

OneMain Holdings, Inc.
Form 10-Q
August 03, 2018

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 June 30, 2018

OR

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

For the transition period from to

Commission file number 001-36129

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

Delaware 27-3379612
(State of Incorporation) (I.R.S. Employer Identification No.)

601 N.W. Second Street, Evansville, IN 47708
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
----------------------------------------------------------------	-----------------------------------------------	------------------------------------------------	-------------------------------------------------------	-----------------------------------------------------

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At August 1, 2018, there were 135,787,008 shares of the registrant’s common stock, \$0.01 par value, outstanding.

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GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
2017 Annual Report on Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 21, 2018
2022 SFC Notes	\$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 15, 2017 and guaranteed by OMH
30-89 Delinquency ratio	net finance receivables 30-89 days past due as a percentage of net finance receivables
5.25% SFC Notes	\$700 million of 5.25% Senior Notes due 2019 issued by SFC on December 3, 2014 and guaranteed by OMH
5.625% SFC Notes	\$875 million of 5.625% Senior Notes due 2023 issued by SFC on December 8, 2017 and guaranteed by OMH
6.125% SFC Notes	collectively, the 2022 SFC Notes and the Additional SFC Notes
6.875% SFC Notes	\$1.25 billion aggregate principal amount of 6.875% Senior Notes due 2025 issued by SFC on March 12, 2018 and guaranteed by OMH
7.125% SFC Notes	\$900 million of 7.125% Senior Notes due 2026 issued by SFC on May 11, 2018 and guaranteed by OMH
8.25% SFC Notes	\$1.0 billion of 8.25% Senior Notes due 2020 issued by SFC on April 11, 2016 and guaranteed by OMH
ABS	asset-backed securities
Accretable yield	the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows
Additional SFC Notes	\$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 30, 2017 and guaranteed by OMH
Adjusted pretax income (loss)	a non-GAAP financial measure used by management as a key performance measure of our segments
AHL	American Health and Life Insurance Company, an insurance subsidiary of OMFH
AIG	AIG Capital Corporation, a subsidiary of American International Group, Inc.
AOCI	Accumulated other comprehensive income (loss)
Apollo	Apollo Global Management, LLC and its consolidated subsidiaries
Apollo-Värde Group	an investor group led by funds managed by Apollo and Värde
Apollo-Värde Transaction	the purchase by the Apollo-Värde Group of 54,937,500 shares of OMH common stock from SFH pursuant to the Share Purchase Agreement for an aggregate purchase price of approximately \$1.4 billion in cash on June 25, 2018
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Average debt	average of debt for each day in the period
Average net receivables	average of monthly average net finance receivables (net finance receivables at the beginning and end of each month divided by two) in the period
Blackstone	collectively, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P.
CDO	collateralized debt obligations
CFPB	Consumer Financial Protection Bureau

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CMBS	commercial mortgage-backed securities
Dodd-Frank Act	the Dodd-Frank Wall Street Reform and Consumer Protection Act
Exchange Act	Securities Exchange Act of 1934, as amended
FA Loans	purchased credit impaired finance receivables related to the Fortress Acquisition
FASB	Financial Accounting Standards Board
FHLB	Federal Home Loan Bank
FICO score	a credit score created by Fair Isaac Corporation
Fixed charge ratio	earnings less income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends
Fortress	Fortress Investment Group LLC
Fortress Acquisition	transaction by which FCFI Acquisition LLC, an affiliate of Fortress, acquired an 80% economic interest of the sole stockholder of SFC for a cash purchase price of \$119 million, effective November 30, 2010

