OneMain Holdings, Inc.
Form 10-Q
August 04, 2017

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, 2017

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

ONEMAIN 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 July 31, 2017, there were 135,301,930 shares of the registrant's common stock, $0.01 par value, outstanding.

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GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
1999 Indenture	Indenture dated as of May 1, 1999 between SFC and Wilmington
2014-A Notes	asset-backed notes issued in March 2014 by the Springleaf Funding Trust 2014-A
2016 Annual Report on Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2016
2022 SFC Notes	$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 15, 2017 and guaranteed by OMH
30 - 89 Delinquency ratio	net finance receivables 30 - 89 days past due as a percentage of net finance receivables
5.25% SFC Notes	$700 million of 5.25% Senior Notes due 2019 issued by SFC on December 3, 2014 and guaranteed by OMH
6.125% SFC Notes	collectively, the 2022 SFC Notes and the Additional SFC Notes
8.25% SFC Notes	$1.0 billion of 8.25% Senior Notes due 2020 issued by SFC on April 11, 2016 and guaranteed by OMH
ABS	asset-backed securities
Additional SFC Notes	$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 30, 2017 and guaranteed by OMH
Adjusted pretax income (loss)	a non-GAAP financial measure; income (loss) before income tax expense (benefit) on a Segment Accounting Basis, excluding acquisition-related transaction and integration expenses, net gain on sale of SpringCastle interests, SpringCastle transaction costs, and losses resulting from repurchases and repayments of debt
AHL	American Health and Life Insurance Company
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Average debt	average of debt for each day in the period
Average net receivables	average of monthly average net finance receivables (net finance receivables at the beginning and end of each month divided by two) in the period
Blackstone	collectively, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P.
CDO	collateralized debt obligations
CFPB	Consumer Financial Protection Bureau
Citigroup	CitiFinancial Credit Company
CMBS	commercial mortgage-backed securities
Dodd-Frank Act	the Dodd-Frank Wall Street Reform and Consumer Protection Act
Exchange Act	Securities Exchange Act of 1934, as amended
FA Loans	purchased credit impaired finance receivables related to the Fortress Acquisition
FASB	Financial Accounting Standards Board
FHLB	Federal Home Loan Bank
FICO score	a credit score created by Fair Isaac Corporation
Financial Funding VII LSA	Loan and Security Agreement, dated April 13, 2017, among OneMain Financial Funding VII, LLC, certain third party lenders and other third parties pursuant to which OneMain Financial

	Funding VII, LLC may borrow up to $650 million
Financial Funding IX LSA	Loan and Security Agreement, dated July 14, 2017, among OneMain Financial Funding IX, LLC, certain third party lenders and other third parties pursuant to which OneMain Financial Funding IX, LLC may borrow up to $600 million
Fixed charge ratio	earnings less income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends
Fortress	Fortress Investment Group LLC

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Term or Abbreviation	Definition
Fortress Acquisition	transaction by which FCFI Acquisition LLC, an affiliate of Fortress, acquired an 80% economic interest of the sole stockholder of SFC for a cash purchase price of $119 million, effective November 30, 2010
GAAP	generally accepted accounting principles in the United States of America
Gross charge-off ratio	annualized gross charge-offs as a percentage of average net receivables
Indenture	the SFC Base Indenture, together with the SFC Third Supplemental Indenture
Independence	Independence Holdings, LLC
Indiana DOI	Indiana Department of Insurance
Initial Stockholder	Springleaf Financial Holdings, LLC
Junior Subordinated Debenture	$350 million aggregate principal amount of 60-year junior subordinated debt issued by SFC under an indenture dated January 22, 2007, by and between SFC and Deutsche Bank Trust Company, as trustee, and guaranteed by OMH
Lendmark Sale	the sale of 127 Springleaf branches to Lendmark Financial Service, LLC, effective April 30, 2016
LIBOR	London Interbank Offered Rate
Logan Circle	Logan Circle Partners, L.P.
Merit	Merit Life Insurance Co.
MetLife	MetLife, Inc.
Moody’s	Moody’s Investors Service, Inc.
Nationstar	Nationstar Mortgage LLC
Net charge-off ratio	annualized net charge-offs as a percentage of average net receivables
Net interest income	interest income less interest expense
NRZ	New Residential Investment Corp.
ODART	OneMain Direct Auto Receivables Trust
OM Loans	purchased credit impaired personal loans acquired in the OneMain Acquisition
OMFH	OneMain Financial Holdings, LLC
OMFH Indenture	Indenture entered into on December 11, 2014, as amended or supplemented from time to time, by OMFH and certain of its subsidiaries in connection with the issuance of the OMFH Notes
OMFH Notes	collectively, $700 million aggregate principal amount of 6.75% Senior Notes due 2019 and $800 million in aggregate principal amount of 7.25% Senior Notes due 2021
OMFH Supplemental Indenture	supplemental indenture dated as of November 8, 2016, to the OMFH Indenture
OMFIT	OneMain Financial Issuance Trust
OMH	OneMain Holdings, Inc.
OneMain	OMFH, collectively with its subsidiaries
OneMain Acquisition	Acquisition of OneMain from CitiFinancial Credit Company, effective November 1, 2015
Other SFC Notes	collectively, approximately $5.2 billion aggregate principal amount of senior notes, on a senior unsecured basis, and the Junior Subordinated Debenture, on a junior subordinated basis, issued by SFC and guaranteed by OMH
Recovery ratio	annualized recoveries on net charge-offs as a percentage of average net receivables
retail sales finance	collectively, retail sales contracts and revolving retail accounts
RMBS	residential mortgage-backed securities

RSAs	restricted stock awards
RSUs	restricted stock units
SCP Loans	purchased credit impaired loans acquired through the SpringCastle Joint Venture
SEC	U.S. Securities and Exchange Commission
Segment Accounting Basis	a basis used to report the operating results of our segments, which reflects our allocation methodologies for certain costs and excludes the impact of applying purchase accounting
Settlement Agreement	a Settlement Agreement with the U.S. Department of Justice entered into by OMH and certain of its subsidiaries on November 13, 2015, in connection with the OneMain Acquisition

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Term or Abbreviation	Definition
SFC	Springleaf Finance Corporation
SFC Base Indenture	Indenture dated as of December 3, 2014
SFC First Supplemental Indenture	supplemental indenture dated as of December 3, 2014, to the SFC Base Indenture
SFC Guaranty Agreements	agreements entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes
SFC Second Supplemental Indenture	supplemental indenture dated as of April 11, 2016, to the SFC Base Indenture
SFC Third Supplemental Indenture	supplemental indenture dated as of May 15, 2017, to the SFC Base Indenture
SFC Trust Guaranty Agreement	agreement entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities in connection with the Junior Subordinated Debenture
SFI	Springleaf Finance, Inc.
SLFT	Springleaf Funding Trust
SpringCastle Interests Sale	the March 31, 2016 sale by SpringCastle Holdings, LLC and Springleaf Acquisition Corporation of the equity interest in the SpringCastle Joint Venture
SpringCastle Joint Venture	joint venture among SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, and SpringCastle Acquisition LLC in which SpringCastle Holdings, LLC previously owned a 47% equity interest in each of SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC and Springleaf Acquisition Corporation previously owned a 47% equity interest in SpringCastle Acquisition LLC
SpringCastle Portfolio	loans acquired through the SpringCastle Joint Venture
Springleaf	OMH and its subsidiaries (other than OneMain)
Tangible equity	total equity less accumulated other comprehensive income or loss
Tangible managed assets	total assets less goodwill and other intangible assets
TDR finance receivables	troubled debt restructured finance receivables
Texas DOI	Texas Department of Insurance
Thur River Funding LSA	Loan and Security Agreement, dated June 29, 2017, among Thur River Funding, LLC, certain third party lenders and other third parties pursuant to which Thur River Funding, LLC may borrow up to $350 million
Triton	Triton Insurance Company
Trust preferred securities	capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies
UK	United Kingdom
UPB	unpaid principal balance
VFN	variable funding notes

