

Springleaf Holdings, Inc.
Form 10-Q
November 12, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2013**

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
(State of Incorporation)

601 N.W. Second Street, Evansville, IN
(Address of principal executive offices)

27-3379612
(I.R.S. Employer Identification No.)

47708
(Zip Code)

(812) 424-8031

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(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 12, 2013, there were 114,823,734 shares of the registrant's common stock, \$.01 par value, outstanding.

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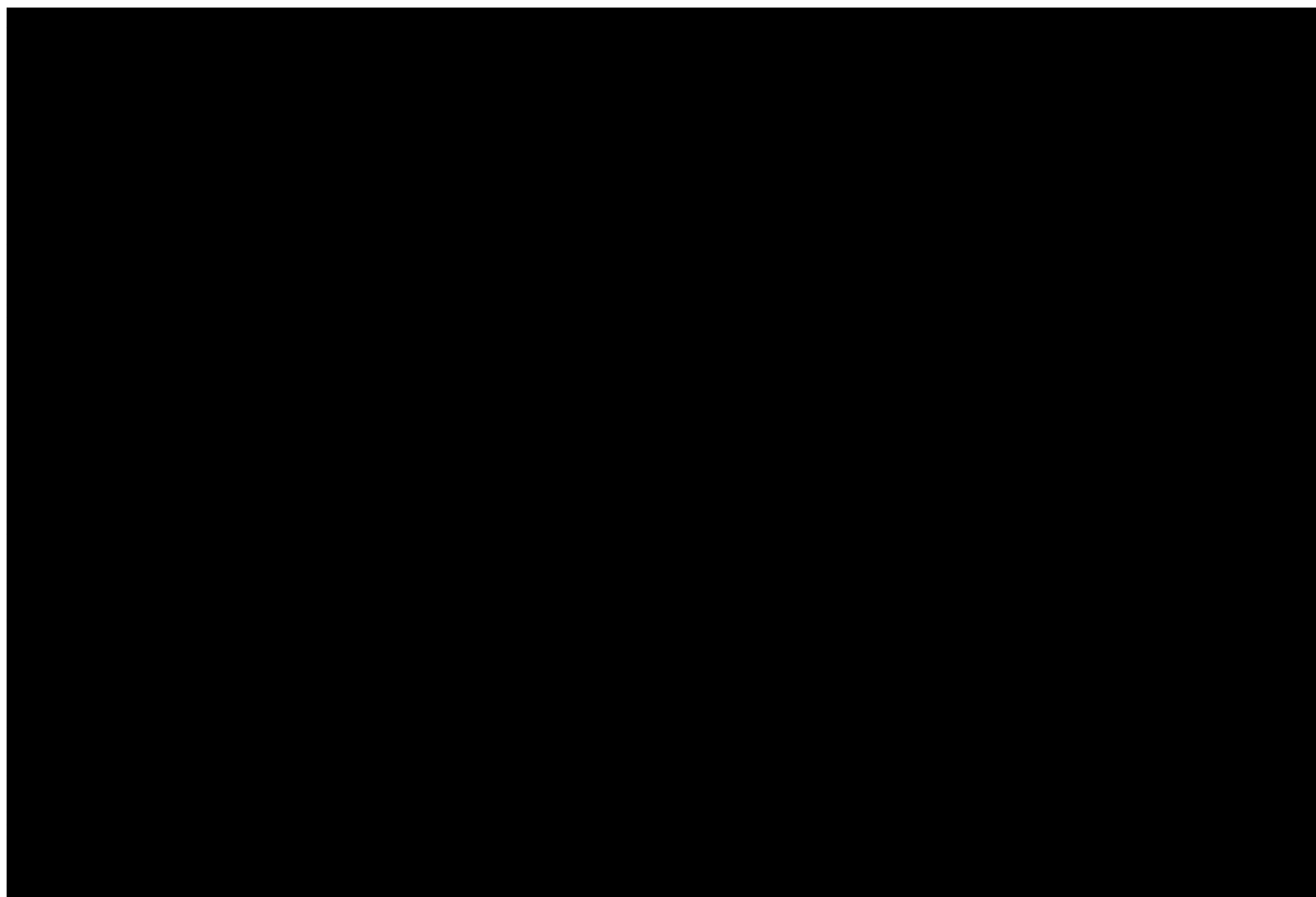
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PART I FINANCIAL INFORMATION
<i>Item 1. Financial Statements.</i>

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(dollars in thousands) September 30,
2013 December 31,
2012



See Notes to Condensed Consolidated Financial Statements.

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

(dollars in thousands except earnings (loss) per share)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest income:				
Finance charges	\$ 585,300	\$ 423,622	\$ 1,578,934	\$ 1,285,541
Finance receivables held for sale originated as held for investment	-	346	-	2,740
Total interest income	585,300	423,968	1,578,934	1,288,281
Interest expense	228,439	268,847	697,365	829,120
Net interest income	356,861	155,121	881,569	459,161
Provision for finance receivable losses	158,785	90,855	341,723	227,794
Net interest income after provision for finance receivable losses	198,076	64,266	539,846	231,367
Other revenues:				
Insurance	38,277	31,719	107,144	93,042
Investment	6,756	7,377	27,687	25,544
Net loss on repurchases and repayments of debt	(34,503)	(10,670)	(34,558)	(12,163)
Other	1,603	(2,709)	6,986	(32,814)
Total other revenues	12,133	25,717	107,259	73,609
Other expenses:				
Operating expenses:				
Salaries and benefits	214,552	78,122	371,842	241,114
Other operating expenses	69,595	65,491	191,574	208,326
Restructuring expenses	-	-	-	23,503
Insurance losses and loss adjustment expenses	16,550	15,152	47,650	42,302
Total other expenses	300,697	158,765	611,066	515,245
Income (loss) before provision for (benefit from) income taxes	(90,488)	(68,782)	36,039	(210,269)
Benefit from income taxes	(29,606)	(23,938)	(1,898)	(72,419)
Net income (loss)	(60,882)	(44,844)	37,937	(137,850)
Less: Net income attributable to non-controlling interests	29,851	-	83,799	-
Net loss attributable to Springleaf Holdings, Inc.	\$ (90,733)	\$ (44,844)	\$ (45,862)	\$ (137,850)
Share Data:				
Weighted average number of shares outstanding:				
Basic and diluted	100,000,000	100,000,000	100,000,000	100,000,000
Earnings (loss) per share:				
Basic and diluted	\$ (0.91)	\$ (0.45)	\$ (0.46)	\$ (1.38)

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income (loss)	\$ (60,882)	\$ (44,844)	\$ 37,937	\$ (137,850)
Other comprehensive income (loss):				
Net unrealized gains (losses) on:				
Investment securities on which other-than-temporary impairments were taken	(17)	84	(135)	316
All other investment securities	(331)	4,618	(10,989)	17,005
Cash flow hedges	-	-	-	(16,987)
Retirement plan liabilities adjustments	-	-	-	20,937
Foreign currency translation adjustments	(2,056)	3,067	38	4,280
Income tax effect:				
Net unrealized (gains) losses on:				
Investment securities on which other-than-temporary impairments were taken	6	(29)	47	(110)
All other investment securities	116	(1,617)	3,846	(5,952)
Cash flow hedges	-	-	-	5,945
Retirement plan liabilities adjustments	-	-	-	(7,544)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(2,282)	6,123	(7,193)	17,890
Reclassification adjustments included in net loss:				
Net realized (gains) losses on investment securities	33	(13)	(2,686)	52
Cash flow hedges	-	(1,192)	(160)	11,478
Income tax effect:				
Net realized gains (losses) on investment securities	(12)	5	940	(18)
Cash flow hedges	-	418	56	(4,017)
Reclassification adjustments included in net loss, net of tax	21	(782)	(1,850)	7,495
Other comprehensive income (loss), net of tax	(2,261)	5,341	(9,043)	25,385
Comprehensive income (loss)	\$ (63,143)	\$ (39,503)	\$ 28,894	\$ (112,465)

