

Regional Management Corp.
Form 10-Q
May 10, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period ended

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	57-0847115 (I.R.S. Employer Identification No.)
509 West Butler Road Greenville, South Carolina (Address of principal executive offices)	29607 (Zip Code)
(864) 422-8011 (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 (Section 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 (Do not check if a smaller reporting company) Smaller reporting company

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

As of May 9, 2012, the registrant had outstanding 12,486,727 shares of Common Stock, \$0.10 par value.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Regional Management Corp. and Subsidiaries****Consolidated Balance Sheets****March 31, 2012 and December 31, 2011****(\$ in Thousands except per share amounts)**

	MARCH 31, 2012 (Unaudited)	DECEMBER 31, 2011
Assets		
Cash	\$ 2,429	\$ 4,849
Gross finance receivables	392,100	387,494
Less unearned finance charges, insurance premiums, and commissions	(74,600)	(80,900)
Finance receivables	317,500	306,594
Allowance for loan losses	(19,860)	(19,300)
Net finance receivables	297,640	287,294
Premises and equipment, net of accumulated depreciation	4,638	4,446
Deferred tax asset, net		15
Reposessed assets at net realizable value	340	409
Other assets	11,510	7,137
Total assets	\$ 316,557	\$ 304,150
Liabilities and Stockholders Equity		
Liabilities:		
Cash overdraft	\$ 6	\$ 1
Deferred tax liability, net	2,462	
Accounts payable and accrued expenses	7,756	7,447
Senior revolving credit facility	209,607	206,009
Mezzanine debt - related parties	25,814	25,814
Other notes payable	889	
Total liabilities	246,534	239,271
Temporary equity	12,000	12,000
Commitments and Contingencies		
Stockholders equity:		
Common stock (25,000,000 shares authorized; 9,336,727 issued and outstanding; \$.10 par value per share)	934	934
Additional paid-in-capital	28,172	28,150
Retained earnings	28,917	23,795
Total stockholders equity	58,023	52,879

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Total liabilities and stockholders equity	\$ 316,557	\$ 304,150
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See accompanying notes to consolidated financial statements (unaudited).

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Income****For the Three Months Ended March 31, 2012 and 2011****(Unaudited)****(\$ in Thousands except per share amounts)**

	2012	2011
Revenue		
Interest and fee income	\$ 26,852	\$ 21,045
Insurance income, net	2,485	2,194
Other income	2,203	1,457
Total revenue	31,540	24,696
Expenses		
Provision for loan losses	5,627	3,836
General and administrative expenses		
Personnel	7,975	6,540
Occupancy	1,894	1,471
Advertising	593	647
Other expenses	2,330	1,554
Other expenses		
Consulting and advisory fees	1,451	310
Interest expense		
Senior revolving credit facility and other notes payable	2,510	1,763
Mezzanine debt-related parties	1,030	996
Total interest expense	3,540	2,759
Total expenses	23,410	17,117
Income before income taxes	8,130	7,579
Income taxes	3,008	2,644
Net income	\$ 5,122	\$ 4,935
Net income per common share:		
Basic	\$ 0.55	\$ 0.53
Diluted	\$ 0.53	\$ 0.51
Weighted average common shares outstanding:		
Basic	9,336,727	9,336,727
Diluted	9,616,497	9,648,103

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See accompanying notes to consolidated financial statements (unaudited).

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Cash Flows****For the Three Months Ended March 31, 2012 and 2011****(Unaudited)****(\$ in Thousands)**

	2012	2011
Cash Flows From Operating Activities		
Net income	\$ 5,122	\$ 4,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,627	3,836
Depreciation and amortization	677	305
Amortization of stock compensation expense	22	90
Fair value adjustment on interest rate caps	17	21
Deferred income taxes	2,477	(350)
Changes in operating assets and liabilities:		
Increase in other assets	(4,660)	(1,157)
Increase in other liabilities	309	2,305
Net cash provided by operating activities	9,591	9,985
Cash flows from investing activities:		
Net repayment of finance receivables	11,993	5,293
Purchase of two consumer loan companies, net of cash acquired	(27,967)	
Purchase of property and equipment	(529)	(565)
Net cash provided by (used in) investing activities	(16,503)	4,728
Cash flows from financing activities:		
Increase in cash overdraft	5	1,039
Net advances (payments) on senior revolving credit facility	3,598	(11,954)
Issuance (payments) on other notes payable, net	889	(270)
Net cash provided by (used in) financing activities	4,492	(11,185)
Net change in cash	(2,420)	3,528
Cash:		
Beginning	4,849	856
Ending	\$ 2,429	\$ 4,384
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest		
Paid to third parties	\$ 2,459	\$ 1,731
Paid to related parties	\$ 788	\$ 957
Cash payments for income taxes	\$ 2,553	\$ 1,949

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See accompanying notes to consolidated financial statements (unaudited).