VIEs	variable interest entities
Weighted average interest rate	annualized interest expense as a percentage of average debt
Wilmington	Wilmington Trust, National Association
Yield	annualized finance charges as a percentage of average net receivables
Yosemite	Yosemite Insurance Company

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

(dollars in millions, except par value amount)	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$862	$ 579
Investment securities	1,750	1,764
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $9.3 billion in 2017 and $9.5 billion in 2016)	13,908	13,577
Real estate loans	134	144
Retail sales finance	8	11
Net finance receivables	14,050	13,732
Unearned insurance premium and claim reserves	(572)	(586)
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $474 million in 2017 and $501 million in 2016)	(676)	(689)
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	12,802	12,457
Finance receivables held for sale	141	153
Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of $532 million in 2017 and $552 million in 2016)	545	568
Goodwill	1,422	1,422
Other intangible assets	464	492
Other assets	712	688
Total assets	$18,698	$ 18,123
Liabilities and Shareholders' Equity		
Long-term debt (includes debt of consolidated VIEs of $8.1 billion in 2017 and $8.2 billion in 2016)	$14,409	$ 13,959
Insurance claims and policyholder liabilities	745	757
Deferred and accrued taxes	5	9
Other liabilities (includes other liabilities of consolidated VIEs of $11 million in 2017 and $12 million in 2016)	385	332
Total liabilities	15,544	15,057
Commitments and contingent liabilities (Note 14)		
Shareholders' equity:		
Common stock, par value $.01 per share; 2,000,000,000 shares authorized, 135,301,930 and 134,867,868 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1	1
Additional paid-in capital	1,552	1,548

Accumulated other comprehensive income (loss)	3	(6)
Retained earnings	1,598	1,523
Total shareholders’ equity	3,154	3,066
Total liabilities and shareholders’ equity	$18,698	$ 18,123

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions, except per share amounts)	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Interest income:				
Finance charges	$768	$ 723	$1,524	$ 1,508
Finance receivables held for sale originated as held for investment	4	18	7	64
Total interest income	772	741	1,531	1,572
Interest expense	203	214	405	440
Net interest income	569	527	1,126	1,132
Provision for finance receivable losses	236	214	481	411
Net interest income after provision for finance receivable losses	333	313	645	721
Other revenues:				
Insurance	104	114	207	228
Investment	20	24	39	44
Net loss on repurchases and repayments of debt	(27)	(13)	(28)	(16)
Net gain on sale of SpringCastle interests	—	—	—	167
Net gain on sale of personal loans	—	22	—	22
Other	24	18	44	23
Total other revenues	121	165	262	468
Other expenses:				
Operating expenses:				
Salaries and benefits	191	192	377	406
Acquisition-related transaction and integration expenses	14	21	37	54
Other operating expenses	137	177	279	344
Insurance policy benefits and claims	46	46	91	91
Total other expenses	388	436	784	895
Income before income taxes	66	42	123	294
Income taxes	24	16	48	103
Net income	42	26	75	191
Net income attributable to non-controlling interests	—	—	—	28
Net income attributable to OneMain Holdings, Inc.	$42	$ 26	$75	$ 163
Share Data:				

Weighted average number of shares outstanding:				
Basic	135,249,610	134,728,465	135,234,143	134,711,612
Diluted	135,513,427	134,952,992	135,543,342	134,930,370
Earnings per share:				
Basic	$0.31	$ 0.19	$0.55	$ 1.21
Diluted	$0.30	$ 0.19	$0.55	$ 1.21

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$42	$26	$75	$191
Other comprehensive income:				
Net change in unrealized gains on non-credit impaired available-for-sale securities	10	31	20	58
Foreign currency translation adjustments	4	1	4	7
Income tax effect:				
Net unrealized gains on non-credit impaired available-for-sale securities	(4)	(10)	(7)	(20)
Foreign currency translation adjustments	(2)	(1)	(2)	(3)
Other comprehensive income, net of tax, before reclassification adjustments	8	21	15	42
Reclassification adjustments included in net income:				
Net realized gains on available-for-sale securities	(4)	(4)	(8)	(6)
Income tax effect:				
Net realized gains on available-for-sale securities	1	1	2	2
Reclassification adjustments included in net income, net of tax	(3)	(3)	(6)	(4)
Other comprehensive income, net of tax	5	18	9	38
Comprehensive income	47	44	84	229
Comprehensive income attributable to non-controlling interests	—	—	—	28
Comprehensive income attributable to OneMain Holdings, Inc.	$47	$44	$84	$201

See Notes to Condensed Consolidated Financial Statements.

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

	OneMain Holdings, Inc. Shareholders' Equity						
(dollars in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	OneMain Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Shareholders' Equity
Balance, January 1, 2017	$ 1	$ 1,548	$ (6)	$ 1,523	$ 3,066	$ —	$ 3,066
Share-based compensation expense, net of forfeitures	—	9	—	—	9	—	9
Withholding tax on share-based compensation	—	(5)	—	—	(5)	—	(5)
Other comprehensive income	—	—	9	—	9	—	9
Net income	—	—	—	75	75	—	75
Balance, June 30, 2017	$ 1	$ 1,552	$ 3	$ 1,598	$ 3,154	$ —	$ 3,154
Balance, January 1, 2016	$ 1	$ 1,533	$ (33)	$ 1,308	$ 2,809	$ (79)	$ 2,730
Share-based compensation expense, net of forfeitures	—	12	—	—	12	—	12
Excess tax benefit from share-based compensation	—	3	—	—	3	—	3
Withholding tax on share-based compensation	—	(5)	—	—	(5)	—	(5)
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(18)	(18)
Sale of equity interests in SpringCastle joint venture	—	—	—	—	—	69	69
Other comprehensive income	—	—	38	—	38	—	38
Net income	—	—	—	163	163	28	191
Balance, June 30, 2016	$ 1	$ 1,543	$ 5	$ 1,471	$ 3,020	$ —	$ 3,020

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Six Months Ended June 30, 2017	2016
Cash flows from operating activities		
Net income	$75	$191
Reconciling adjustments:		
Provision for finance receivable losses	481	411
Depreciation and amortization	182	301
Deferred income tax charge (benefit)	(11)	22
Net gain on sale of personal loans	—	(22)
Net loss on repurchases and repayments of debt	28	16
Share-based compensation expense, net of forfeitures	9	12
Net gain on sale of SpringCastle interests	—	(167)
Other	—	(6)
Cash flows due to changes in:		
Other assets and other liabilities	28	(4)
Insurance claims and policyholder liabilities	(31)	(29)
Taxes receivable and payable	(14)	(74)
Accrued interest and finance charges	(7)	6
Other, net	—	2
Net cash provided by operating activities	740	659
Cash flows from investing activities		
Net principal collections (originations) of finance receivables held for investment and held for sale	(884)	(625)
Proceeds on sales of finance receivables held for sale originated as held for investment	—	624
Proceeds from sale of SpringCastle interests, net of restricted cash released	—	26
Cash received from CitiFinancial Credit Company	—	23
Available-for-sale securities purchased	(351)	(263)
Trading and other securities purchased	—	(10)
Available-for-sale securities called, sold, and matured	382	454
Trading and other securities called, sold, and matured	6	26
Other, net	(7)	(7)
Net cash provided by (used for) investing activities	(854)	248
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	2,633	3,476
Repayments of long-term debt	(2,254)	(4,687)
Distributions to joint venture partners	—	(18)
Excess tax benefit from share-based compensation	—	3
Withholding tax on share-based compensation	(5)	(5)
Net cash provided by (used for) financing activities	374	(1,231)