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in thousands)	Springleaf Holdings, Inc. Shareholders Equity				Springleaf Holdings, Inc. Shareholders Equity	Non-controlling Interests	Total Shareholders Equity
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings			
Balance, January 1, 2013	\$ 1,000	\$ 147,454	\$ 30,188	\$ 1,021,485	\$ 1,200,127	\$ -	\$ 1,200,127
Grant of restricted stock units	-	131,250	-	-	131,250	-	131,250
Capital contributions from parent and other	-	-	-	-	-	-	-
Changes in non-controlling interests:							
Contributions from joint venture partners	-	-	-	-	-	438,081	438,081
Distributions declared to joint venture partners	-	-	-	-	-	(204,516)	(204,516)
Change in net unrealized gains (losses):							
Investment securities	-	-	(8,977)	-	(8,977)	-	(8,977)
Cash flow hedges	-	-	(104)	-	(104)	-	(104)
Foreign currency translation adjustments	-	-	38	-	38	-	38
Net income (loss)	-	-	-	(45,862)	(45,862)	83,799	37,937
Balance, September 30, 2013	\$ 1,000	\$ 278,704	\$ 21,145	\$ 975,623	\$ 1,276,472	\$ 317,364	\$ 1,593,836
Balance, January 1, 2012	\$ 1,000	\$ 147,456	\$ (25,671)	\$ 1,240,119	\$ 1,362,904	\$ -	\$ 1,362,904
Capital contributions from parent and other	-	6	-	-	6	-	6
Change in net unrealized gains (losses):							
Investment securities	-	-	11,293	-	11,293	-	11,293
Cash flow hedges	-	-	(3,581)	-	(3,581)	-	(3,581)
Retirement plan liabilities adjustments	-	-	13,393	-	13,393	-	13,393
Foreign currency translation adjustments	-	-	4,280	-	4,280	-	4,280
Net loss	-	-	-	(137,850)	(137,850)	-	(137,850)
Balance, September 30, 2012	\$ 1,000	\$ 147,462	\$ (286)	\$ 1,102,269	\$ 1,250,445	\$ -	\$ 1,250,445

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in thousands)

Nine Months Ended September 30,

	2013	2012
Cash flows from operating activities		
Net income (loss)	\$ 37,937	\$ (137,850)
Reconciling adjustments:		
Provision for finance receivable losses	341,723	227,794
Depreciation and amortization	(40,181)	141,435
Deferral of finance receivable origination costs	(42,317)	(32,729)
Deferred income tax benefit	(88,668)	(128,592)
Writedowns and net loss on sales of real estate owned	1,546	36,667
Writedowns on assets resulting from restructuring	-	5,046
Impairments of Ocean Finance and Mortgages Limited assets	-	8,342
Mark to market provision and net gain on sales of finance receivables held for sale originated as held for investment	-	(4,536)
Net loss on repurchases and repayments of debt	17,075	12,163
Net realized losses (gains) on investment securities	(2,686)	52
Grant of restricted stock units	131,250	-
Change in other assets and other liabilities	50,431	104,898
Change in insurance claims and policyholder liabilities	14,917	2,179
Change in taxes receivable and payable	(29,177)	64,077
Change in accrued finance charges	1,941	7,381
Change in restricted cash	33,885	(66,494)
Other, net	(823)	285
Net cash provided by operating activities	426,853	240,118
Cash flows from investing activities		
Finance receivables originated or purchased	(1,596,394)	(1,234,866)
Principal collections on finance receivables	2,299,827	2,010,539
Purchase of SpringCastle Portfolio	(2,963,547)	-
Sales and principal collections on finance receivables held for sale originated as held for investment	-	181,561
Investment securities purchased	(448,981)	(802,835)
Investment securities called, sold, and matured	728,534	992,376
Change in restricted cash	(306,847)	(25,241)
Proceeds from sale of real estate owned	88,346	148,134
Other, net	(4,748)	(4,889)
Net cash provided by (used for) investing activities	(2,203,810)	1,264,779
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	6,008,369	1,481,800
Repayment of long-term debt	(4,768,854)	(1,938,060)
Contributions from joint venture partners	438,081	-
Distributions to joint venture partners	(204,516)	-
Net cash provided by (used for) financing activities	1,473,080	(456,260)

Table of Contents**Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)**

(dollars in thousands)

Nine Months Ended September 30,	2013	2012
Effect of exchange rate changes	(835)	2,888
Increase (decrease) in cash and cash equivalents	(304,712)	1,051,525
Cash and cash equivalents at beginning of period	1,554,348	689,586
Cash and cash equivalents at end of period	\$ 1,249,636	\$ 1,741,111
Supplemental non-cash activities		
Transfer of finance receivables to real estate owned	\$ 70,004	\$ 142,966
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	-	182,208
Transfer of finance receivables held for sale to finance receivables held for investment	-	1,353

See Notes to Condensed Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2013

1. Business and Summary of Significant Accounting Policies

Springleaf Holdings, Inc. (SHI or, collectively with its subsidiaries, whether directly or indirectly owned, the Company, we, us, or our) is a Delaware corporation, primarily owned by Springleaf Financial Holdings, LLC (the Initial Stockholder). At September 30, 2013, and prior to the reorganization described below, FCFI Acquisition LLC (FCFI), an affiliate of Fortress Investment Group LLC (Fortress), indirectly owned an 80% economic interest in SHI and American International Group, Inc. (AIG) indirectly owned a 20% economic interest in SHI.

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

In connection with the initial public offering of common stock of SHI, we executed a reorganization of Springleaf Holdings, LLC, the predecessor entity of SHI, into SHI, a newly formed Delaware corporation. The reorganization was completed on October 9, 2013. In connection with the reorganization, Springleaf Financial Holdings, LLC's predecessor, AGF Holding Inc., contributed all of the common stock of SFI to Springleaf Holdings, LLC and SFI became a wholly owned subsidiary of Springleaf Holdings, LLC. Following the contribution, Springleaf Holdings, LLC converted from a Delaware limited liability company into a Delaware corporation, named Springleaf Holdings, Inc. on October 9, 2013. Upon the conversion from a limited liability company to a corporation, the 100 common interests, previously held by Springleaf Financial Holdings, LLC (or its predecessor), converted into 100 shares of common stock. Additionally, SHI executed a 1,000,000-for-1 common stock split, resulting in 100,000,000 shares of common stock being issued and outstanding at October 9, 2013. The financial statements of SFI were adjusted on a retrospective basis, as appropriate, as financial statements of SHI to account for the reorganization.

On October 21, 2013, SHI completed the initial public offering of its common stock. As of November 12, 2013, the Initial Stockholder owns approximately 75% of SHI's common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress and AIG Capital Corporation, a subsidiary of AIG.