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Note 1. Basis of Presentation

Basis of presentation: The consolidated financial statements of Regional Management Corp. (the Company) at March 31, 2012 and for the three months ended March 31, 2012 and 2011 are unaudited and have been prepared in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 270, Interim Reporting. In the opinion of management, the interim financial statements include all adjustments, all of which are normal, recurring adjustments that are necessary for a fair presentation of the financial position at March 31, 2012 and the results of operations and cash flows for the three month periods ended March 31, 2012 and 2011.

The accompanying financial statements have been prepared in accordance with the accounting policies stated in the Company's audited financial statements for the year ended December 31, 2011 and should be read in conjunction with the notes to those consolidated financial statements. These financial statements have also been prepared in accordance with the instructions to Form 10-Q. The consolidated balance sheet data as of December 31, 2011 was derived from the Company's audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Note 2. Nature of Business and Significant Accounting Policies

Nature of business: The Company was incorporated and began operations in 1987. The Company is engaged in the consumer finance business, offering small installment loans, large installment loans, automobile purchase loans, furniture and appliance purchase loans, related credit insurance, and ancillary products and services. As of March 31, 2012, the Company operates offices in 194 locations in the states of Alabama (33 offices), North Carolina (26 offices), Oklahoma (1 office), South Carolina (69 offices), Tennessee (18 offices), and Texas (47 offices) under the brand names Regional Finance, RMC Financial Services, Anchor Finance, Superior Financial Services, First Community Credit and Sun Finance. In the three months ended March 31, 2012, the Company opened 5 offices and acquired 23 branches in Alabama, four of which it intends to close.

Principles of consolidation: The consolidated financial statements include the accounts of Regional Management Corp. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company operates through a separate subsidiary in each state.

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the consumer finance industry.

The following is a description of significant accounting policies used in preparing the financial statements.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses, fair value of stock-based compensation, and the valuation of deferred tax assets.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Loan losses: Provisions for loan losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for loan losses at an adequate level to provide for losses on the finance receivables. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Loan loss experience, average loan life, and contractual delinquency of finance receivables by loan type, the value of underlying collateral, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for loan losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available.

The Company establishes a full valuation allowance for a loan at the date that the loan is contractually delinquent 180 days. The Company initiates repossession proceedings when an account is seriously delinquent and, in the opinion of management, the customer is unlikely to make further payments. The Company sells substantially all repossessed vehicle inventory through public sales conducted by independent automobile auction organizations after the required post-repossession waiting period. Losses on the sale of repossessed collateral are charged to the allowance for loan losses.

The allowance for loan losses consists of general and specific components. The general reserve estimates loan losses for groups of loans on a collective basis. The Company's general component of the allowance for loan losses relates to probable incurred losses of unimpaired loans and consists of two computations as follows:

Large installment loans, automobile purchase loans and furniture and appliance purchase loans. Most recent twelve months of historical losses are used to estimate the general allowance for large installment loans (loans in excess of \$2,500), automobile purchase loans, and all furniture and appliance purchase loans.

Small installment loans. Most recent eight months of historical losses are used to estimate the general allowance for small installment loans, including live checks (loans of \$2,500 or less).

Automobile purchase, furniture and appliance purchase, and large installment loans have longer maturities than small installment loans, which is why a shorter period is used for small installment loan losses.

The Company adjusts the computed historical loss percentages as described above for qualitative factors based on an assessment of internal and external influences on credit quality that are not fully reflected in the historical loss data. Those qualitative factors include trends in growth in the loan portfolio, delinquency, unemployment, bankruptcy, and other economic trends.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

The specific component of the allowance for loan losses relates to impaired loans. The specific component includes a full reserve for accounts that are 180 days or more delinquent on a contractual basis. The specific component also includes an estimate of the loss resulting from the difference between the recorded investment in a loan to a bankrupt customer and the present value of the cash flows of such loans in accordance with the modified loan terms approved by the bankruptcy court discounted at the original contractual interest rate. Loans to bankrupt customers are evaluated in the aggregate rather than on a specific loan basis. Such loans are accounted for as troubled debt restructurings (as described under "Impaired loans" below).