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

(dollars in millions)	At or for the Six Months Ended June 30, 2017	2016
Effect of exchange rate changes on cash and cash equivalents	—	1
Net change in cash and cash equivalents and restricted cash and restricted cash equivalents	260	(323)
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period	1,147	1,615
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	$1,407	$1,292
Supplemental cash flow information		
Cash and cash equivalents	$862	$742
Restricted cash and restricted cash equivalents	545	550
Total cash and cash equivalents and restricted cash and restricted cash equivalents	$1,407	$1,292
Supplemental non-cash activities		
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	$—	$1,895
Transfer of finance receivables to real estate owned	5	4
Net unsettled investment security purchases	(3)	(2)

Restricted cash and restricted cash equivalents primarily represent funds required to be used for future debt payments relating to our securitization transactions and escrow deposits.

See Notes to Condensed Consolidated Financial Statements.

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ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
June 30, 2017

1. Business and Basis of Presentation

OneMain Holdings, Inc. is referred to in this report as “OMH” or, collectively with its subsidiaries, whether directly or indirectly owned, the “Company,” “we,” “us,” or “our.” OMH is a Delaware corporation. At June 30, 2017, the Initial Stockholder owned approximately 57% of OMH’s common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress.

OMH is a financial services holding company whose principal subsidiaries are SFI and Independence. SFI’s principal subsidiary is SFC, and Independence’s principal subsidiary is OMFH. SFC and OMFH are financial services holding companies with subsidiaries engaged in the consumer finance and insurance businesses.

BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using 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 GAAP. The statements include the accounts of OMH, its subsidiaries (all of which are wholly owned, except for certain indirect subsidiaries associated with the SpringCastle Joint Venture, in which we owned a 47% equity interest prior to March 31, 2016), and 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. To conform to the 2017 presentation, we have reclassified certain items in prior periods of our condensed consolidated statements of cash flows. Also, to conform to the new alignment of our segments, as further discussed in Note 16, we have revised our prior period segment disclosures.

The condensed consolidated financial statements in this report should be read in conjunction with the consolidated financial statements and related notes included in our 2016 Annual Report on Form 10-K. We follow the same significant accounting policies for our interim reporting, except for the new accounting pronouncements subsequently adopted and disclosed below.

2. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Investments

In March of 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting, which eliminates the requirement that, when an investment qualifies for use of the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method of accounting had been in effect during all previous periods that the investment had been held. The ASU requires that an entity that has available-for-sale securities recognize, through earnings, the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method of accounting. The amendment in this ASU became effective prospectively for the Company for annual periods beginning January 1, 2017. We have adopted this ASU as of January 1, 2017 and concluded that it does not have an impact on our consolidated financial statements.

Statement of Cash Flows

In November of 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, which simplifies the presentation of restricted cash on the statement of cash flows by requiring entities to include restricted cash and restricted cash equivalents in the reconciliation of cash and cash equivalents. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2018. We elected to early adopt this ASU as of January 1, 2017 and presented this change on a

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retrospective basis for all periods presented. We have concluded that this ASU does not have a material impact on our consolidated financial statements.

Technical Corrections and Improvements

In January of 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections, to enhance the footnote disclosure guidelines for ASUs 2014-09, 2016-02, and 2016-13. The amendments to this transition guidance became effective for the Company for fiscal years beginning January 1, 2017. We have adopted this ASU as of January 1, 2017 on a prospective basis. We have concluded that this ASU does not have a material impact on our consolidated financial statements.

Business Combinations

In January of 2017, the FASB issued ASU 2017-01, Business Combinations, to clarify the definition of a business, which establishes a process to determine when an integrated set of assets and activities can be deemed a business combination. The amendments in this ASU become effective for the Company for annual periods beginning January 1, 2018. We elected to early adopt this ASU as of April 1, 2017 on a prospective basis. We have concluded that the adoption of this ASU will not have a material impact on our consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Revenue Recognition

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 August of 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, to defer the effective date of the new revenue recognition standard by one year, which results in the ASU becoming effective for the Company for annual periods beginning January 1, 2018. In March of 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations, which clarifies the implementation of the guidance on principal versus agent considerations from ASU 2014-09. ASU 2016-08 does not change the core principle of the guidance in ASU 2014-09, but rather clarifies the distinction between principal versus agent considerations when implementing ASU 2014-09. In April of 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, to clarify the implementation guidance of ASU 2014-09 relating to performance obligations and licensing. In May of 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, to clarify guidance in ASU 2014-09 related to assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts/contract modifications. In December of 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, which improves the guidance specific to the amendments in ASU 2014-09.

The Company will adopt this ASU effective January 1, 2018. The Company’s ongoing implementation efforts include the identification of other revenue streams that are within the scope of the new guidance and the review of related contracts with customers to determine the effect on certain non-interest income items presented in our consolidated statements of operations and on the presentation of disclosures. As substantially all of the Company's revenues have historically been generated from activities that are outside the scope of the ASU, we do not believe that the adoption of this ASU will have a material impact on our consolidated financial statements.

Financial Instruments

In January of 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which simplifies the impairment assessment of equity investments. The update requires equity investments to be measured at fair value with changes recognized in net income. This ASU eliminates the requirement to disclose the methods and assumptions to estimate fair value for financial instruments, requires the use of the exit price for disclosure purposes, requires the change in liability due to a change in credit risk to be presented in other comprehensive income, requires separate presentation of financial assets and liabilities by measurement category and form of asset (securities and loans), and clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The amendments in this ASU become effective prospectively for the Company for annual periods beginning January 1, 2018. We are evaluating whether the adoption of this ASU will have a material impact on our consolidated financial statements.

In March of 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs, which amends the amortization period for certain purchased callable debt securities held at a premium. This ASU shortens the amortization period for the premium from the adjustment of yield over the contractual life of the instrument to the earliest call date. The

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amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. We are evaluating whether the adoption of this ASU will have a material impact on our consolidated financial statements.

Leases

In February of 2016, the FASB issued ASU 2016-02, Leases. The ASU requires lessees to recognize a right-of-use asset and a liability for the obligation to make payments on leases with terms greater than 12 months and to disclose information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. The amendments in this ASU become effective for the Company for annual periods beginning January 1, 2019. We believe that the adoption of this ASU will have a material impact on our consolidated financial statements, and we are in the process of quantifying the expected impact.

Revenue Recognition and Derivatives and Hedging

In May of 2016, the FASB issued ASU 2016-11, Revenue Recognition and Derivatives and Hedging, to rescind certain SEC guidance in Topic 605 and Topic 815 as ASU 2014-09 becomes effective for the Company. Our adoption of ASU 2014-09 will bring us into alignment with this ASU. We believe that the adoption of this ASU will not have a material impact on our consolidated financial statements.