ACQUISITION OF LOAN PORTFOLIO BY SPRINGCASTLE

On March 5, 2013, SpringCastle Acquisition LLC (SCA), a newly formed joint venture in which one of our indirect wholly owned subsidiaries, Springleaf Acquisition Corporation (SAC), and NRZ Consumer LLC (NRZ), previously an indirect subsidiary of Newcastle Investment Corp., each held a 50% equity interest (the Joint Venture), entered into a definitive agreement to purchase a portfolio of loans from HSBC Finance Corporation and certain of its affiliates (collectively, HSBC). On April 1, 2013, BTO WillowHoldings, L.P. (Blackstone), an affiliate of Blackstone Tactical Opportunities Advisors L.L.C., acquired a 23% equity interest in SCA, which reduced our equity interests and the equity interests of NRZ to 47% and 30%, respectively.

The loan portfolio acquisition was completed on April 1, 2013 for a purchase price of \$3.0 billion, at which time the portfolio consisted of over 415,000 finance receivable accounts with \$3.9 billion unpaid principal balance (UPB). The portfolio included both unsecured loans and loans secured with 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 \$3.0 billion purchase was funded with \$2.2 billion of debt and the remainder was funded with equity contributed from each of the joint venture

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members, including \$388.5 million of equity from SFI. Upon final validation by the parties, SCA received a refund of \$15.4 million from HSBC in August 2013 for the true up of the April 1, 2013 purchase price.

Immediately prior to the completion of the loan portfolio acquisition, SCA assigned its right to purchase the portfolio to SpringCastle America, LLC (SC America), SpringCastle Credit, LLC (SC Credit), and SpringCastle Finance, LLC (SC Finance) (each, a Seller LLC and collectively, the Seller LLCs), which, in turn, immediately sold their respective portion of the portfolio to SpringCastle America Funding, LLC (SC America Funding), SpringCastle Credit Funding, LLC (SC Credit Funding), and SpringCastle Finance Funding, LLC (SC Finance Funding) (each, a Co-issuer LLC and collectively, the Co-issuer LLCs) and a loan trustee in connection with the securitization of the loan portfolio (the SpringCastle securitization) on April 1, 2013.

As of April 1, 2013, SpringCastle Holdings, LLC, a wholly owned subsidiary of SAC, NRZ, and Blackstone held a 47%, 30% and 23% equity interest in each Seller LLC, respectively. On May 15, 2013, Newcastle Investment Corp. completed the spinoff of New Residential Investment Corp. and its subsidiaries, including NRZ , which still retains its equity interest in the Seller LLCs. SC America holds a 100% equity interest in SC America Funding, SC Credit holds a 100% equity interest in SC Credit Funding and SC Finance holds a 100% equity interest in SC Finance Funding.

On April 1, 2013, SFI entered into a servicing agreement with the Co-issuer LLCs and the loan trustee whereby SFI agreed to service the loans in the loan portfolio effective on the servicing transfer date. In accordance with this agreement, we assumed the direct servicing obligations for the loans in September, 2013.

We have determined that our servicing agreement provides us with the power to direct the activities of Seller LLCs and Co-issuer LLCs that most significantly impact their economic performance. As such, we consider the Seller LLCs and Co-issuer LLCs to be variable interest entities (VIEs) because the equity investment in each lacks the characteristics of a controlling financial interest. Our decision-making rights as servicer, coupled with our significant indirect equity interest in the Seller LLCs and Co-issuer LLCs, provide us with a controlling financial interest in each, and thus the Seller LLCs and Co-issuer LLCs are included in our condensed consolidated financial statements. The equity (membership) interests in the Seller LLCs held by NRZ and Blackstone, which represent an indirect residual interest in the loans owned by the Co- issuers, are reported as non-controlling interests in our financial statements.

PURCHASE OF SERVICING FACILITY

On March 5, 2013, one of our subsidiaries signed an agreement to acquire a servicing facility located in London, Kentucky from Renaissance Bankcard Services of Kentucky, Inc. (Renaissance), a subsidiary of HSBC. The servicing facility was purchased on September 1, 2013 for consideration of \$1.4 million. The acquisition of the servicing facility included the transfer of over 200 employees of Renaissance to the Company.

BASIS OF PRESENTATION

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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 the Seller LLCs and Co-issuer LLCs), and VIEs in which we hold a controlling financial interest 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

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financial statements include the normal, recurring adjustments necessary for a fair statement of results, and the out-of-period adjustments recorded in the nine months ended September 30, 2013 discussed below. 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 our audited consolidated financial statements and related notes for the years ended December 31, 2012 and 2011.

In the second quarter of 2013, we recorded an out-of-period adjustment, which increased provision for finance receivable losses by \$2.7 million and decreased basic and diluted earnings per share by \$0.02 for the nine months ended September 30, 2013. The adjustment related to the correction of the identification of certain bankrupt real estate loan accounts for consideration as troubled debt restructured (TDR) finance receivables.

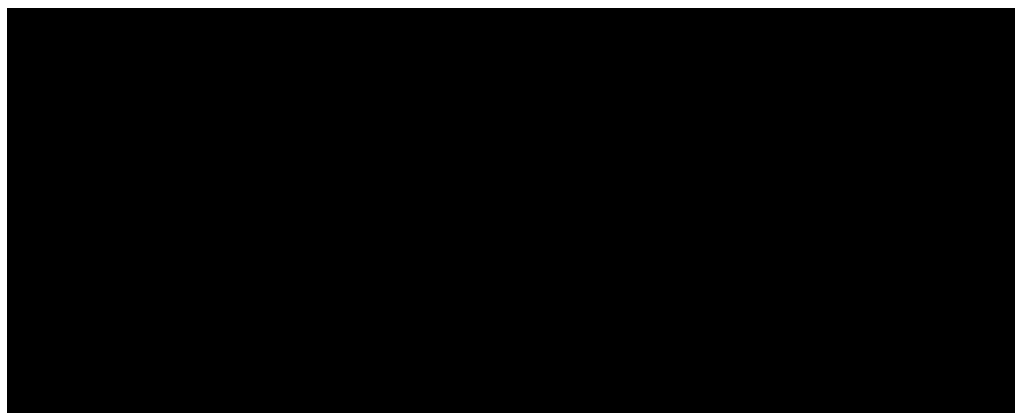
In the third quarter of 2013, we recorded an out-of-period adjustment, which decreased provision for finance receivable losses by \$3.8 million and increased basic and diluted earnings per share by \$0.02 for the three months ended September 30, 2013. The adjustment related to the correction of certain inputs in our model supporting the TDR allowance for finance receivable losses. There was no impact for the nine months ended September 30, 2013 as the error was isolated to intra-period reporting in 2013.

In the third quarter of 2013, we identified two errors in the classification of certain line items within our condensed consolidated statement of cash flows for the six months ended June 30, 2013. The errors related to the misclassifications of the original issue discount and rebate on the SpringCastle securitization.

See reconciliation below of amounts previously presented in our condensed consolidated statement of cash flows for the six months ended June 30, 2013 in our final prospectus (the Prospectus), which forms part of our Registration Statement on Form S-1 filed with the SEC on October 16, 2013, to the corrected amounts:

(dollars in thousands)

**Six Months
Ended
June 30,
2013**



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In addition, we combined Debt commissions on issuance of long-term debt with Proceeds from issuance of long-term debt within our condensed consolidated statement of cash flows for the nine months ended September 30, 2013, as Proceeds from issuance of long-term debt, net of commissions.

