income (loss)	(3)	—	—	(3)
Balance at end of period	$2	$(13)	$4	$(7)
Three Months Ended June 30, 2014				
Balance at beginning of period	$9	$20	$4	$33
Other comprehensive income before reclassifications	6	—	—	6
Reclassification adjustments from accumulated other comprehensive income	(1)	—	—	(1)
Balance at end of period	$14	$20	$4	$38
Six Months Ended June 30, 2015				
Balance at beginning of period	$12	$(13)	$4	$3
Other comprehensive loss before reclassifications	(3)	—	—	(3)
Reclassification adjustments from accumulated other comprehensive income (loss)	(7)	—	—	(7)
Balance at end of period	$2	$(13)	$4	$(7)
Six Months Ended June 30, 2014				

Balance at beginning of period	$4	$20	$4	$28
Other comprehensive income before reclassifications	12	—	—	12
Reclassification adjustments from accumulated other comprehensive income	(2)	—	—	(2)
Balance at end of period	$14	$20	$4	$38

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Reclassification adjustments from accumulated other comprehensive income (loss) to the applicable line item on our condensed consolidated statements of operations were as follows:

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Unrealized gains on investment securities:				
Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes	$4	$1	$10	$3
Income tax effect	(1)	—	(3)	(1)
Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes	$3	$1	$7	$2

13. Income Taxes

At June 30, 2015, we had a net deferred tax liability of $112 million, compared to $148 million at December 31, 2014. The decrease in the net deferred tax liability was primarily due to purchase accounting for debt writedown. The impact to our uncertain tax positions was immaterial.

The effective tax rate for the six months ended June 30, 2015 was (2.8)% compared to 30.5% for the same period in 2014. The effective tax rates for the six months ended June 30, 2015 and 2014 differed from the federal statutory rates primarily due to the effect of the non-controlling interest in our joint venture.

We are currently under examination of our U.S. Federal tax return for the year 2013 by the Internal Revenue Service. Management believes it has adequately provided for taxes for such year.

14. Contingencies

LEGAL CONTINGENCIES

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

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Where available information indicates that it is probable that a liability had been incurred at the date of the condensed consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many actions, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition, even where loss is reasonably possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal actions, we cannot reasonably estimate such losses, particularly for actions that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by

addressing novel or unsettled legal questions relevant to the actions in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any given action.

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

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SALES RECOURSE OBLIGATIONS

During 2014, we established a reserve for sales recourse obligations of $23 million related to the real estate loan sales. At June 30, 2015, our reserve for sales recourse obligations totaled $18 million, of which $17 million related to the real estate loan sales in 2014. During the second quarter of 2015, we repurchased 13 loans, totaling $1 million, associated with the real estate loan sales in 2014. There was no repurchase activity associated with the real estate loan sales in 2014 or other prior sales of finance receivables during the three and six months ended June 30, 2014. At June 30, 2015, there were no material recourse requests that management believes will not be covered by the reserve. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly.

The activity in our reserve for sales recourse obligations associated with the real estate loan sales during 2014 and other prior sales of finance receivables was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	2015	2014	2015	2014
Balance at beginning of period	$24	$5	$24	$5
Recourse losses	(5)	—	(5)	—
Provision for recourse obligations, net of recoveries *	(1)	—	(1)	—
Balance at end of period	$18	$5	$18	$5

*Reflects the elimination of the reserve associated with other prior sales of finance receivables.

It is inherently difficult to determine whether any recourse losses are probable or even reasonably possible or to estimate the amounts of any losses. In addition, even where recourse losses are reasonably possible or exposure to such losses exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible recourse losses or range of losses.

PAYMENT PROTECTION INSURANCE

Our United Kingdom subsidiary provides payments of compensation to its customers who have made claims concerning Payment Protection Insurance (“PPI”) policies sold in the normal course of business by insurance intermediaries. On April 20, 2011, the High Court in the United Kingdom handed down judgment supporting the Financial Services Authority (now known as the Financial Conduct Authority) (“FCA”) guidelines on the treatment of PPI complaints. In addition, the FCA issued a guidance consultation paper in March of 2012 on the PPI customer contact letters. As a result, we have concluded that there are certain circumstances where customer contact and/or redress is appropriate; therefore, this activity is ongoing. The total reserves related to the estimated PPI claims were $9 million at June 30, 2015 and $14 million at December 31, 2014. We do not believe that any additional losses related to PPI claims in excess of the amounts accrued will have a material adverse effect on our condensed consolidated financial statements as a whole.