Term or Abbreviation	Definition
GAAP	generally accepted accounting principles in the United States of America
Gross charge-off ratio	annualized gross charge-offs as a percentage of average net receivables
Independence	Independence Holdings, LLC
Indiana DOI	Indiana Department of Insurance
IRS	Internal Revenue Service
Junior Subordinated Debenture	\$350 million aggregate principal amount of 60-year junior subordinated debt issued by SFC under an indenture dated January 22, 2007, by and between SFC and Deutsche Bank Trust Company, as trustee, and guaranteed by OMH
LIBOR	London Interbank Offered Rate
Merit	Merit Life Insurance Co., an insurance subsidiary of SFC
Nationstar	Nationstar Mortgage LLC, dba "Mr. Cooper"
Net charge-off ratio	annualized net charge-offs as a percentage of average net receivables
Net interest income	interest income less interest expense
NRZ	New Residential Investment Corp.
ODART	OneMain Direct Auto Receivables Trust
OM Loans	purchased credit impaired personal loans acquired in the OneMain Acquisition
OMFH	OneMain Financial Holdings, LLC
OMFH Indenture	Indenture entered into on December 11, 2014, as amended or supplemented from time to time, by OMFH and certain of its subsidiaries in connection with the issuance of the OMFH Notes collectively, \$700 million aggregate principal amount of 6.75% Senior Notes due 2019 and \$800 million in aggregate principal amount of 7.25% Senior Notes due 2021
OMFH Notes	
OMFH Supplemental Indenture	Second Supplemental Indenture dated as of November 8, 2016, to the OMFH Indenture
OMFIT	OneMain Financial Issuance Trust
OMH	OneMain Holdings, Inc.
OneMain	OMFH, collectively with its subsidiaries
OneMain Acquisition	Acquisition of OneMain from CitiFinancial Credit Company, effective November 1, 2015
Other Securities	securities for which the fair value option was elected and equity securities. Other Securities recognize unrealized gains and losses in investment revenues collectively, SFC's 8.25% Senior Notes due 2023, 7.75% Senior Notes due 2021, and 6.00% Senior Notes due 2020, on a senior unsecured basis, and the Junior Subordinated Debenture, on a junior subordinated basis, issued by SFC and guaranteed by OMH
Other SFC Notes	
Recovery ratio	annualized recoveries on net charge-offs as a percentage of average net receivables
Retail sales finance	collectively, retail sales contracts and revolving retail accounts
RMBS	residential mortgage-backed securities
RSAs	restricted stock awards
RSUs	restricted stock units
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Segment Accounting Basis	a basis used to report the operating results of our segments, which reflects our allocation methodologies for certain costs and excludes the impact of applying purchase accounting
Settlement Agreement	a Settlement Agreement with the U.S. Department of Justice entered into by OMH and certain of its subsidiaries on November 13, 2015, in connection with the OneMain Acquisition

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SFC	Springleaf Finance Corporation
SFC Base Indenture	Indenture dated as of December 3, 2014
SFC First Supplemental Indenture	First Supplemental Indenture dated as of December 3, 2014, to the SFC Base Indenture
SFC Fourth Supplemental Indenture	Fourth Supplemental Indenture dated as of December 8, 2017, to the SFC Base Indenture
SFC Fifth Supplemental Indenture	Fifth Supplemental Indenture dated as of March 12, 2018, to the SFC Base Indenture
SFC Guaranty Agreements	agreements entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes

Term or Abbreviation	Definition
SFC Notes	collectively, the issued and outstanding senior unsecured notes issued pursuant to the SFC Senior Notes Indentures
SFC Second Supplemental Indenture	Second Supplemental Indenture dated as of April 11, 2016, to the SFC Base Indenture
SFC Senior Notes Indentures	the SFC Base Indenture as supplemented by the SFC First Supplemental Indenture, the SFC Second Supplemental Indenture, the SFC Third Supplemental Indenture, the SFC Fourth Supplemental Indenture, the SFC Fifth Supplemental Indenture and the SFC Sixth Supplemental Indenture
SFC Sixth Supplemental Indenture	Sixth Supplemental Indenture dated as of May 11, 2018, to the SFC Base Indenture
SFC Third Supplemental Indenture	Third Supplemental Indenture dated as of May 15, 2017, to the SFC Base Indenture
SFC Trust Guaranty Agreement	agreement entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities in connection with the Junior Subordinated Debenture
SFH	Springleaf Financial Holdings LLC, an entity owned primarily by a private equity fund managed by an affiliate of Fortress that sold 54,937,500 shares of OMH's common stock to the Apollo-Värde Group in the Apollo-Värde Transaction
SFI	Springleaf Finance, Inc.
Share Purchase Agreement	Share Purchase Agreement entered into on January 3, 2018, among the Apollo-Värde Group, SFH and the Company to acquire from SFH 54,937,500 shares of our common stock that was issued and outstanding as of such date, representing the entire holdings of our stock beneficially owned by Fortress
SLFT	Springleaf Funding Trust
SpringCastle Interests Sale	the March 31, 2016 sale by SpringCastle Holdings, LLC and Springleaf Acquisition Corporation of the equity interest in the SpringCastle Joint Venture
SpringCastle Joint Venture	joint venture among SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, and SpringCastle Acquisition LLC in which SpringCastle Holdings, LLC previously owned a 47% equity interest in each of SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC and Springleaf Acquisition Corporation previously owned a 47% equity interest in SpringCastle Acquisition LLC
SpringCastle Portfolio	loans acquired through the SpringCastle Joint Venture
Springleaf Tangible equity	OMH and its subsidiaries (other than OneMain)
Tangible managed assets	total equity less accumulated other comprehensive income or loss
Tax Act	total assets less goodwill and other intangible assets
TDR finance receivables	Public Law 115-97 amending the Internal Revenue Code of 1986
Texas DOI	troubled debt restructured finance receivables
Triton	Texas Department of Insurance
	Triton Insurance Company, an insurance subsidiary of OMFH