After evaluating the quantitative and qualitative aspects of these corrections (individually and in aggregate), management has determined that our previous quarterly and annual consolidated financial statements were not materially misstated.

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Due to the significance of the ownership interest acquired by FCFI (the Fortress Acquisition), the nature of the transaction, and at the direction of our acquirer, we applied push-down accounting to SFI as an acquired business. We revalued our assets and liabilities based on their fair values at the date of the Fortress Acquisition, November 30, 2010, in accordance with business combination accounting standards (push-down accounting).

ACCOUNTING PRONOUNCEMENTS ADOPTED

Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU), ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. In January 2013, the FASB issued ASU 2013-1, *Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities (Topic 210)*, which amended the effective date for ASU 2011-11 to be effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. The amendments were applied retrospectively for all prior periods presented. The adoption of this new standard did not have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, to improve the reporting of reclassifications out of accumulated other comprehensive income or loss. The amendments require an entity to present (either on the face of the statement where net income is presented or in the notes) the effect of significant reclassifications out of accumulated other comprehensive income or loss on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts.

The amendments in this ASU became effective prospectively for the Company for reporting periods beginning after December 15, 2012. The adoption of this ASU did not have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Income Taxes

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In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740)*, which clarifies the presentation requirements of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and should be applied prospectively. The adoption of this ASU is not expected to have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

CHANGES IN ACCOUNTING POLICIES

Beginning in the period ended March 31, 2013, our servicing practice was updated for the charge-off policy for personal loans in an effort to more closely align the timing of charge-offs when the Company believes a particular loan is uncollectible. We charge off to the allowance for finance receivable losses, personal loans which are greater than 180 days contractually delinquent.

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This change in policy was considered a change in estimate in accordance with ASC 250 and incorporated prospectively into our calculation of allowance for finance receivable losses beginning with the quarter ended March 31, 2013. We recorded \$13.3 million in additional charge-offs in March 2013 as a result of this change.

2. Finance Receivables

Our finance receivable types include personal loans, 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, generally have maximum original terms of four years, and are usually fixed-rate, fixed-term loans.
- **SpringCastlePortfolio** are loans jointly acquired from HSBC on April 1, 2013 through a newly formed joint venture. These loans include unsecured loans and loans secured with 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. We assumed the direct servicing obligations for these loans in September 2013.
- **Real estate loans** are secured by first or second mortgages on residential real estate, generally have maximum original terms of 360 months, and are usually 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. As of January 1, 2012, we ceased originating real estate loans.
- **Retail sales finance** includes 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. In January 2013, we ceased purchasing retail sales contracts and revolving retail accounts.

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Components of net finance receivables by type were as follows:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
September 30, 2013					
Gross receivables (a)	\$ 3,462,921	\$ 2,633,240	\$ 8,170,418	\$ 129,602	\$ 14,396,181
Unearned finance charges and points and fees	(515,575)	-	(2,038)	(12,804)	(530,417)
Accrued finance charges	42,810	20,392	44,184	1,090	108,476
Deferred origination costs	37,099	-	291	-	37,390
Total	\$ 3,027,255	\$ 2,653,632	\$ 8,212,855	\$ 117,888	\$ 14,011,630
December 31, 2012					
Gross receivables	\$ 2,984,423	N/A (b)	\$ 8,909,523	\$ 233,296	\$ 12,127,242
Unearned finance charges and points and fees	(402,828)	N/A	(5,836)	(27,087)	(435,751)
Accrued finance charges	36,937	N/A	51,327	2,148	90,412
Deferred origination costs	31,200	N/A	351	-	31,551
Total	\$ 2,649,732	N/A	\$ 8,955,365	\$ 208,357	\$ 11,813,454

(a) Gross receivables are defined below:

- **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 plus the remaining unearned discount, net of premium established at the time of purchase to reflect the finance receivable balance at its fair value;
- **finance receivables originated subsequent to the Fortress Acquisition** gross finance receivables equals the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts; and
- **purchased credit impaired finance receivables** gross finance receivables equals the remaining estimated cash flows less the current balance of accretable yield on the purchased credit impaired accounts.

(b) Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

Included in the table above are personal loans totaling \$1.7 billion at September 30, 2013, SpringCastle Portfolio loans totaling \$2.7 billion at September 30, 2013, and real estate loans totaling \$5.5 billion at September 30, 2013 and \$4.1 billion at December 31, 2012 associated with securitizations that remain on our balance sheet. The carrying amount of consolidated long-term debt associated with these securitizations totaled \$7.6 billion at September 30, 2013 and \$3.1 billion at December 31, 2012. See Note 8 for further discussion regarding our securitization transactions. Also included in the table above are finance receivables totaling \$1.9 billion at September 30, 2013 and \$5.2 billion at December 31, 2012, which have been pledged as collateral for our secured term loan.

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

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(dollars in thousands)	September 30, 2013	December 31, 2012
SpringCastle Portfolio	\$ 447,764	\$ N/A (a)
Real estate loans	65,201	86,437
Retail sales finance	- (b)	78,071
Total	\$ 512,965	\$ 164,508

(a) Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

(b) Reflects the cessation of purchases of revolving retail accounts effective January 16, 2013.

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Unused lines of credit on our real estate loans and the SpringCastle Portfolio secured with subordinate residential real estate mortgages can be suspended if one of the following occurs: the value of the real estate declines significantly below the property's initial appraised value; we believe the borrower will be unable to fulfill the repayment obligations because of a material change in the borrower's financial circumstances; or any other default by the borrower of any material obligation under the agreement. Unused lines of credit on home equity lines of credit, including the SpringCastle Portfolio secured with 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. We had \$0.5 million of revolving retail finance receivables that were more than 90 days past due at September 30, 2013, compared to \$1.0 million at December 31, 2012. 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 receivable by type by days delinquent:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
September 30, 2013					
Net finance receivables:					
60-89 days past due	\$ 26,151	\$ 62,253	\$ 94,975	\$ 1,705	\$ 185,084
90-119 days past due	19,433	43,156	63,202	1,094	126,885
120-149 days past due	15,273	32,648	59,449	811	108,181
150-179 days past due	12,263	10,171	38,551	649	61,634
180 days or more past due	919	16,017	355,707	130	372,773
Total delinquent finance receivables	74,039	164,245	611,884	4,389	854,557
Current	2,904,671	2,352,344	7,416,990	110,114	12,784,119
30-59 days past due	48,545	137,043	183,981	3,385	372,954
Total	\$ 3,027,255	\$ 2,653,632	\$ 8,212,855	\$ 117,888	\$ 14,011,630

December 31, 2012

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Net finance receivables:							
60-89 days past due	\$	21,683	N/A *	\$	99,956	\$ 2,107	\$ 123,746
90-119 days past due		17,538	N/A		73,803	1,416	92,757
120-149 days past due		14,050	N/A		58,364	1,171	73,585
150-179 days past due		9,613	N/A		45,648	743	56,004
180 days or more past due		12,107	N/A		386,024	331	398,462
Total delinquent finance receivables		74,991	N/A		663,795	5,768	744,554
Current		2,534,960	N/A		8,094,459	197,392	10,826,811
30-59 days past due		39,781	N/A		197,111	5,197	242,089
Total	\$	2,649,732	N/A	\$	8,955,365	\$ 208,357	\$ 11,813,454

* Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

Table of Contents***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 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 thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
September 30, 2013					
Performing	\$ 2,979,367	\$ 2,551,640	\$ 7,695,946	\$ 115,204	\$ 13,342,157
Nonperforming	47,888	101,992	516,909	2,684	669,473
Total	\$ 3,027,255	\$ 2,653,632	\$ 8,212,855	\$ 117,888	\$ 14,011,630
December 31, 2012					
Performing	\$ 2,596,424	N/A *	\$ 8,391,526	\$ 204,696	\$ 11,192,646
Nonperforming	53,308	N/A	563,839	3,661	620,808
Total	\$ 2,649,732	N/A	\$ 8,955,365	\$ 208,357	\$ 11,813,454

* Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

As a result of the Fortress Acquisition, we applied push-down accounting and adjusted the carrying value of our finance receivables (the FA Loans) to their fair value on November 30, 2010. For purchased finance receivables, such as the SpringCastle Portfolio (SCP Loans), we also record these loans at fair value on the day of purchase.