STOCK PURCHASE AGREEMENT

As discussed in Note 2, on March 2, 2015, SHI entered into a Stock Purchase Agreement with Citigroup to acquire OneMain for an aggregate purchase price of $4.25 billion. Under the Stock Purchase Agreement, we are required to take all action necessary to resolve any objection that antitrust enforcement authorities may assert with respect to the Proposed Acquisition. If the Stock Purchase Agreement is terminated as a result of the failure to obtain antitrust approvals, we will be required to pay Citigroup a termination fee of $213 million. There can be no assurance that the Proposed Acquisition will close or, if it does, when the actual closing will occur.

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15. Benefit Plans

The following table presents the components of net periodic benefit cost with respect to our defined benefit pension plans:

(dollars in millions)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Pension				
Components of net periodic benefit cost:				
Interest cost	$4	$4	$8	$8
Expected return on assets	(4)	(4)	(9)	(8)
Net periodic benefit cost	$—	$—	$(1)	$—

The components of net periodic benefit cost with respect to our post retirement plan were less than $1 million for the three and six months ended June 30, 2015 and 2014 and, therefore, were not included in the table above.

16. Segment Information

Our segments coincide with how our businesses are managed. At June 30, 2015, our three segments include:

- Consumer and Insurance;
- Acquisitions and Servicing; and
- Real Estate.

When we initially defined our operating segments in early 2013, we presented Consumer and Insurance as two distinct reporting segments. However, over the course of 2013 and into 2014, management has shifted its strategy for the Insurance segment toward organic growth primarily as an ancillary product complementing our consumer lending activities and has been increasingly viewing and managing the Insurance segment together with Consumer. As a result of the changes in strategy and the way that management views the insurance business of the Company, we began presenting them as one segment, effective December 31, 2014. To conform to the new segment alignment, we have revised our prior period segment disclosures.

Management considers Consumer and Insurance, and Acquisitions and Servicing as our “Core Consumer Operations” and Real Estate as our “Non-Core Portfolio.”

Our segments are managed as follows:

Core Consumer Operations

- Consumer and Insurance — We originate and service personal loans (secured and unsecured) through two business divisions: branch operations and centralized operations and offer credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance), non-credit insurance, and ancillary products, such as warranty protection. Branch operations primarily conduct business in 27 states, which are our core operating states. Our centralized operations underwrite and process certain loan applications that we receive from our branch operations or through an internet portal. If the applicant is located near an existing branch (“in footprint”), our centralized operations make the credit decision regarding the application and then request, but do not require, the customer to visit a nearby branch for closing, funding and servicing. If the applicant is not located near a branch (“out of footprint”), our centralized operations originate the loan.

- Acquisitions and Servicing — We service the SpringCastle Portfolio that we acquired through a joint venture in which we own a 47% equity interest. The SpringCastle Portfolio consists of unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests) and includes both closed-end accounts and open-end lines of credit. These loans vary in form and substance from our typical branch serviced loans and are in a liquidating status.

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Non-Core Portfolio

- Real Estate — We service and hold real estate loans secured by first or second mortgages on residential real estate. Real estate loans previously originated through our branch offices or previously acquired or originated through centralized distribution channels are serviced by: (i) MorEquity and subserviced by Nationstar; (ii) Select Portfolio Servicing, Inc.; or (iii) our centralized operations. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

The remaining components (which we refer to as "Other") consist of our other non-core, non-originating legacy operations, which are isolated by geographic market and/or distribution channel from our Core Consumer Operations and our Non-Core Portfolio. These operations include our legacy operations in 14 states where we have also ceased branch-based personal lending, our liquidating retail sales finance portfolio (including our retail sales finance accounts from our dedicated auto finance operation), our lending operations in Puerto Rico and the U.S. Virgin Islands, and the operations of our United Kingdom subsidiary.

Due to the nature of the Fortress Acquisition, we applied push-down accounting. However, we report the operating results of our Core Consumer Operations, Non-Core Portfolio, and Other using the same accounting basis that we employed prior to the Fortress Acquisition, which we refer to as "historical accounting basis," to provide a consistent basis for both management and other interested third parties to better understand the operating results of these segments. The historical accounting basis (which is a basis of accounting other than U.S. GAAP) also provides better comparability of the operating results of these segments to our competitors and other companies in the financial services industry. The historical accounting basis is not applicable to the Acquisitions and Servicing segment since this segment resulted from the purchase of the SpringCastle Portfolio subsequent to the Fortress Acquisition.