In 2011, the Company began evaluating the loans of customers in Chapter 13 bankruptcy for impairment as troubled debt restructurings. The Company has adopted the policy of aggregating loans with similar risk characteristics for purposes of computing the amount of impairment. In connection with the adoption of this practice, the Company computed the estimated impairment on its Chapter 13 bankrupt loans in the aggregate by discounting the projected cash flows at the original contract rates on the loan using the terms imposed by the bankruptcy court. This method was applied in the aggregate to each of the Company's four classes of loans.

The Company's policy for the accounts of customers in bankruptcy is to charge off the balance of accounts in a confirmed bankruptcy under Chapter 7 of the bankruptcy code. For customers in a Chapter 13 bankruptcy plan, the Company reduces the interest rate to that specified in the bankruptcy order. Additionally, if the bankruptcy court converts a portion of a loan to an unsecured claim the Company's policy is to charge off the portion of the unsecured balance that it deems uncollectible at the time the bankruptcy plan is confirmed. Once the customer is in a confirmed Chapter 13 bankruptcy plan, the Company receives payments with respect to the remaining amount of the loan at the reduced interest rate from the bankruptcy trustee. The Company does not believe that accounts in a confirmed Chapter 13 plan have a higher level of risk than non-bankrupt accounts. If a customer fails to comply with the terms of the bankruptcy order, the Company will petition the trustee to have the customer dismissed from bankruptcy. Upon dismissal, the Company restores the account to the original terms and pursues collection through its normal collection activities.

In making the computations of the present value of cash payments to be received on bankrupt accounts in each product category, the Company used the weighted average interest rates and weighted average remaining term based on data as of March 31, 2012.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Impaired loans: A loan is considered impaired by the Company when it is 180 or more days contractually delinquent, at which time a full valuation allowance is established for such loans within the allowance for loan losses. In addition, loans that have been modified by bankruptcy proceedings are accounted for in the aggregate by the Company as troubled debt restructurings and are also considered impaired loans. At the time of restructuring, a specific valuation allowance is established for such loans within the allowance for loan losses.

The factors used to determine whether an account is uncollectible are the age of the account, supervisory review of collection efforts, and other factors such as customers relocating to an area where collection is not practical. As of March 31, 2012, bankrupt accounts that had not been charged-off were approximately \$3,821. Such accounts are specifically evaluated for impairment. The Company has elected to evaluate such loans in the aggregate in accordance with FASB ASC Topic 310 as they have common risk characteristics. Of the total \$3,821 of bankrupt accounts at March 31, 2012, \$381 are more than 180 days contractually delinquent and thus fully reserved. For customers with a confirmed Chapter 13 bankruptcy plan, the Company receives payments through the bankruptcy court. For customers who recently filed for Chapter 13 bankruptcy, the Company generally does not receive any payments until their bankruptcy plan is confirmed by the court. If the customers have made payments to the trustee in advance of plan confirmation, the Company may receive a lump sum payment from the trustee once the plan is confirmed. This lump sum payment represents the Company's pro-rata share of the amount paid by the customer. If a customer files for bankruptcy under Chapter 7 of the bankruptcy code, the customer's entire debt is cancelled. In such cases, the Company charges off the account upon receiving notice from the bankruptcy court. If a vehicle secures a Chapter 7 bankruptcy account, the customer has the option of buying the vehicle at fair value or reaffirming the loan and continuing to pay the loan.

The remainder of the 180 or more days past due accounts are those of which operations personnel are of the view that some portion can be collected. At March 31, 2012, there are \$1,712 of accounts that are 180 or more days contractually delinquent of which \$381 represent the accounts of customers in bankruptcy.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Delinquency: The Company determines past due status using the contractual terms of the loan. This is the credit quality indicator used to evaluate the allowance for loan losses for each class of finance receivables.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Interest rate caps: In 2009, the Company purchased three interest rate caps with notional amounts of \$10,000 each. The Company purchased the caps to protect a portion of its senior revolving credit facility from increases in interest rates above the strike rate of the cap. In early 2010, the Company exchanged its \$30,000 notional cap for a cap with a notional amount of \$128,500, a strike rate of 6.0%, and a maturity of March 2014. There was no cost related to this exchange. In late 2010, the Company purchased an additional cap increasing the total interest rate protection to \$150,000 on the same terms as the exchanged cap. At March 31, 2012, the caps are based on the three-month LIBOR contract and reimburse the Company for the difference when three-month LIBOR exceeds six percent. The carrying value of the caps, are adjusted to fair value. For the three months ended March 31, 2012 and 2011, the Company recorded unfavorable fair value adjustments of \$17 and \$21, respectively, as increases in interest expense.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Earnings per share: Earnings per share have been computed based on the weighted-average number of common shares outstanding during each reporting period presented. Common shares issuable upon the exercise of the stock-based compensation, which are computed using the treasury stock method, are included in the computation of diluted earnings per share.