We include 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. Prepayments reduce the outstanding balance, contractual cash flows, and cash flows expected to be collected.

Information regarding these purchased credit impaired finance receivables was as follows:

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(dollars in thousands)	SCP Loans		FA Loans		Total
September 30, 2013					
Carrying amount, net of allowance	\$	598,301	\$	1,289,290	\$ 1,887,591
Outstanding balance	\$	947,940	\$	1,835,193	\$ 2,783,133
Allowance for purchased credit impaired finance receivable losses	\$	-	\$	46,350	\$ 46,350
December 31, 2012					
Carrying amount, net of allowance		N/A *	\$	1,381,409	\$ 1,381,409
Outstanding balance		N/A	\$	1,968,817	\$ 1,968,817
Allowance for purchased credit impaired finance receivable losses		N/A	\$	17,358	\$ 17,358

* Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

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The allowance for purchased credit impaired finance receivable losses at September 30, 2013 and December 31, 2012 reflected the net carrying value of these purchased credit impaired finance receivables being higher than the present value of the expected cash flows.

As part of the acquisition of the SpringCastle Portfolio, we determined that at April 1, 2013, acquired loans with an aggregated \$1.2 billion UPB, an expected undiscounted cash flows of \$1.2 billion, and a fair value of \$754.8 million, were credit impaired.

Changes in accretable yield for purchased credit impaired finance receivables were as follows:

(dollars in thousands)	SCP Loans	FA Loans	Total
Three Months Ended September 30, 2013			
Balance at beginning of period	\$ 407,237	\$ 849,153	\$ 1,256,390
Accretion	(25,887)	(32,224)	(58,111)
Reclassifications from nonaccretable difference (a)	-	2,741	2,741
Disposals of finance receivables (b)	(19,078)	(8,471)	(27,549)
Balance at end of period	\$ 362,272	\$ 811,199	\$ 1,173,471
Three Months Ended September 30, 2012			
Balance at beginning of period	N/A (c)	\$ 391,620	\$ 391,620
Accretion	N/A	(34,996)	(34,996)
Reclassifications from nonaccretable difference (a)	N/A	316,580	316,580
Disposals of finance receivables (b)	N/A	(7,002)	(7,002)
Balance at end of period	N/A	\$ 666,202	\$ 666,202
Nine Months Ended September 30, 2013			
Balance at beginning of period	\$ -	\$ 629,200	\$ 629,200
Additions	437,604	-	437,604
Accretion	(54,190)	(97,616)	(151,806)
Reclassifications from nonaccretable difference (a)	-	304,575	304,575
Disposals of finance receivables (b)	(21,142)	(24,960)	(46,102)
Balance at end of period	\$ 362,272	\$ 811,199	\$ 1,173,471
Nine Months Ended September 30, 2012			
Balance at beginning of period	N/A (c)	\$ 466,648	\$ 466,648
Accretion	N/A	(97,317)	(97,317)
Reclassifications from nonaccretable difference (a)	N/A	316,580	316,580
Disposals of finance receivables (b)	N/A	(19,709)	(19,709)
Balance at end of period	N/A	\$ 666,202	\$ 666,202

(a) Reclassifications from nonaccretable difference for the three and nine months ended September 30, 2013 represent the increases in accretion resulting from higher estimated undiscounted cash flows. Reclassifications from nonaccretable difference for the three and nine months ended September 30, 2012 represent the increase in accretion related to an increase in the pool yield.

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

- (c) Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

Table of Contents**TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES**

Information regarding TDR finance receivables were as follows:

(dollars in thousands)	Real Estate Loans	
September 30, 2013		
TDR gross finance receivables	\$	1,268,266
TDR net finance receivables	\$	1,272,833
Allowance for TDR finance receivable losses	\$	160,983
December 31, 2012		
TDR gross finance receivables	\$	809,020
TDR net finance receivables	\$	812,969
Allowance for TDR finance receivable losses	\$	92,290

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

TDR average net receivables and finance charges recognized on TDR finance receivables were as follows:

(dollars in thousands)	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Real Estate Loans								
TDR average net receivables	\$	1,232,112	\$	590,024	\$	1,079,510	\$	451,248
TDR finance charges recognized	\$	17,171	\$	8,572	\$	45,959	\$	18,470

Information regarding the new volume of the TDR finance receivables was as follows:

(dollars in thousands)	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Real Estate Loans								
Number of TDR accounts		1,621		1,634		5,930		3,610
Pre-modification TDR net finance receivables	\$	132,366	\$	154,492	\$	468,782	\$	367,858

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Post-modification TDR net finance receivables	\$	140,234	\$	152,073	\$	499,087	\$	370,031
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Net finance receivables that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period were as follows:

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Real Estate Loans				
Number of TDR accounts	378	126	797	408
TDR net finance receivables*	\$ 26,120	\$ 12,416	\$ 59,809	\$ 47,418

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

Table of Contents**3. Allowance for Finance Receivable Losses**

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

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Consolidated Total
Three Months Ended September 30, 2013					
Balance at beginning of period	\$ 60,250	\$ -	\$ 184,585	\$ 920	\$ 245,755
Provision for finance receivable losses (a)	39,747	61,194	56,001	1,843	158,785
Charge-offs	(32,528)	(61,470)	(33,129)	(2,032)	(129,159)
Recoveries	2,136	2,210	1,326	294	5,966
Balance at end of period	\$ 69,605	\$ 1,934	\$ 208,783	\$ 1,025	\$ 281,347
Three Months Ended September 30, 2012					
Balance at beginning of period	\$ 41,431	N/A (d)	\$ 49,051	\$ 1,191	\$ 91,673
Provision for finance receivable losses (a)	29,010	N/A	59,327	2,518	90,855
Charge-offs	(26,797)	N/A	(31,433)	(4,049)	(62,279)
Recoveries	7,865	N/A	2,545	2,427	12,837
Balance at end of period	\$ 51,509	N/A	\$ 79,490	\$ 2,087	\$ 133,086
Nine Months Ended September 30, 2013					
Balance at beginning of period	\$ 66,580	\$ -	\$ 111,248	\$ 2,260	\$ 180,088
Provision for finance receivable losses (a)	64,344	78,991	202,622	(4,234)	341,723
Charge-offs (b)	(106,162)	(79,267)	(120,699)	(7,338)	(313,466)
Recoveries (c)	44,843	2,210	15,612	10,337	73,002
Balance at end of period	\$ 69,605	\$ 1,934	\$ 208,783	\$ 1,025	\$ 281,347
Nine Months Ended September 30, 2012					
Balance at beginning of period	\$ 39,522	N/A (d)	\$ 31,471	\$ 1,007	\$ 72,000
Provision for finance receivable losses (a)	69,731	N/A	148,873	9,190	227,794
Charge-offs	(82,035)	N/A	(107,850)	(15,974)	(205,859)
Recoveries	25,398	N/A	6,996	8,058	40,452
Transfers to finance receivables held for sale (e)	(1,107)	N/A	-	(194)	(1,301)
Balance at end of period	\$ 51,509	N/A	\$ 79,490	\$ 2,087	\$ 133,086