The "Push-down Accounting Adjustments" column in the following tables primarily consists of:

- the accretion or amortization of the valuation adjustments on the applicable revalued assets and liabilities;
- the difference in finance charges on our purchased credit impaired finance receivables compared to the finance charges on these finance receivables on a historical accounting basis;
- the elimination of accretion or amortization of historical based discounts, premiums, and other deferred costs on our finance receivables and long-term debt;
- the difference in provision for finance receivable losses required based upon the differences in historical accounting basis and push-down accounting basis of the finance receivables;
- the acceleration of the accretion of the net discount or amortization of the net premium applied to long-term debt that we repurchase or repay;
- the reversal of the remaining unaccreted push-down accounting basis for net finance receivables, less allowance for finance receivable losses established at the date of the Fortress Acquisition on finance receivables held for sale that we sold; and
- the difference in the fair value of long-term debt based upon the differences between historical accounting basis where certain long-term debt components are marked-to-market on a recurring basis, and push-down accounting basis where long-term debt is no longer marked-to-market on a recurring basis.

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The following tables present information about the Company's segments as well as reconciliations to the condensed consolidated financial statement amounts.

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
Three Months Ended June 30, 2015							
Interest income	$269	$ 120	$17	$3	$—	$4	$ 413
Interest expense	36	22	59	22	—	32	171
Provision for finance receivable losses	54	23	(5)	1	—	7	80
Net interest income (loss) after provision for finance receivable losses	179	75	(37)	(20)	—	(35)	162
Other revenues	56	13	3	—	(13)	(3)	56
Other expenses	159	26	9	25	(13)	1	207
Income (loss) before provision for (benefit from) income taxes	76	62	(43)	(45)	—	(39)	11
Income before provision for income taxes attributable to non-controlling interests	—	31	—	—	—	—	31
Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc.	$76	$ 31	$(43)	$(45)	$—	$(39)	$ (20)

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
Three Months Ended June 30, 2014							
Interest income	$220	$ 137	$137	$4	$—	$35	$ 533
Interest expense	41	18	95	2	—	36	192
Provision for finance receivable losses	48	41	20	4	—	2	115
Net interest income (loss) after provision for finance receivable losses	131	78	22	(2)	—	(3)	226
Other revenues	58	19	(24)	—	(17)	56	92
Other expenses	129	32	21	5	(17)	1	171
Income (loss) before provision for (benefit from) income taxes	60	65	(23)	(7)	—	52	147
	—	31	—	—	—	—	31

Income before provision for income taxes attributable to non-controlling interests							
Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc.	$60	$ 34	$(23)	$(7)	$—	$52	$ 116

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(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
At or for the Six Months Ended June 30, 2015							
Interest income	$525	$247	$35	$5	$—	$7	$819
Interest expense	76	45	119	32	(5)	62	329
Provision for finance receivable losses	110	50	(3)	1	—	9	167
Net interest income (loss) after provision for finance receivable losses	339	152	(81)	(28)	5	(64)	323
Other revenues	107	32	6	—	(32)	(6)	107
Other expenses	305	55	16	30	(27)	2	381
Income (loss) before provision for (benefit from) income taxes	141	129	(91)	(58)	—	(72)	49
Income before provision for income taxes attributable to non-controlling interests	—	62	—	—	—	—	62
Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc.	$141	$67	$(91)	$(58)	$—	$(72)	$(13)
Assets *	$5,301	$1,854	$3,541	$2,538	$—	$74	$13,308

* As a result of our early adoption of ASU 2015-03, we reclassified $32 million of debt issuance costs from other assets to long-term debt as of June 30, 2015.

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
At or for the Six Months Ended June 30, 2014							
Interest income	$430	$283	$292	$9	$—	$71	$1,085
Interest expense	82	40	207	4	—	64	397
Provision for finance receivable losses	93	94	82	5	—	2	276
Net interest income after provision for finance receivable losses	255	149	3	—	—	5	412
Other revenues	107	20	(89)	1	(35)	169	173

Other expenses	254	65	42	11	(35)	2	339
Income (loss) before provision for (benefit from) income taxes	108	104	(128)	(10)	—	172	246
Income before provision for income taxes attributable to non-controlling interests	—	47	—	—	—	—	47
Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc.	$108	$57	$(128)	$(10)	$—	$172	$199
Assets (a) (b)	$4,366	$2,383	$6,682	$957	$—	$(349)	$14,039

(a) As a result of our early adoption of ASU 2015-03, we reclassified $44 million of debt issuance costs from other assets to long-term debt as of June 30, 2014.

(b) See Note 1 for further information on the correction of this prior period disclosure.

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17. Fair Value Measurements

The fair value of a financial instrument is the amount that would be received if an asset were to be sold or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is listed on an exchange or traded over-the-counter or is new to the market and not yet established, the characteristics specific to the transaction, and general market conditions.