Allowance for Finance Receivables Losses

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an "expected credit loss" approach rather than the "incurred loss" approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model will require earlier recognition of credit losses than the incurred loss approach.

The ASU requires that credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis be determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial allowance for credit losses is added to the purchase price of the financial asset rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in earnings. Interest income should be recognized based on the effective rate, excluding the discount embedded in the purchase price attributable to expected credit losses at acquisition.

The ASU also requires companies to record allowances for held-to-maturity and available-for-sale debt securities rather than write-downs of such assets.

In addition, the ASU requires qualitative and quantitative disclosures that provide information about the allowance and the significant factors that influenced management's estimate of the allowance.

The ASU will become effective for the Company for fiscal years beginning January 1, 2020. Early adoption is permitted for fiscal years beginning January 1, 2019. The adoption of this ASU will have a material impact on our consolidated financial statements, and we are in the process of quantifying the expected impacts.

Statement of Cash Flows

In August of 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this ASU will become effective for the Company for fiscal years beginning January 1, 2018. We are evaluating whether the adoption of this ASU will have a material impact on our consolidated financial statements.

Income Taxes

In October of 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this ASU will become effective for the Company for annual reporting periods beginning January 1, 2018. We are evaluating whether the adoption of this ASU will have a material impact on our consolidated financial statements.

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Goodwill Impairment

In January of 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment, which simplifies the test for goodwill impairment by eliminating Step 2 in the impairment process. The amendments in this ASU will become effective for the Company for fiscal years beginning January 1, 2020. We believe that the adoption of this ASU will not have a material impact on our consolidated financial statements.

Compensation and Benefits

In March of 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, to improve the presentation of the net periodic pension cost and net periodic postretirement benefit costs. It requires that a company present separately the service cost component on the income statement. The amendments in this ASU become effective for the Company for annual periods beginning January 1, 2018. We are evaluating whether the adoption of this ASU will have a material impact on our consolidated financial statements.

In May of 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation: Scope of Modification Accounting, which attempts to simplify the guidance about changes to the terms or conditions of a share-based payment award that requires an entity to apply modification accounting. The amendments in this ASU become effective for the Company for annual periods beginning January 1, 2018. We do not believe the adoption of this ASU will have a material impact on our consolidated financial statements.

We do not believe that any other accounting pronouncements issued during the six months ended June 30, 2017, but not yet effective, would have a material impact on our consolidated financial statements or disclosures, if adopted.

3. Finance Receivables

Our finance receivable types include personal loans, 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 three to six years. At June 30, 2017, we had over 2.2 million personal loans representing $13.9 billion of net finance receivables, compared to 2.2 million personal loans totaling $13.6 billion at December 31, 2016.

- 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. 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 originating real estate loans in January of 2012, our real estate loans have been 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. 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 in a liquidating status.

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Components of net finance receivables held for investment by type were as follows:

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
June 30, 2017				
Gross receivables *	$15,429	$ 132	$ 9	$15,570
Unearned finance charges and points and fees	(1,796)	1	(1)	(1,796)
Accrued finance charges	179	1	—	180
Deferred origination costs	96	—	—	96
Total	$13,908	$ 134	$ 8	$14,050
December 31, 2016				
Gross receivables *	$15,405	$ 142	$ 12	$15,559
Unearned finance charges and points and fees	(2,062)	1	(1)	(2,062)
Accrued finance charges	151	1	—	152
Deferred origination costs	83	—	—	83
Total	$13,577	$ 144	$ 11	$13,732

*Gross receivables are defined as follows:

- Finance receivables purchased as a performing receivable — gross finance receivables equal the 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 initial fair value;

- Finance receivables originated subsequent to the OneMain Acquisition and the Fortress Acquisition — gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts;

- 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; and

- TDR finance receivables — gross finance receivables equal the 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 previously purchased as a performing receivable.

At June 30, 2017 and December 31, 2016, unused lines of credit extended to customers by the Company were immaterial.

CREDIT QUALITY INDICATOR

We consider the delinquency status of our finance receivables as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. When finance receivables are 60 days past due, we consider them delinquent and transfer collection of these accounts to our centralized operations, as these accounts are considered to be at increased risk for loss. At 90 days or more past due, we consider our finance receivables to be nonperforming.

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The following is a summary of net finance receivables held for investment by type and by number of days delinquent:

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
June 30, 2017				
Net finance receivables:				
Performing				
Current	$13,329	$ 99	$ 8	$13,436
30-59 days past due	176	9	—	185
60-89 days past due	118	4	—	122
Total performing	13,623	112	8	13,743
Nonperforming				
90-179 days past due	278	5	—	283
180 days or more past due	7	17	—	24
Total nonperforming	285	22	—	307
Total	$13,908	$ 134	$ 8	$14,050
December 31, 2016				
Net finance receivables:				
Performing				
Current	$12,920	$ 102	$ 11	$13,033
30-59 days past due	174	9	—	183
60-89 days past due	130	4	—	134
Total performing	13,224	115	11	13,350
Nonperforming				
90-179 days past due	349	8	—	357
180 days or more past due	4	21	—	25
Total nonperforming	353	29	—	382
Total	$13,577	$ 144	$ 11	$13,732

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, 2017 and at December 31, 2016 were immaterial.

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

Our purchased credit impaired finance receivables consist of receivables purchased in connection with the OneMain Acquisition and the Fortress Acquisition.

Prior to March 31, 2016, our purchased credit impaired finance receivables also included the SpringCastle Portfolio, which was purchased in connection with the joint venture acquisition of the SpringCastle Portfolio. On March 31, 2016, we sold the SpringCastle Portfolio in connection with the SpringCastle Interests Sale.

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, 2017 and December 31, 2016, finance receivables held for sale totaled $141 million and $153 million, respectively, which include purchased credit impaired finance receivables, as well as TDR finance receivables. 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. See Note 5 for further information on our finance receivables held for sale.

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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)	OM Loans	FA Loans (a)	Total
June 30, 2017			
Carrying amount, net of allowance	$ 237	$ 62	$ 299
Outstanding balance (b)	325	100	425
Allowance for purchased credit impaired finance receivable losses	19	8	27
December 31, 2016			
Carrying amount, net of allowance	$ 324	$ 70	$ 394
Outstanding balance (b)	444	107	551
Allowance for purchased credit impaired finance receivable losses	29	8	37

(a) Purchased credit impaired FA Loans held for sale included in the table above were as follows:

(dollars in millions)	June 30, 2017	December 31, 2016
Carrying amount	$ 48	$ 54
Outstanding balance	77	83

(b) Outstanding balance is defined as UPB of the loans with a net carrying amount.