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(a) Components of provision for finance receivable losses on our real estate loans were as follows:

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Real estate loans				
Provision for finance receivable losses				
Non-credit impaired finance receivables	\$ 17,947	\$ 19,580	\$ 63,233	\$ 70,074
Purchased credit impaired finance receivables	21,192	17,955	60,708	37,579
TDR finance receivables	16,862	21,792	78,681	41,220
Total	\$ 56,001	\$ 59,327	\$ 202,622	\$ 148,873

(b) Effective March 31, 2013, we charge off to the allowance for finance receivable losses for personal loans that are 180 days past due. Previously, we charged-off to the allowance for finance receivable losses for personal loans on which payments received in the prior six months totaled less than 5% of the original loan amount. As a result of this change, we recorded \$13.3 million of additional charge-offs in March 2013.

(c) Recoveries during the nine months ended September 30, 2013 included \$41.2 million (\$25.4 million of personal loan recoveries, \$9.9 million of real estate loan recoveries, and \$5.9 million of retail sales finance recoveries) resulting from a sale of previously charged-off finance receivables in June 2013.

(d) Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

(e) During the nine months ended September 30, 2012, we decreased the allowance for finance receivable losses as a result of the transfers of \$77.8 million of finance receivables 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.

Included in the allowance for finance receivable losses are allowances associated with securitizations that totaled \$89.6 million at September 30, 2013 and \$14.5 million at December 31, 2012. See Note 8 for further discussion regarding our securitization transactions.

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

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
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Charged-off against provision for finance
receivable losses:

SCP Loans	\$	31,544	\$	N/A (a)	\$	48,717	\$	N/A (a)
FA Loans gross charge-offs (b)		10,074		9,384		31,737		29,008

(a) Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

(b) 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.

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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 thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
September 30, 2013					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	\$ 69,605	\$ 1,934	\$ 1,450	\$ 1,025	\$ 74,014
Acquired with deteriorated credit quality (purchased credit impaired finance receivables)	-	-	46,350	-	46,350
Individually evaluated for impairment (TDR finance receivables)	-	-	160,983	-	160,983
Total	\$ 69,605	\$ 1,934	\$ 208,783	\$ 1,025	\$ 281,347
Finance receivables:					
Collectively evaluated for impairment	\$ 3,027,255	\$ 2,055,331	\$ 5,604,382	\$ 117,888	\$ 10,804,856
Purchased credit impaired finance receivables	-	598,301	1,335,640	-	1,933,941
TDR finance receivables	-	-	1,272,833	-	1,272,833
Total	\$ 3,027,255	\$ 2,653,632	\$ 8,212,855	\$ 117,888	\$ 14,011,630
December 31, 2012					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	\$ 66,580	N/A *	\$ 1,600	\$ 2,260	\$ 70,440
Purchased credit impaired finance receivables	-	N/A	17,358	-	17,358
TDR finance receivables	-	N/A	92,290	-	92,290
Total	\$ 66,580	N/A	\$ 111,248	\$ 2,260	\$ 180,088
Finance receivables:					
Collectively evaluated for impairment	\$ 2,649,732	N/A *	\$ 6,743,629	\$ 208,357	\$ 9,601,718
Purchased credit impaired finance receivables	-	N/A	1,398,767	-	1,398,767
TDR finance receivables	-	N/A	812,969	-	812,969
Total	\$ 2,649,732	N/A	\$ 8,955,365	\$ 208,357	\$ 11,813,454

* Not applicable. The purchase of the SpringCastle Portfolio was completed on April 1, 2013.

4. Finance Receivables Held for Sale

During the nine months ended September 30, 2013, we did not have any transfer activity between finance receivables held for investment to finance receivables held for sale.

During the first and third quarters of 2012, we transferred \$77.8 million and \$103.1 million, respectively, of finance receivables 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 marked these loans to the lower of cost or fair value at the time of transfer and subsequently recorded additional gains in other revenues other at the time of sale resulting in net gains for the three and nine months ended September 30, 2012 of \$6.5 million and \$4.5 million, respectively. During the three and nine months ended September 30, 2012, we sold finance receivables held for sale totaling \$123.0 million and \$171.0 million, respectively.

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We repurchased two loans for \$0.3 million during the three months ended September 30, 2013, compared to five loans for \$1.0 million repurchased during the three months ended September 30, 2012. We repurchased 19 loans for \$2.8 million during the nine months ended September 30, 2013, compared to six loans for \$1.1 million during the nine months ended September 30, 2012. In each period, we repurchased the loans because such loans were reaching the defined delinquency limits or had breached the contractual representations and warranties under the loan sale agreements. At September 30, 2013, there were no material unresolved recourse requests.

The activity in our reserve for sales recourse obligations was as follows:

(dollars in thousands)	At or for the Three Months Ended September 30, 2013	At or for the Three Months Ended September 30, 2012	At or for the Nine Months Ended September 30, 2013	At or for the Nine Months Ended September 30, 2012
Balance at beginning of period	\$ 4,766	\$ 1,765	\$ 4,863	\$ 1,648
Provision for recourse obligations	-	-	322	117
Recourse losses	(42)	(25)	(461)	(25)
Balance at end of period	\$ 4,724	\$ 1,740	\$ 4,724	\$ 1,740

Table of Contents**5. Investment Securities**

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

(dollars in thousands)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2013				
Fixed maturity investment securities:				
Bonds:				
U.S. government and government sponsored entities	\$ 75,615	\$ 1,028	\$ (170)	\$ 76,473
Obligations of states, municipalities, and political subdivisions	94,319	2,215	(162)	96,372
Corporate debt	230,681	6,349	(2,276)	234,754
Mortgage-backed, asset-backed, and collateralized:				
Residential mortgage-backed securities (RMBS)	135,468	6,487	(1,458)	140,497
Commercial mortgage-backed securities (CMBS)	22,802	1,209	(211)	23,800
Collateralized debt obligations (CDO)/Asset-backed securities (ABS)	18,999	679	(24)	19,654
Total	577,884	17,967	(4,301)	591,550
Other long-term investments*	1,395	46	(66)	1,375
Common stocks	964	-	(14)	950
Total	\$ 580,243	\$ 18,013	\$ (4,381)	\$ 593,875
December 31, 2012				
Fixed maturity investment securities:				
Bonds:				
U.S. government and government sponsored entities	\$ 50,717	\$ 2,488	\$ -	\$ 53,205
Obligations of states, municipalities, and political subdivisions	150,721	4,998	(249)	155,470
Corporate debt	365,342	11,051	(1,397)	374,996
Mortgage-backed, asset-backed, and collateralized:				
RMBS	183,835	8,029	(71)	191,793
CMBS	40,388	1,245	(87)	41,546
CDO/ABS	67,123	1,466	(8)	68,581
Total	858,126	29,277	(1,812)	885,591
Other long-term investments*	1,404	-	(24)	1,380
Common stocks	974	30	(29)	975
Total	\$ 860,504	\$ 29,307	\$ (1,865)	\$ 887,946

* Excludes interest in a limited partnership that we account for using the equity method (\$0.6 million at September 30, 2013 and December 31, 2012).