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Trust preferred securities	capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies
Unearned finance charges	the amount of interest that is capitalized at time of origination on a precompute loan that will be earned over the remaining contractual life of the loan
UPB	unpaid principal balance for interest bearing accounts and the gross remaining contractual payments less the unaccreted balance of unearned finance charges for precompute accounts
Värde	Värde Partners, Inc.
VIES	variable interest entities
Weighted average interest rate	annualized interest expense as a percentage of average debt
Yield	annualized finance charges as a percentage of average net receivables
Yosemite	Yosemite Insurance Company, an insurance subsidiary of SFC

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

(dollars in millions, except par value amount)	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$556	\$ 987
Investment securities	1,720	1,697
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of \$9.1 billion in 2018 and \$9.8 billion in 2017)	15,384	14,823
Other receivables	124	134
Net finance receivables	15,508	14,957
Unearned insurance premium and claim reserves	(611)	(590)
Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$459 million in 2018 and \$465 million in 2017)	(702)	(697)
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	14,195	13,670
Finance receivables held for sale	123	132
Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of \$569 million in 2018 and \$482 million in 2017)	587	498
Goodwill	1,422	1,422
Other intangible assets	409	440
Other assets	628	587
Total assets	\$19,640	\$ 19,433
Liabilities and Shareholders' Equity		
Long-term debt (includes debt of consolidated VIEs of \$8.1 billion in 2018 and \$8.7 billion in 2017)	\$15,054	\$ 15,050
Insurance claims and policyholder liabilities	690	737
Deferred and accrued taxes	3	45
Other liabilities (includes other liabilities of consolidated VIEs of \$14 million in 2018 and 2017)	404	323
Total liabilities	16,151	16,155
Commitments and contingent liabilities (Note 14)		
Shareholders' equity:		
Common stock, par value \$.01 per share; 2,000,000,000 shares authorized, 135,780,755 and 135,349,638 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1	1
Additional paid-in capital	1,674	1,560
Accumulated other comprehensive income (loss)	(21)	11

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Retained earnings	1,835	1,706
Total shareholders' equity	3,489	3,278
Total liabilities and shareholders' equity	\$19,640	\$ 19,433

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(dollars in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income:				
Finance charges	\$902	\$ 768	\$1,761	\$ 1,524
Finance receivables held for sale originated as held for investment	3	4	6	7
Total interest income	905	772	1,767	1,531
Interest expense	220	203	420	405
Net interest income	685	569	1,347	1,126
Provision for finance receivable losses	260	236	514	481
Net interest income after provision for finance receivable losses	425	333	833	645
Other revenues:				
Insurance	107	104	212	207
Investment	19	20	32	39
Net loss on repurchases and repayments of debt	(7)	(27)	(8)	(28)
Other	21	24	41	44
Total other revenues	140	121	277	262
Other expenses:				
Operating expenses:				
Salaries and benefits	306	191	500	377
Acquisition-related transaction and integration expenses	28	14	39	37
Other operating expenses	137	137	264	279
Insurance policy benefits and claims	51	46	96	91
Total other expenses	522	388	899	784
Income before income taxes	43	66	211	123
Income taxes	36	24	80	48
Net income	\$7	\$ 42	\$131	\$ 75
Share Data:				
Weighted average number of shares outstanding:				
Basic	135,678,195	124,610	135,637,825	125,234,143
Diluted	135,969,045	113,427	135,933,395	125,543,342
Earnings per share:				
Basic	\$0.05	\$ 0.31	\$0.96	\$ 0.55
Diluted	\$0.05	\$ 0.30	\$0.96	\$ 0.55