The allowance for purchased credit impaired finance receivable losses at June 30, 2017 and December 31, 2016, reflected the carrying value of the purchased credit impaired loans held for investment 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)	OM Loans	SCP Loans	FA Loans	Total
Three Months Ended June 30, 2017				
Balance at beginning of period	$ 48	$ —	$ 59	$ 107
Accretion (a)	(9)	—	(2)	(11)
Reclassifications from (to) nonaccretable difference (b)	10	—	(2)	8
Balance at end of period	$ 49	$ —	$ 55	$ 104
Three Months Ended June 30, 2016				
Balance at beginning of period	$ 104	$ —	$ 74	$ 178
Accretion (a)	(17)	—	(2)	(19)
Reclassifications to nonaccretable difference (b)	—	—	(11)	(11)
Balance at end of period	$ 87	$ —	$ 61	$ 148
Six Months Ended June 30, 2017				
Balance at beginning of period	$ 59	$ —	$ 60	$ 119
Accretion (a)	(20)	—	(3)	(23)
Reclassifications from (to) nonaccretable difference (b)	10	—	(2)	8
Balance at end of period	$ 49	$ —	$ 55	$ 104
Six Months Ended June 30, 2016				
Balance at beginning of period	$ 151	$ 375	$ 66	$ 592
Accretion (a)	(41)	(16)	(4)	(61)
Reclassifications to nonaccretable difference (b)	—	—	(1)	(1)
Transfer due to finance receivables sold	—	(359)	—	(359)
Other (c)	(23)	—	—	(23)
Balance at end of period	$ 87	$ —	$ 61	$ 148

(a) Accretion on our purchased credit impaired FA Loans held for sale included in the table above were immaterial.

(b) Reclassifications from (to) nonaccretable difference represents the increases (decreases) in accretable yield resulting from higher (lower) estimated undiscounted cash flows.

(c) Other reflects a measurement period adjustment in the first quarter of 2016 based on a change in the expected cash flows in the purchase credit impaired portfolio related to the OneMain Acquisition. The measurement period adjustment created a decrease of $23 million to the beginning balance of the OM Loans accretable yield.

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TDR FINANCE RECEIVABLES

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

(dollars in millions)	Personal Loans	Real Estate Loans *	Total
June 30, 2017			
TDR gross finance receivables	$ 255	$ 142	$ 397
TDR net finance receivables	254	143	397
Allowance for TDR finance receivable losses	127	11	138
December 31, 2016			
TDR gross finance receivables	$ 151	$ 133	$ 284
TDR net finance receivables	152	134	286
Allowance for TDR finance receivable losses	69	11	80

* TDR real estate loans held for sale included in the table above were as follows:

(dollars in millions)	June 30, 2017	December 31, 2016
TDR gross finance receivables	$ 91	$ 89
TDR net finance receivables	92	90

As of June 30, 2017, we had 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 *	Real Estate Loans *	Total
Three Months Ended June 30, 2017			
TDR average net receivables	$ 197	$ 140	$ 337
TDR finance charges recognized	9	2	11
Three Months Ended June 30, 2016			
TDR average net receivables	$ 83	$ 202	$ 285
TDR finance charges recognized	2	3	5
Six Months Ended June 30, 2017			
TDR average net receivables	$ 175	$ 138	$ 313
TDR finance charges recognized	15	4	19
Six Months Ended June 30, 2016			
TDR average net receivables	$ 73	$ 202	$ 275

TDR finance charges recognized	3	6	9

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* TDR finance receivables held for sale included in the table above were as follows:

(dollars in millions)	Personal Loans	Real Estate Loans	Total
Three Months Ended June 30, 2017			
TDR average net receivables	$ —	$ 91	$ 91
TDR finance charges recognized	—	2	2
Three Months Ended June 30, 2016			
TDR average net receivables	$ 1	$ 112	$ 113
TDR finance charges recognized	—	2	2
Six Months Ended June 30, 2017			
TDR average net receivables	$ —	$ 90	$ 90
TDR finance charges recognized	—	3	3
Six Months Ended June 30, 2016			
TDR average net receivables	$ 2	$ 102	$ 104
TDR finance charges recognized	—	3	3

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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 (a)	SpringCastle Portfolio	Real Estate Loans (a)	Total
Three Months Ended June 30, 2017				
Pre-modification TDR net finance receivables	$ 115	$ —	$ 10	$ 125
Post-modification TDR net finance receivables:				
Rate reduction	$ 79	$ —	$ 10	$ 89
Other (b)	35	—	—	35
Total post-modification TDR net finance receivables	$ 114	$ —	$ 10	$ 124
Number of TDR accounts	14,583	—	350	14,933
Three Months Ended June 30, 2016				
Pre-modification TDR net finance receivables	$ 50	$ —	$ 6	$ 56
Post-modification TDR net finance receivables:				
Rate reduction	$ 47	$ —	$ 5	$ 52
Other (b)	2	—	1	3
Total post-modification TDR net finance receivables	$ 49	$ —	$ 6	$ 55
Number of TDR accounts	6,709	—	116	6,825
Six Months Ended June 30, 2017				
Pre-modification TDR net finance receivables	$ 159	$ —	$ 13	$ 172
Post-modification TDR net finance receivables:				
Rate reduction	$ 118	$ —	$ 13	$ 131
Other (b)	39	—	—	39
Total post-modification TDR net finance receivables	$ 157	$ —	$ 13	$ 170
Number of TDR accounts	21,021	—	414	21,435
Six Months Ended June 30, 2016				
Pre-modification TDR net finance receivables	$ 100	$ 1	$ 10	$ 111
Post-modification TDR net finance receivables:				
Rate reduction	$ 93	$ 1	$ 8	$ 102
Other (b)	5	—	2	7
Total post-modification TDR net finance receivables	$ 98	$ 1	$ 10	$ 109
Number of TDR accounts	13,625	157	205	13,987

(a) TDR finance receivables held for sale included in the table above were immaterial.

(b) “Other” modifications primarily include forgiveness of principal or interest.

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

(dollars in millions)	Personal Loans
Three Months Ended June 30, 2017	
TDR net finance receivables *	$ 30
Number of TDR accounts	4,805
Three Months Ended June 30, 2016	
TDR net finance receivables *	$ 4
Number of TDR accounts	640
Six Months Ended June 30, 2017	
TDR net finance receivables *	$ 42
Number of TDR accounts	6,598
Six Months Ended June 30, 2016	
TDR net finance receivables *	$ 6
Number of TDR accounts	1,040

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

TDR real estate loans and TDR SpringCastle Portfolio loans for the three and six months ended June 30, 2017 and 2016 that defaulted during the previous 12-month period were immaterial.

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4. 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, 2017					
Balance at beginning of period	$ 646	$ —	$ 19	$ 1	$ 666
Provision for finance receivable losses	235	—	1	—	236
Charge-offs	(253)	—	(2)	—	(255)
Recoveries	28	—	1	—	29
Balance at end of period	$ 656	$ —	$ 19	$ 1	$ 676
Three Months Ended June 30, 2016					
Balance at beginning of period	$ 587	$ —	$ 49	$ —	$ 636
Provision for finance receivable losses	212	—	2	—	214
Charge-offs	(227)	—	(4)	—	(231)
Recoveries	15	—	2	1	18
Other *	—	—	(29)	—	(29)
Balance at end of period	$ 587	$ —	$ 20	$ 1	$ 608
Six Months Ended June 30, 2017					
Balance at beginning of period	$ 669	$ —	$ 19	$ 1	$ 689
Provision for finance receivable losses	479	—	2	—	481
Charge-offs	(549)	—	(3)	—	(552)
Recoveries	57	—	1	—	58
Balance at end of period	$ 656	$ —	$ 19	$ 1	$ 676
Six Months Ended June 30, 2016					
Balance at beginning of period	$ 541	$ 4	$ 46	$ 1	$ 592
Provision for finance receivable losses	391	14	6	—	411
Charge-offs	(372)	(17)	(6)	(1)	(396)
Recoveries	27	3	3	1	34
Other *	—	(4)	(29)	—	(33)
Balance at end of period	$ 587	$ —	$ 20	$ 1	$ 608

* Other consists of:

- the elimination of allowance for finance receivable losses due to the transfer of real estate loans held for investment to finance receivables held for sale on June 30, 2016; and
- the elimination of allowance for finance receivable losses due to the sale of the SpringCastle Portfolio on March 31, 2016, in connection with the SpringCastle Interests Sale.