Government regulation: The Company is subject to various state and federal laws and regulations, which, among other things, impose limits on interest rates, other charges, and insurance premiums and require licensing and qualifications.

Congress recently passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among other provisions, the bill created the Consumer Financial Protection Bureau (CFPB). The CFPB has the authority to promulgate regulations that could affect the Company's business. The CFPB has not issued any regulations to date and the Company is not aware of any pending regulations that might affect its business.

Disclosure about fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Finance receivables: Finance receivables are originated either at prevailing market rates or at statutory limits. The Company's loan portfolio turns approximately 1.1 times per year from cash payments and renewal of loans. Management believes that the carrying value approximates the fair value of its loan portfolio.

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

Interest rate caps: The fair value of the interest rate caps is the estimated amount the Company would receive to terminate the cap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the Company for liabilities.

Debt: The Company refinanced its senior revolving credit facility in January 2012 and as a result of the refinancing believes that the fair value of this variable rate debt approximates its carrying value at March 31, 2012 and December 31, 2011. The Company also refinanced its mezzanine debt in August 2010 and estimates that the fixed interest rate on the mezzanine debt exceeds the estimated market interest rate for similar debt, resulting in a fair value in excess of the carrying amount. The Company also considered its creditworthiness in its determination of fair value. Our mezzanine debt was repaid in full from the proceeds of our initial public offering, which closed on April 2, 2012.

The Company follows the provisions of ASC 820-10. ASC 820-10 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820-10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820-10. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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The carrying amount and estimated fair values of the Company's financial instruments summarized by level are as follows:

	MARCH 31 2012		DECEMBER 31, 2011	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(Unaudited)		(Unaudited)	
Assets				
Level 1 inputs				
Cash	\$ 2,429	\$ 2,429	\$ 4,849	\$ 4,849
Restricted cash	1,338	1,338	1,338	1,338
Level 2 inputs				
Interest rate caps	11	11	28	28
Level 3 inputs				
Net finance receivables	297,640	297,640	287,294	287,294
Repossessed assets	340	340	409	409
Liabilities				
Level 3 inputs				
Senior revolving credit facility	209,607	209,607	206,009	206,009
Mezzanine debt-related parties	25,814	26,357	25,814	26,428
Other notes payable	889	889		

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In October 2010, the FASB issued ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. ASU 2010-26 modifies the definitions of the type of costs incurred by insurance entities that can be capitalized in the successful acquisition of new and renewal contracts. ASU 2010-26 requires incremental direct costs of successful contract acquisition as well as certain costs related to underwriting, policy issuance and processing, medical and inspection and sales force contract selling for successful contract acquisition to be capitalized. These incremental direct costs and other costs are those that are essential to the contract transaction and would not have been incurred had the contract transaction not occurred. This guidance was adopted by the Company for the year beginning January 1, 2012 and will be applied prospectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations, cash flows, or disclosures.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*, which aligns disclosures related to fair value between U.S. GAAP and International Financial Reporting Standards. The ASU includes changes to the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and changes to the disclosure of information about fair value measurements. More specifically, the changes clarify the intent of the FASB regarding the application of existing fair value measurements and disclosures as well as changing some particular principles or requirements for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the consolidated financial statements.