As of September 30, 2013 and December 31, 2012, we had no investment securities with other-than-temporary impairments recognized in accumulated other comprehensive income or loss.

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

(dollars in thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2013						
Bonds:						
U.S. government and government sponsored entities	\$ 20,935	\$ (170)	\$ -	\$ -	\$ 20,935	\$ (170)
Obligations of states, municipalities, and political subdivisions	3,035	(162)	-	-	3,035	(162)
Corporate debt	49,565	(1,872)	8,712	(404)	58,277	(2,276)
RMBS	40,301	(1,458)	31	-	40,332	(1,458)
CMBS	9,406	(211)	-	-	9,406	(211)
CDO/ABS	5,891	(24)	-	-	5,891	(24)
Total	129,133	(3,897)	8,743	(404)	137,876	(4,301)
Other long-term investments	135	(66)	-	-	135	(66)
Common stocks	100	(14)	-	-	100	(14)
Total	\$ 129,368	\$ (3,977)	\$ 8,743	\$ (404)	\$ 138,111	\$ (4,381)
December 31, 2012						
Bonds:						
U.S. government and government sponsored entities	\$ 1,310	\$ -	\$ -	\$ -	\$ 1,310	\$ -
Obligations of states, municipalities, and political subdivisions	1,570	(4)	9,646	(245)	11,216	(249)
Corporate debt	30,942	(527)	49,690	(870)	80,632	(1,397)
RMBS	32,047	(70)	46	(1)	32,093	(71)
CMBS	11,290	(52)	5,673	(35)	16,963	(87)
CDO/ABS	5,442	(8)	-	-	5,442	(8)
Total	82,601	(661)	65,055	(1,151)	147,656	(1,812)
Other long-term investments	178	(23)	8	(1)	186	(24)
Common stocks	-	-	85	(29)	85	(29)
Total	\$ 82,779	\$ (684)	\$ 65,148	\$ (1,181)	\$ 147,927	\$ (1,865)

We continue to monitor unrealized loss positions for potential impairments. During the nine months ended September 30, 2013, we recognized other-than-temporary impairments on RMBS totaling \$26 thousand, which are recorded as an offset to investment revenues.

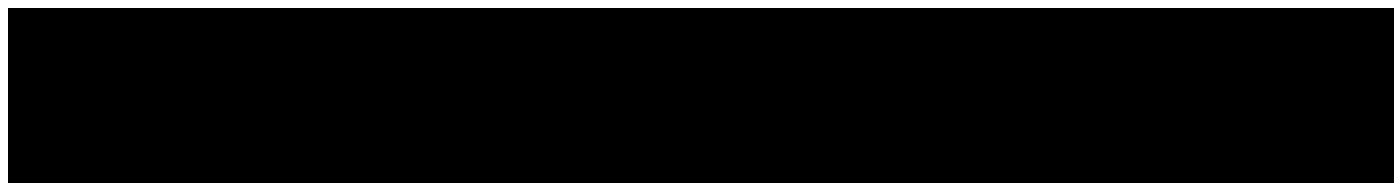
Components of the other-than-temporary impairment charges on investment securities were as follows:

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Total other-than-temporary impairment losses	\$ -	\$ (254)	\$ (26)	\$ (906)
Portion of loss recognized in accumulated other comprehensive loss	-	-	-	-
Net impairment losses recognized in net loss	\$ -	\$ (254)	\$ (26)	\$ (906)

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Changes in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired investment securities were as follows:

(dollars in thousands)	At or for the Three Months Ended September 30, 2013	At or for the Three Months Ended September 30, 2012	At or for the Nine Months Ended September 30, 2013	At or for the Nine Months Ended September 30, 2012
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The fair values of investment securities sold or redeemed and the resulting realized gains, realized losses, and net realized gains (losses) were as follows:

(dollars in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Fair value	\$ 52,232	\$ 310,313	\$ 498,680	\$ 520,704
Realized gains	\$ 237	\$ 1,349	\$ 3,374	\$ 2,289
Realized losses	(270)	(1,081)	(662)	(1,572)
Net realized gains (losses)	\$ (33)	\$ 268	\$ 2,712	\$ 717

Contractual maturities of fixed-maturity investment securities at September 30, 2013 were as follows:

(dollars in thousands) September 30, 2013	Fair Value	Amortized Cost
Fixed maturities, excluding mortgage-backed securities:		
Due in 1 year or less	\$ 20,368	\$ 20,300
Due after 1 year through 5 years	201,805	196,896
Due after 5 years through 10 years	131,516	131,146
Due after 10 years	53,910	52,273
Mortgage-backed, asset-backed, and collateralized securities	183,951	177,269
Total	\$ 591,550	\$ 577,884

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.

Table of Contents**6. Transactions with Affiliates of Fortress or AIG****SECURED TERM LOAN**

Springleaf Financial Funding Company (SFFC), a wholly owned subsidiary of SFC, is party to a six-year secured term loan pursuant to a credit agreement among SFFC, SFC, and most of the consumer finance operating subsidiaries of SFC (collectively, the Subsidiary Guarantors), and a syndicate of lenders, various agents, and Bank of America, N.A, as administrative agent.

On September 30, 2013, SFC, SFFC and the Subsidiary Guarantors entered into an incremental facility joinder agreement with Bank of America, N.A., as lender, administrative agent and collateral agent, and established new term loan commitments totaling \$750.0 million under the secured term loan (the New Loan Tranche). SFFC remained the borrower of the loans made under the New Loan Tranche, and the proceeds of such loans were used to make a voluntary prepayment of the existing secured term loan. The New Loan Tranche is guaranteed by SFC and by the Subsidiary Guarantors, and the New Loan Tranche is secured by the same collateral as, and on a pro rata basis with, the initial loans under the secured term loan.

At September 30, 2013, the outstanding principal amount of the secured term loan totaled \$1.3 billion, compared to \$3.8 billion at December 31, 2012. Affiliates of Fortress owned or managed lending positions in the syndicate of lenders totaling approximately \$12.5 million at September 30, 2013 and \$85.0 million at December 31, 2012.

SUBSERVICING AND REFINANCE AGREEMENTS

Nationstar Mortgage LLC (Nationstar) subservices the real estate loans of MorEquity, Inc. (MorEquity), our indirect wholly owned subsidiary, and two other indirect subsidiaries (collectively, the Owners), including certain securitized real estate loans. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

The Owners paid Nationstar fees for its subservicing and to facilitate the repayment of our real estate loans through refinancings with other lenders as follows:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
(dollars in thousands)				
Subservicing fees	\$ 2,132	\$ 2,380	\$ 6,556	\$ 7,525
Refinancing concessions	\$ -	\$ 216	\$ 265	\$ 4,177

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 totaled \$0.2 million and \$0.9 million for the three and nine months ended September 30, 2013, respectively, compared to \$0.4 million and \$0.9 million for the three and nine months ended September 30, 2012, respectively.