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

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
June 30, 2017				
Allowance for finance receivable losses:				
Collectively evaluated for impairment	$510	$—	$ 1	$511
Purchased credit impaired finance receivables	19	8	—	27
TDR finance receivables	127	11	—	138
Total	$656	$19	$ 1	$676
Finance receivables:				
Collectively evaluated for impairment	$13,398	$61	$ 8	$13,467
Purchased credit impaired finance receivables	256	22	—	278
TDR finance receivables	254	51	—	305
Total	$13,908	$134	$ 8	$14,050
Allowance for finance receivable losses as a percentage of finance receivables	4.72 %	14.35%	10.23 %	4.81 %
December 31, 2016				
Allowance for finance receivable losses:				
Collectively evaluated for impairment	$571	$—	$ 1	$572
Purchased credit impaired finance receivables	29	8	—	37
TDR finance receivables	69	11	—	80
Total	$669	$19	$ 1	$689
Finance receivables:				
Collectively evaluated for impairment	$13,072	$76	$ 11	$13,159
Purchased credit impaired finance receivables	353	24	—	377
TDR finance receivables	152	44	—	196
Total	$13,577	$144	$ 11	$13,732
Allowance for finance receivable losses as a percentage of finance receivables	4.93 %	13.31%	4.42 %	5.01 %

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5. Finance Receivables Held for Sale

We report finance receivables held for sale of $141 million at June 30, 2017 and $153 million at December 31, 2016, which are carried at the lower of cost or fair value and consist entirely of real estate loans. At June 30, 2017 and December 31, 2016, 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 finance receivables held for sale.

SPRINGCASTLE PORTFOLIO

During March of 2016, we transferred $1.6 billion of loans of the SpringCastle Portfolio (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. We simultaneously sold our interests in these finance receivables held for sale on March 31, 2016 in the SpringCastle Interests Sale and recorded a net gain in other revenues at the time of sale of $167 million.

PERSONAL LOANS

On May 2, 2016, we sold personal loans held for sale with a carrying value of $602 million and recorded a net gain in other revenues at the time of sale of $22 million.

REAL ESTATE LOANS

On June 30, 2016, we transferred $257 million of real estate loans (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.

We did not have any other material transfer activity to or from finance receivables held for sale during the three and six months ended June 30, 2017 and 2016.

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6. 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, 2017				
Fixed maturity available-for-sale securities:				
Bonds				
U.S. government and government sponsored entities	$ 31	$ —	$ —	$ 31
Obligations of states, municipalities, and political subdivisions	143	1	(1)	143
Certificates of deposit and commercial paper	40	—	—	40
Non-U.S. government and government sponsored entities	124	1	(1)	124
Corporate debt	970	13	(3)	980
Mortgage-backed, asset-backed, and collateralized:				
RMBS	97	1	(1)	97
CMBS	102	—	—	102
CDO/ABS	101	—	—	101
Total bonds	1,608	16	(6)	1,618
Preferred stock (a)	17	—	(1)	16
Common stock (a)	18	1	—	19
Other long-term investments	2	—	—	2
Total (b)	$ 1,645	$ 17	$ (7)	$ 1,655
December 31, 2016				
Fixed maturity available-for-sale securities:				
Bonds				
U.S. government and government sponsored entities	$ 31	$ —	$ —	$ 31
Obligations of states, municipalities, and political subdivisions	145	1	(1)	145
Non-U.S. government and government sponsored entities	119	—	(1)	118
Corporate debt	1,024	8	(7)	1,025
Mortgage-backed, asset-backed, and collateralized:				
RMBS	101	—	(1)	100
CMBS	109	—	(1)	108
CDO/ABS	102	—	—	102
Total bonds	1,631	9	(11)	1,629
Preferred stock (a)	17	—	(1)	16
Common stock (a)	16	1	—	17
Other long-term investments	2	—	—	2
Total (b)	$ 1,666	$ 10	$ (12)	$ 1,664

(a) The Company employs an income equity strategy targeting investments in stocks with strong current dividend yields. Stocks included have a history of stable or increasing dividend payments.

(b) Excludes an immaterial interest in a limited partnership that we account for using the equity method and FHLB common stock of $1 million at June 30, 2017 and December 31, 2016, which is classified as a restricted investment and carried at cost.

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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, 2017						
Bonds:						
U.S. government and government sponsored entities	$ 19	$ —	$ 1	$ —	$20	$ —
Obligations of states, municipalities, and political subdivisions	65	(1)	2	—	67	(1)
Non-U.S. government and government sponsored entities	64	(1)	—	—	64	(1)
Corporate debt	289	(2)	9	(1)	298	(3)
RMBS	55	(1)	12	—	67	(1)
CMBS	48	—	7	—	55	—
CDO/ABS	66	—	4	—	70	—
Total bonds	606	(5)	35	(1)	641	(6)
Preferred stock	5	—	6	(1)	11	(1)
Common stock	8	—	—	—	8	—
Other long-term investments	—	—	1	—	1	—
Total	$ 619	$ (5)	$ 42	$ (2)	$661	$ (7)
December 31, 2016						
Bonds:						
U.S. government and government sponsored entities	$ 18	$ —	$ —	$ —	$18	$ —
Obligations of states, municipalities, and political subdivisions	99	(1)	2	—	101	(1)
Non-U.S. government and government sponsored entities	55	(1)	1	—	56	(1)
Corporate debt	416	(6)	8	(1)	424	(7)
RMBS	74	(1)	1	—	75	(1)
CMBS	66	(1)	5	—	71	(1)
CDO/ABS	64	—	3	—	67	—
Total bonds	792	(10)	20	(1)	812	(11)
Preferred stock	6	—	8	(1)	14	(1)
Common stock	2	—	1	—	3	—
Total	$ 800	$ (10)	$ 29	$ (2)	$829	$ (12)

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

On a lot basis, we had 1,091 and 1,331 investment securities in an unrealized loss position at June 30, 2017 and December 31, 2016, respectively. We do not consider the unrealized losses to be credit-related, as these unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. Additionally, at June 30, 2017, we had no plans to sell any investment securities with unrealized losses, and we believe it is more likely than not that we would not be required to sell such investment securities before recovery of their amortized cost.

We continue to monitor unrealized loss positions for potential impairments. During the three and six months ended June 30, 2017, we did not recognize any other-than-temporary impairment credit losses on our available-for-sale securities in investment revenues. We recognized less than $1 million of other-than-temporary impairment credit losses on corporate debt in investment revenues during the three and six months ended June 30, 2016.

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During the three and six months ended June 30, 2017 and 2016, there were no material additions or reductions in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired available-for-sale securities.

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

(dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Proceeds from sales and redemptions	$167	$174	$280	$287
Realized gains	$5	$5	$9	$7
Realized losses	(1)	(1)	(1)	(1)
Net realized gains	$4	$4	$8	$6

Contractual maturities of fixed-maturity available-for-sale securities at June 30, 2017 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	$225	$ 225
Due after 1 year through 5 years	576	575
Due after 5 years through 10 years	305	301
Due after 10 years	212	207
Mortgage-backed, asset-backed, and collateralized securities	300	300
Total	$1,618	$ 1,608

Actual maturities may differ from contractual maturities since issuers and borrowers may have the right to call or prepay obligations. We may sell investment securities before maturity for general corporate and working capital purposes and to achieve certain investment strategies.