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(dollars in millions)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
Net income	\$7	\$42	\$131	\$75
Other comprehensive income (loss):				
Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities	(13)	10	(37)	20
Foreign currency translation adjustments	(2)	4	(5)	4
Income tax effect:				
Net unrealized gains (losses) on non-credit impaired available-for-sale securities	3	(4)	7	(7)
Retirement plan liability adjustments	2	—	2	—
Foreign currency translation adjustments	(1)	(2)	(1)	(2)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(11)	8	(34)	15
Reclassification adjustments included in net income:				
Net realized gains on available-for-sale securities	—	(4)	—	(8)
Income tax effect:				
Net realized gains on available-for-sale securities	—	1	—	2
Reclassification adjustments included in net income, net of tax	—	(3)	—	(6)
Other comprehensive income (loss), net of tax	(11)	5	(34)	9
Comprehensive income (loss)	\$(4)	\$47	\$97	\$84

See Notes to Condensed Consolidated Financial Statements (Unaudited).

ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

(dollars in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2018	\$ 1	\$ 1,560	\$ 11	\$ 1,706	\$ 3,278
Non-cash incentive compensation from SFH	—	110	—	—	110
Share-based compensation expense, net of forfeitures	—	13	—	—	13
Withholding tax on share-based compensation	—	(9)	—	—	(9)
Other comprehensive income (loss)	—	—	(34)	—	(34)
Impact of AOCI reclassification due to the Tax Act	—	—	2	(2)	—
Net income	—	—	—	131	131
Balance, June 30, 2018	\$ 1	\$ 1,674	\$ (21)	\$ 1,835	\$ 3,489
Balance, January 1, 2017	\$ 1	\$ 1,548	\$ (6)	\$ 1,523	\$ 3,066
Share-based compensation expense, net of forfeitures	—	9	—	—	9
Withholding tax on share-based compensation	—	(5)	—	—	(5)
Other comprehensive income	—	—	9	—	9
Net income	—	—	—	75	75
Balance, June 30, 2017	\$ 1	\$ 1,552	\$ 3	\$ 1,598	\$ 3,154

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

(dollars in millions)	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 131	\$ 75
Reconciling adjustments:		
Provision for finance receivable losses	514	481
Depreciation and amortization	131	182
Deferred income tax charge (benefit)	7	(11)
Net loss on repurchases and repayments of debt	8	28
Non-cash incentive compensation from SFH	110	—
Share-based compensation expense, net of forfeitures	13	9
Other	8	—
Cash flows due to changes in other assets and other liabilities	22	(24)
Net cash provided by operating activities	944	740
Cash flows from investing activities		
Net principal originations of finance receivables held for investment and held for sale	(1,116)	(884)
Available-for-sale securities purchased	(394)	(351)
Available-for-sale securities called, sold, and matured	280	382
Trading and other securities called, sold, and matured	20	6
Other, net	(30)	(7)
Net cash used for investing activities	(1,240)	(854)
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	3,739	2,633
Repayment of long-term debt	(3,776)	(2,254)
Withholding tax on share-based compensation	(9)	(5)
Net cash provided by (used for) financing activities	(46)	374
Net change in cash and cash equivalents and restricted cash and restricted cash equivalents	(342)	260
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period	1,485	1,147
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	\$ 1,143	\$ 1,407
Supplemental cash flow information		
Cash and cash equivalents	\$ 556	\$ 862
Restricted cash and restricted cash equivalents	587	545
Total cash and cash equivalents and restricted cash and restricted cash equivalents	\$ 1,143	\$ 1,407
Supplemental non-cash activities		
Transfer of finance receivables to real estate owned	\$ 3	\$ 5
Net unsettled investment security purchases	(1)	(3)

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

See Notes to Condensed Consolidated Financial Statements (Unaudited).

ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 30, 2018

1. Business and Basis of Presentation

OneMain Holdings, Inc. is referred to in this report as “OMH” or, collectively with its subsidiaries, whether directly or indirectly owned, the “Company,” “we,” “us,” or “our.” OMH is a Delaware corporation. At December 31, 2017, prior to the transactions described below, Springleaf Financial Holdings LLC (“SFH”), owned approximately 44% of OMH’s common stock. SFH was owned primarily by a private equity fund managed by an affiliate of Fortress.

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with SFH and the Company to acquire from SFH 54,937,500 shares of OMH common stock, par value \$0.01 per share, at a purchase price per share of \$26.00, representing the entire holdings of our stock beneficially owned by Fortress. This transaction closed on June 25, 2018 for an aggregate purchase price of approximately \$1.4 billion in cash.