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

Finance receivables consisted of the following:

	MARCH 31, 2012 (Unaudited)	DECEMBER 31, 2011
Small installment loans	\$ 109,970	\$ 130,257
Large installment loans	57,594	36,938
Automobile purchase loans	135,848	128,660
Furniture and appliance purchase loans	14,088	10,739
Finance receivables	\$ 317,500	\$ 306,594

Table of Contents**Regional Management Corp. and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****Three Months Ended March 31, 2012 and 2011****(Dollars in thousands, except per share information)****(Unaudited)**

The following is a summary of the changes in the allowance for loan losses for the periods indicated (unaudited):

	THREE MONTHS ENDED MARCH 31, 2012 2011 (Unaudited)	
Balance at beginning of period	\$ 19,300	\$ 18,000
Provision for loan losses	5,627	3,836
Finance receivables charged off	(5,242)	(4,004)
Recoveries	175	168
Balance at end of period	\$ 19,860	\$ 18,000

The following is a reconciliation of the allowance for loan losses by component for the three months ended March 31, 2012 and 2011 and for the year ended December 31, 2011:

	BALANCE JANUARY 1, 2012	PROVISION	CHARGE- OFFS	RECOVERIES	BALANCE MARCH 31, 2012	FINANCE RECEIVABLES MARCH 31, 2012	ALLOWANCE AS PERCENTAGE OF FINANCE RECEIVABLES MARCH 31, 2012
Small installment loans	\$ 8,838	\$ 2,450	\$ (3,263)	\$ 122	\$ 8,147	\$ 109,970	7.4%
Large installment loans	2,448	1,490	(473)	25	3,490	57,594	6.1%
Automobile purchase loans	7,618	1,547	(1,436)	27	7,756	135,848	5.7%
Furniture and appliance purchase loans	396	140	(70)	1	467	14,088	3.3%
Total	\$ 19,300	\$ 5,627	\$ (5,242)	\$ 175	\$ 19,860	\$ 317,500	6.3%

	BALANCE JANUARY 1, 2011	PROVISION	CHARGE- OFFS	RECOVERIES	BALANCE MARCH 31, 2011	FINANCE RECEIVABLES MARCH 31, 2011	ALLOWANCE AS PERCENTAGE OF FINANCE
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	RECEIVABLES						
	MARCH						
	31,						
	2011						
Small installment loans	\$ 8,974	\$ 321	\$ (2,465)	\$ 123	\$ 6,953	\$ 99,623	7.0%
Large installment loans	2,972	66	(579)	19	2,478	32,669	7.6%
Automobile purchase loans	5,909	3,389	(925)	26	8,399	102,164	8.2%
Furniture and appliance purchase loans	145	60	(35)		170	3,661	4.6%
Total	\$ 18,000	\$ 3,836	\$ (4,004)	\$ 168	\$ 18,000	\$ 238,117	7.6%

Table of Contents**Regional Management Corp. and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****Three Months Ended March 31, 2012 and 2011****(Dollars in thousands, except per share information)****(Unaudited)**

	BALANCE JANUARY 1, 2011	PROVISION	CHARGE- OFFS	RECOVERIES	BALANCE DECEMBER 31, 2011	FINANCE RECEIVABLES DECEMBER 31, 2011	ALLOWANCE AS PERCENTAGE OF FINANCE RECEIVABLES DECEMBER 31, 2011
Small installment loans	\$ 8,974	\$ 9,998	\$ (10,522)	\$ 388	\$ 8,838	\$ 130,257	6.8%
Large installment loans	2,972	1,442	(2,042)	76	2,448	36,938	6.6%
Automobile purchase loans	5,909	6,014	(4,430)	125	7,618	128,660	5.9%
Furniture and appliance purchase loans	145	400	(153)	4	396	10,739	3.7%
Total	\$ 18,000	\$ 17,854	\$ (17,147)	\$ 593	\$ 19,300	\$ 306,594	6.3%

Following is a summary of the finance receivables associated with customers in bankruptcy as of the periods indicated:

	FINANCE RECEIVABLES IN BANKRUPTCY AS OF MARCH 31, 2012 (Unaudited)	FINANCE RECEIVABLES IN BANKRUPTCY AS OF DECEMBER 31, 2011
Small installment loans	\$ 315	\$ 352
Large installment loans	1,221	586
Automobile purchase loans	2,243	2,160
Furniture and appliance purchase loans	42	32
Total	\$ 3,821	\$ 3,130

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Regional Management Corp. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Three Months Ended March 31, 2012 and 2011

(Dollars in thousands, except per share information)

(Unaudited)

The following is an assessment of the credit quality of finance receivables at March 31, 2012 and December 31, 2011. The contractual delinquency of the finance receivable portfolio by component at March 31, 2012 and December 31, 2011 was:

			MARCH 31, 2012 (Unaudited)
SMALL	LARGE		AUTOMOBILE
INSTALLMENT	INSTALLMENT		PURCHASE
LOANS	LOANS		LOANS