The fair value of securities on deposit with third parties totaled $532 million and $465 million at June 30, 2017 and December 31, 2016, respectively.

TRADING AND OTHER SECURITIES

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

(dollars in millions)	June 30, 2017	December 31, 2016
Fixed maturity other securities:		
Bonds		
Non-U.S. government and government sponsored entities	$ 2	$ 1
Corporate debt	80	85
Mortgage-backed, asset-backed, and collateralized:		
RMBS	1	1

CDO/ABS	4	5
Total bonds	87	93
Preferred stock	7	6
Total	$ 94	$ 99

Mark-to-market gains on trading and other securities held at June 30, 2017 and 2016, respectively, were immaterial for the three and six months ended June 30, 2017, and totaled $5 million and $8 million for the three and six months ended June 30, 2016, respectively. Net realized gains (losses) on trading and other securities sold or redeemed during the 2017 and 2016

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periods were immaterial for the three and six months ended June 30, 2017 and 2016. We report these gains (losses) in investment revenues. Other securities are those securities for which the fair value option was elected. Our remaining trading securities were sold in the first quarter of 2016.

7. Transactions with Affiliates of Fortress

SUBSERVICING AGREEMENT

Nationstar subservices the real estate loans of certain of our 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, 2017 and 2016 and $1 million for the six months ended June 30, 2017 and 2016.

INVESTMENT MANAGEMENT AGREEMENT

Logan Circle provides investment management services for Springleaf investments. Logan Circle is a wholly owned subsidiary of Fortress. On July 7, 2017, MetLife and Fortress announced a definitive agreement for MetLife to acquire 100% of Fortress' ownership stake in Logan Circle. Upon consummation of such transaction, Logan Circle will no longer be an affiliate of Fortress. Costs and fees incurred for these investment management services were less than $1 million for the three and six months ended June 30, 2017 and 2016.

SALE OF EQUITY INTEREST IN SPRINGCASTLE JOINT VENTURE

On March 31, 2016, we sold our 47% equity interest in the SpringCastle Joint Venture, which owns the SpringCastle Portfolio, to certain subsidiaries of NRZ and Blackstone. NRZ is managed by an affiliate of Fortress.

Unless we are terminated, we will continue to act as the servicer of the SpringCastle Portfolio for the SpringCastle Funding Trust pursuant to a servicing agreement. Servicing fees revenue totaled $10 million and $20 million for the three and six months ended June 30, 2017, respectively, compared to $11 million for each of the three and six months ended June 30, 2016. At June 30, 2017 and December 31, 2016, the servicing fees receivable from the SpringCastle Funding Trust totaled $3 million.

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8. Long-term Debt

Principal maturities of long-term debt (excluding projected repayments on securitizations and revolving conduit facilities by period) by type of debt at June 30, 2017 were as follows:

(dollars in millions)	Senior Debt Securitizations	Senior Debt Medium Term Notes	Junior Subordinated Debt	Total
Interest rates (a)	2.04% - 6.94%	5.25% - 8.25%	2.91 %	
Third quarter 2017	$—	$252	$ —	$252
Fourth quarter 2017	—	557	—	557
2018	—	—	—	—
2019	—	1,396	—	1,396
2020	—	1,299	—	1,299
2021	—	1,446	—	1,446
2022	—	1,000	—	1,000
2023-2067	—	300	350	650
Securitizations (b)	8,149	—	—	8,149
Total principal maturities	$8,149	$6,250	$ 350	$14,749
Total carrying amount	$8,130	$6,107	$ 172	$14,409
Debt issuance costs (c)	$(21)	$(23)	$ —	$(44)

(a) The interest rates shown are the range of contractual rates in effect at June 30, 2017. Effective January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture became a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 2.91% as of June 30, 2017. Prior to January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture was a fixed rate of 6.00%.

(b) Securitizations are not included in the above maturities by period due to their variable monthly repayments. At June 30, 2017, there were no amounts drawn under our revolving conduit facilities. See Note 9 for further information on our long-term debt associated with securitizations and revolving conduit facilities.

(c) Debt issuance costs are reported as a direct deduction from long-term debt, with the exception of debt issuance costs associated with our revolving conduit facilities, which totaled $14 million at June 30, 2017 and are reported in other assets.

SFC'S OFFERINGS OF 6.125% SENIOR NOTES DUE 2022

On May 15, 2017, SFC issued $500 million aggregate principal amount of 6.125% Senior Notes due 2022 (the “2022 SFC Notes”) under an Indenture dated as of December 3, 2014 (the “SFC Base Indenture”), as supplemented by a Third Supplemental Indenture, dated as of May 15, 2017 (the “SFC Third Supplemental Indenture” and, collectively with the SFC Base Indenture, the “Indenture”), pursuant to which OMH provided a guarantee of the 2022 SFC Notes on an unsecured basis.

On May 30, 2017, SFC issued and sold $500 million aggregate principal amount of additional 2022 SFC Notes (the "Additional SFC Notes") in an add-on offering. The initial 2022 SFC Notes and the Additional SFC Notes (collectively, the "6.125% SFC Notes"), are treated as a single class of debt securities and have the same terms, other than the issue date and the issue price.

SFC used a portion of the net proceeds from the sale of the Additional SFC Notes to repurchase approximately $466 million aggregate principal amount of its existing 6.90% Senior Notes due 2017 at a premium to par. SFC intends to use the remaining net proceeds from the sale of the 6.125% SFC Notes for general corporate purposes, which may include additional debt repurchases and repayments.

The 6.125% SFC Notes are SFC's senior unsecured obligations and rank equally in right of payment to all of SFC's other existing and future unsubordinated indebtedness from time to time outstanding. The notes are effectively subordinated to all of

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SFC's secured obligations to the extent of the value of the assets securing such obligations and structurally subordinated to any existing and future obligations of SFC's subsidiaries with respect to claims against the assets of such subsidiaries.

The notes may be redeemed at any time and from time to time, at the option of SFC, in whole or in part at a "make-whole" redemption price specified in the Indenture. The notes will not have the benefit of any sinking fund.

The Indenture contains covenants that, among other things, (i) limit SFC's ability to create liens on assets and (ii) restrict SFC's ability to consolidate, merge or sell its assets. The Indenture also provides for events of default which, if any of them were to occur, would permit or require the principal of and accrued interest on the 6.125% SFC Notes to become, or to be declared, due and payable.

GUARANTY AGREEMENTS

6.125% SFC Notes

On May 15, 2017, OMH entered into the SFC Third Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 6.125% SFC Notes. As of June 30, 2017, $1.0 billion aggregate principal amount of the 6.125% SFC Notes were outstanding.

8.25% SFC Notes

On April 11, 2016, OMH entered into the SFC Second Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 8.25% SFC Notes. As of June 30, 2017, $1.0 billion aggregate principal amount of the 8.25% SFC Notes were outstanding.

5.25% SFC Notes

On December 3, 2014, OMH entered into the SFC Base Indenture and the SFC First Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 5.25% SFC Notes. As of June 30, 2017, $700 million aggregate principal amount of the 5.25% SFC Notes were outstanding.