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

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Merit for reinsurance agreements with subsidiaries of AIG totaled \$45.9 million at September 30, 2013 and \$46.8 million at December 31, 2012.

DERIVATIVES

At December 31, 2012, our derivative financial instrument was with AIG Financial Products Corp. (AIGFP), a subsidiary of AIG. In July 2012, SFI posted \$60.0 million of cash collateral with AIGFP as security for SFC's two remaining Euro swap positions with AIGFP and agreed to act as guarantor for the swap positions. In August 2012, one of the swap positions was terminated and the cash collateral was reduced by \$20.0 million. Cash collateral with AIGFP totaled \$40.0 million at December 31, 2012.

On August 5, 2013, we terminated our remaining cross currency interest rate swap agreement with AIGFP and recorded a loss of \$1.9 million in other revenues other. The notional amount of this swap agreement totaled \$416.6 million at August 5, 2013. Immediately following this termination, we had no derivative financial instruments. As a result of this termination, AIGFP returned the cash collateral of \$40.0 million to SFI.

JOINT VENTURE

Under the joint venture structure established in conjunction with the purchase of the SpringCastle Portfolio, NRZ, a subsidiary of New Residential Investment Corp., owns a 30% equity interest in SCA. New Residential Investment Corp. is managed by an affiliate of Fortress.

Table of Contents**7. Long-term Debt**

Principal maturities of long-term debt (excluding projected securitization repayments by period) by type of debt at September 30, 2013 were as follows:

(dollars in thousands)	Retail Notes	Medium Term Notes (a)	Euro Denominated Note (b)	Secured Term Loan (c)	Securitizations	Junior Subordinated Debt	Total
Interest rates (d)	4.95%-7.50%	5.40%-8.25%	4.125%	4.75%-5.50%	1.27-6.00%	6.00%	
Fourth quarter 2013	\$ 2,903	\$ -	\$ 416,637	\$ -	\$ -	\$ -	\$ 419,540
First quarter 2014	1,115	-	-	-	-	-	1,115
Second quarter 2014	10,892	-	-	-	-	-	10,892
Third quarter 2014	8,569	-	-	-	-	-	8,569
Remainder of 2014	335,486	-	-	-	-	-	335,486
2015	47,254	750,000	-	-	-	-	797,254
2016	-	375,000	-	-	-	-	375,000
2017	-	2,416,337	-	550,000	-	-	2,966,337
2018-2067	-	1,250,000	-	750,000	-	350,000	2,350,000
Securitizations (e)	-	-	-	-	7,608,751	-	7,608,751
Total principal maturities	\$ 406,219	\$ 4,791,337	\$ 416,637	\$ 1,300,000	\$ 7,608,751	\$ 350,000	\$ 14,872,944
Total carrying amount	\$ 382,061	\$ 4,148,608	\$ 432,245	\$ 1,303,739	\$ 7,560,743	\$ 171,565	\$ 13,998,961

(a) Medium-term notes at September 30, 2013 included aggregate principal amounts of \$300 million of Senior Notes issued in May 2013 and \$950 million of Senior Notes issued in September 2013 of which \$700 million were exchanged for medium-term notes due 2017.

(b) Euro denominated note includes a 323.4 million note, shown here at the U.S. dollar equivalent at time of issuance.

(c) Our secured term loan is issued by wholly owned Company subsidiaries and guaranteed by SFC and the Subsidiary Guarantors.

(d) The interest rates shown are the range of contractual rates in effect at September 30, 2013.

(e) Securitizations are not included in above maturities by period due to their variable monthly repayments.

SFFC, a wholly owned subsidiary of SFC, is the borrower of the secured term loan that is guaranteed by SFC and by the Subsidiary Guarantors. In addition, our other operating subsidiaries that from time to time meet certain criteria will be required to become Subsidiary Guarantors. The secured term loan is secured by a first priority pledge of the stock of SFFC that was limited at the transaction date, in accordance with existing SFC debt agreements, to \$167.9 million.

SFFC used a portion of the proceeds from the secured term loan to make new intercompany loans to the Subsidiary Guarantors. The intercompany loans are secured by a first priority security interest in eligible finance receivables, according to pre-determined eligibility requirements and in accordance with a borrowing base formula. The Subsidiary Guarantors used proceeds of the loans to pay down their intercompany loans from SFC. SFC used the payments from Subsidiary Guarantors to, among other things, repay debt and fund operations.

Immediately prior to the 2013-1 securitization transaction discussed in Note 8, the real estate loans to be securitized comprised a portion of the finance receivables pledged as collateral to support the outstanding principal amount under our secured term loan. Upon completion of the securitization transaction, these real estate loans were released from the collateral pledged to support our secured term loan and the Subsidiary Guarantors elected not to pledge new finance receivables as collateral to replace the real estate loans sold in the securitization transaction. The voluntary reduction of the collateral pledged required

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SFFC to make a mandatory prepayment of a portion of the outstanding principal (plus accrued interest). As a result, SFFC made a mandatory prepayment on April 11, 2013, without penalty or premium, of \$714.9 million of outstanding principal (plus accrued interest).

On each of May 15, 2013 and May 30, 2013, SFFC made additional prepayments, without penalty or premium, of \$500.0 million of outstanding principal (plus accrued interest) on the secured term loan. On July 29, 2013 and September 30, 2013, SFFC made prepayments, without penalty or premium, of \$235.1 million and \$1.25 billion, respectively, of outstanding principal (plus accrued interest) on the secured term loan.

In addition, on September 30, 2013, SFC, SFFC and the Subsidiary Guarantors entered into the New Loan Tranche, which consisted of new term loan commitments totaling \$750.0 million under the secured term loan pursuant to the incremental facility joinder agreement to the secured term loan. SFFC remained the borrower of the loans made under the New Loan Tranche, and the proceeds of such loans were used to fund the \$1.25 billion prepayment of existing secured term loans due 2017. The New Loan Tranche is guaranteed by SFC and by the Subsidiary Guarantors, and the New Loan Tranche is secured by the same collateral as, and on a pro rata basis with, the initial loans under the secured term loan.

In connection with our liability management efforts, we or our affiliates from time to time have purchased, and may in the future purchase, portions of our outstanding indebtedness. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration as we or any such affiliates may determine. Our plans are dynamic and we may adjust our plans in response to changes in our expectations and changes in market conditions.

8. 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 financial statements and are accounted for as secured borrowings.

CONSOLIDATED VIES

We evaluated the securitization trusts and determined that these entities are VIEs of which we are the primary beneficiary; therefore, we consolidate 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 SFI's and/or its affiliates' contractual right to service the securitized finance receivables. In instances where servicing is performed by parties other than SFI, this ability arises from SFI's prescription of detailed servicing standards and procedures that the servicer must observe (and which can be modified only with our consent), and from our mandatory involvement in certain loan workouts and disposals of defaulted loans or related collateral. Our retained subordinated notes and residual interest trust certificates expose us to potentially significant losses and potentially significant returns.

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The asset-backed and mortgage-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. 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 senior and subordinated securities issued by

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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 thousands)	September 30, 2013	December 31, 2012
Assets		
Finance receivables:		
Personal loans	\$ 1,696,019	\$ -
SpringCastle Portfolio		