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The following table summarizes the fair values and carrying values of our financial instruments and indicates the fair value hierarchy based on the level of inputs we utilized to determine such fair values:

(dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value
June 30, 2015					
Assets					
Cash and cash equivalents	$3,594	$—	$—	$3,594	$3,594
Investment securities	—	2,269	2	2,271	2,271
Net finance receivables, less allowance for finance receivable losses	—	—	7,132	7,132	6,490
Finance receivables held for sale	—	—	197	197	193
Restricted cash and cash equivalents	333	—	—	333	333
Other assets:					
Commercial mortgage loans	—	—	71	71	71
Escrow advance receivable	—	—	9	9	9
Receivables related to sales of real estate loans and related trust assets	—	9	—	9	18
Liabilities					
Long-term debt	$—	$10,431	$—	$10,431	$9,676
December 31, 2014					
Assets					
Cash and cash equivalents	$879	$—	$—	$879	$879
Investment securities	—	2,926	9	2,935	2,935
Net finance receivables, less allowance for finance receivable losses	—	—	6,979	6,979	6,307
Finance receivables held for sale	—	—	209	209	205
Restricted cash and cash equivalents	218	—	—	218	218
Other assets:					
Commercial mortgage loans	—	—	78	78	85
Escrow advance receivable	—	—	8	8	8
Receivables related to sales of real estate loans and related trust assets	—	67	—	67	79
Liabilities					
Long-term debt	$—	$9,182	$—	$9,182	$8,356

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FAIR VALUE MEASUREMENTS — RECURRING BASIS

The following tables present information about our assets measured at fair value on a recurring basis and indicates the fair value hierarchy based on the levels of inputs we utilized to determine such fair value:

	Fair Value Measurements Using			Total Carried
(dollars in millions)	Level 1	Level 2	Level 3	At Fair Value
June 30, 2015				
Assets				
Cash equivalents in mutual funds	$905	$—	$—	$905
Investment securities:				
Available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	—	50	—	50
Obligations of states, municipalities, and political subdivisions	—	87	—	87
Certificates of deposit and commercial paper	—	1	—	1
Corporate debt	—	263	—	263
RMBS	—	86	—	86
CMBS	—	43	—	43
CDO/ABS	—	48	—	48
Total	—	578	—	578
Preferred stock	—	7	—	7
Other long-term investments (a)	—	—	1	1
Total available-for-sale securities (b)	—	585	1	586
Trading securities:				
Bonds:				
U.S. government and government sponsored entities	—	841	—	841
Obligations of states, municipalities, and political subdivisions	—	3	—	3
Corporate debt	—	484	—	484
RMBS	—	13	—	13
CMBS	—	118	—	118
CDO/ABS	—	225	—	225
Total trading securities	—	1,684	—	1,684
Total investment securities	—	2,269	1	2,270
Restricted cash in mutual funds	312	—	—	312
Total	$1,217	$2,269	$1	$3,487

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(dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Carried At Fair Value
December 31, 2014				
Assets				
Cash equivalents in mutual funds	$236	$—	$—	$236
Cash equivalents in certificates of deposit and commercial paper	—	165	—	165
Investment securities:				
Available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	—	64	—	64
Obligations of states, municipalities, and political subdivisions	—	102	—	102
Certificates of deposit and commercial paper	—	3	—	3
Corporate debt	—	263	4	267
RMBS	—	73	—	73
CMBS	—	21	3	24
CDO/ABS	—	63	—	63
Total	—	589	7	596
Preferred stock	—	7	—	7
Other long-term investments (a)	—	—	1	1
Total available-for-sale securities (b)	—	596	8	604
Trading securities:				
Bonds:				
U.S. government and government sponsored entities	—	303	—	303
Obligations of states, municipalities, and political subdivisions	—	14	—	14
Certificates of deposit and commercial paper	—	238	—	238
Non-U.S. government and government sponsored entities	—	20	—	20
Corporate debt	—	1,056	—	1,056
RMBS	—	36	—	36
CMBS	—	151	—	151
CDO/ABS	—	512	—	512
Total trading securities	—	2,330	—	2,330
Total investment securities	—	2,926	8	2,934
Restricted cash in mutual funds	207	—	—	207
Total	$443	$3,091	$8	$3,542

(a) Other long-term investments excludes an immaterial interest in a limited partnership that we account for using the equity method.

(b) Common stocks not carried at fair value totaled $1 million at June 30, 2015 and December 31, 2014 and, therefore, have been excluded from the table above.

We had no transfers between Level 1 and Level 2 during the three and six months ended June 30, 2015.

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The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the three months ended June 30, 2015:

(dollars in millions)	Balance at beginning of period	Net gains (losses) included in: Other revenues	Other comprehensive income (loss)	Purchases, sales, issues, settlements *	Transfers into Level 3	Transfers out of Level 3	Balance at end of period
Three Months Ended June 30, 2015							
Investment securities:							
Available-for-sale securities:							
Bonds:							
Corporate debt	$						