Other SFC Notes

On December 30, 2013, OMH entered into SFC Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes. The Other SFC Notes consisted of the following: 8.25% Senior Notes due 2023; 7.75% Senior Notes due 2021; 6.00% Senior Notes due 2020; the Junior Subordinated Debenture; and all senior notes outstanding on December 30, 2013, issued pursuant to the 1999 Indenture, between SFC and Wilmington (the successor trustee to Citibank N.A.). The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, OMH entered into the SFC Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of June 30, 2017, $2.4 billion aggregate principal amount of the Other SFC Notes were outstanding.

The OMH guarantees of SFC's long-term debt discussed above are subject to customary release provisions.

OMFH Notes

On December 11, 2014, OMFH and certain of its subsidiaries entered into the OMFH Indenture, among OMFH, the guarantors listed therein and The Bank of New York Mellon, as trustee, in connection with OMFH's issuance of the OMFH Notes. The OMFH Notes are OMFH's unsecured senior obligations, guaranteed on a senior unsecured basis by each of its wholly owned domestic subsidiaries, other than certain subsidiaries, including its insurance subsidiaries and securitization subsidiaries. As of June 30, 2017, $1.5 billion aggregate principal amount of the OMFH Notes were outstanding.

On November 8, 2016, OMH entered into the OMFH Supplemental Indenture, pursuant to which OMH agreed to fully, unconditionally and irrevocably guarantee the outstanding OMFH Notes in accordance with and subject to the terms of the OMFH Indenture. Further, as permitted by the terms of the OMFH Indenture, OMFH intends to satisfy its reporting obligations under the OMFH Indenture with respect to providing OMFH financial information to the holders of the OMFH Notes by furnishing financial information relating to the Company.

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The OMH guarantees of OMFH's long-term debt discussed above are subject to customary release provisions.

9. Variable Interest Entities

CONSOLIDATED VIES

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 asset-backed financing transactions, including securitization and conduit transactions. We have determined that SFC or OMFH is the primary beneficiary of these VIEs and, as a result, we include each VIE's assets, including any finance receivables securing the VIE's debt obligations, and related liabilities in our consolidated financial statements and each VIE's asset-backed debt obligations are accounted for as secured borrowings. SFC or OMFH is deemed to be the primary beneficiary of each VIE because SFC or OMFH has the ability to direct the activities of the VIE that most significantly impact its economic performance, including the losses it absorbs and its right to receive economic benefits that are potentially significant. Such ability arises from SFC's or OMFH's and their affiliates' contractual right to service the finance receivables securing the VIEs' debt obligations. To the extent we retain any subordinated debt obligation or residual interest in an asset-backed financing facility, we are exposed to potentially significant losses and potentially significant returns.

The asset-backed debt obligations issued by the VIEs are supported by the expected cash flows from the underlying finance receivables securing such debt obligations. Cash inflows from these finance receivables are distributed to repay the debt obligations and related service providers in accordance with each transaction's contractual priority of payments, referred to as the "waterfall." The holders of the asset-backed debt obligations have no recourse to the Company if the cash flows from the underlying finance receivables securing such debt obligations are not sufficient to pay all principal and interest on the asset-backed debt obligations. With respect to any asset-backed financing transaction that has multiple classes of debt obligations, substantially all cash inflows will be directed to the senior debt obligations until fully repaid and, thereafter, to the subordinate debt obligations on a sequential basis. We retain an interest and credit risk in these financing transactions through our ownership of the residual interest in each VIE and, in some cases, the most subordinate class of debt obligations issued by the VIE, which are the first to absorb credit losses on the finance receivables securing the debt obligations. We expect that any credit losses in the pools of finance receivables securing the asset-backed debt obligations will likely be limited to our subordinated and residual retained interests. We have no obligation to repurchase or replace qualified finance receivables that subsequently become delinquent or are otherwise in default.

We parenthetically disclose on our consolidated balance sheets the VIE's assets that can only be used to settle the VIE's obligations and liabilities if its creditors have no recourse against the primary beneficiary's general credit. The carrying amounts of consolidated VIE assets and liabilities associated with our securitization trusts were as follows:

(dollars in millions)	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 2	$ 3
Finance receivables:		
Personal loans	9,323	9,509
Allowance for finance receivable losses	474	501
Restricted cash and restricted cash equivalents	532	552
Other assets	14	14

Liabilities		
Long-term debt	$ 8,130	$ 8,240
Other liabilities	14	16

SECURITIZED BORROWINGS

Each of our securitizations contains a revolving period ranging from one to five years during which no principal payments are required to be made on the related asset-backed notes, except for the ODART 2016-1 securitization which has no revolving period. The indentures governing our securitizations borrowings contain early amortization events and events of default, that, if triggered, may result in the acceleration of the obligation to pay principal and interest on the related asset-backed notes.

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Our securitized borrowings at June 30, 2017 consisted of the following:

(dollars in millions)	Current Note Amounts Outstanding	Current Weighted Average Interest Rate	Original Revolving Period
Consumer Securitizations:			
SLFT 2015-A (a)	$ 1,163	3.47 %	3 years
SLFT 2015-B (b)	314	3.78 %	5 years
SLFT 2016-A (c)	500	3.10 %	2 years
SLFT 2017-A (d)	619	2.98 %	3 years
OMFIT 2014-1 (e)	176	2.90 %	2 years
OMFIT 2014-2 (f)	541	3.47 %	2 years
OMFIT 2015-1 (g)	1,229	3.74 %	3 years
OMFIT 2015-2 (h)	1,140	3.11 %	2 years
OMFIT 2015-3 (i)	293	4.21 %	5 years
OMFIT 2016-1 (j)	459	4.01 %	3 years
OMFIT 2016-2 (k)	816	4.50 %	2 years
OMFIT 2016-3 (l)	317	4.33 %	5 years
Total consumer securitizations	7,567		
Auto Securitizations:			
ODART 2016-1 (m)	314	2.56 %	—
ODART 2017-1 (n)	268	2.61 %	1 year
Total auto securitizations	582		
Total secured structured financings	$ 8,149		

(a) SLFT 2015-A Securitization. On February 26, 2015, we issued $1.2 billion of notes backed by personal loans. The notes mature in November 2024.

(b) SLFT 2015-B Securitization. On April 7, 2015, we issued $314 million of notes backed by personal loans. The notes mature in May 2028.

(c) SLFT 2016-A Securitization. On December 14, 2016, we issued $532 million of notes backed by personal loans. The notes mature in November 2029. We initially retained $32 million of the asset-backed notes.

(d) SLFT 2017-A Securitization. On June 28, 2017, we issued $652 million of notes backed by personal loans. The notes mature in July 2030. We initially retained $26 million of the Class A notes, $2 million of the Class B notes, $2 million of the Class C notes and $3 million of the Class D notes.

(e) OMFIT 2014-1 Securitization. On April 17, 2014, we issued $760 million of notes backed by personal loans. The notes mature in June 2024.

(f) OMFIT 2014-2 Securitization. On July 30, 2014, we issued $1.2 billion of notes backed by personal loans. The notes mature in September 2024.

(g) OMFIT 2015-1 Securitization. On February 5, 2015, we issued $1.2 billion of notes backed by personal loans. The notes mature in March 2026.

(h) OMFIT 2015-2 Securitization. On May 21, 2015, we issued $1.3 billion of notes backed by personal loans. The notes mature in July 2025.