The Share Purchase Agreement was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 4, 2018. Upon closing of the Apollo-Värde Transaction, we entered into an Amended and Restated Stockholders’ Agreement, the terms of which are described in our Current Report on Form 8-K, filed with the SEC on June 25, 2018. As disclosed in Note 21 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K, certain executives of the Company had previously been granted incentive units that only provide benefits (in the form of distributions) if SFH makes distributions to one or more of its common members that exceed specified amounts. In connection with the Apollo-Värde Transaction, certain executive officers who are holders of SFH incentive units received a distribution of approximately \$106 million in the aggregate from SFH as a result of their ownership interests in SFH. Although the distribution was not made by the Company or its subsidiaries, in accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of approximately \$106 million, with an equal and offsetting increase to additional paid-in-capital. The impact to the Company was non-cash, equity neutral and not tax deductible.

On February 21, 2018, OMH entered into an underwriting agreement among OMH, SFH and Morgan Stanley & Co. LLC as underwriter in connection with the sale by SFH of 4,179,678 shares of its common stock. These shares were beneficially owned by AIG Capital Corporation (“AIG”), a subsidiary of American International Group, Inc., and represented the entire holdings of our stock beneficially owned by AIG. In connection with this sale of our common stock by SFH, certain executive officers who are holders of SFH incentive units, as described above, received a distribution of approximately \$4 million in the first quarter of 2018. Consistent with the accounting for distribution from the Apollo-Värde Transaction described above, the Company recognized non-cash incentive compensation expense of approximately \$4 million, with an equal and offsetting increase to additional paid-in-capital. Again, the impact to the Company was non-cash, equity neutral and not tax deductible.

At June 30, 2018, the Apollo-Värde Group owned approximately 40.5% of OMH’s common stock.

OMH is a financial services holding company whose principal subsidiary is SFI. SFI’s principal subsidiary is SFC. On June 22, 2018, SFI entered into a contribution agreement with OMH, whereby OMH contributed all of the common interests of Independence to SFI. Immediately thereafter, SFI entered into a separate contribution agreement with SFC, pursuant to which SFI contributed all of the common interests of Independence to SFC. As a result of the contribution from SFI to SFC, Independence became a wholly owned direct subsidiary of SFC on June 22, 2018. Independence, through its wholly owned subsidiary OMFH and OMFH’s subsidiaries, and SFC engage in the consumer finance and insurance businesses.

BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using GAAP. These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements but does not include all disclosures required by GAAP. The statements include the accounts of OMH, its subsidiaries (all of which are wholly owned), and VIEs in which we hold a controlling financial interest and for which we are considered to be the primary beneficiary as of the financial statement date.

We eliminated all material intercompany accounts and transactions. We made judgments, estimates, and assumptions that affect amounts reported in our condensed consolidated financial statements and disclosures of contingent assets and liabilities. In management's opinion, the condensed consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. To conform to the 2018 presentation, we have reclassified certain items in prior periods of our condensed consolidated financial statements.

The condensed consolidated financial statements in this report should be read in conjunction with the consolidated financial statements and related notes included in our 2017 Annual Report on Form 10-K. We follow the same significant accounting policies for our interim reporting, except for the new accounting pronouncements subsequently adopted and disclosed in Note 2 below.

2. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Revenue Recognition

In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides a consistent revenue accounting model across industries. Management has reviewed this update and other ASUs that were subsequently issued to further clarify the implementation guidance outlined in ASU 2014-09. The Company's implementation efforts included the identification of revenue streams that are within the scope of the new guidance and the review of related contracts with customers to determine their effect on certain non-interest income items presented in our consolidated statements of operations and the additional presentation disclosures required. We concluded that substantially all of the Company's revenues are generated from activities that are outside the scope of this ASU. We adopted the amendments of this ASU as of January 1, 2018 and concluded they do not have a material impact on our consolidated financial statements.

Financial Instruments

In January of 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which simplifies the impairment assessment of equity investments. The update requires equity investments to be measured at fair value with changes recognized in net income. This ASU eliminates the requirement to disclose the methods and assumptions to estimate fair value for financial instruments, requires the use of the exit price for disclosure purposes, requires the change in liability due to a change in credit risk to be presented in other comprehensive income for financial liabilities measured under the fair value option, requires separate presentation of financial assets and liabilities by measurement category and form of asset (securities and loans), and clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. In February of 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall, which made technical corrections and improvements to the codification, specifically related to ASU 2016-01. The Company has adopted these ASUs as of January 1, 2018 using a cumulative-effect adjustment to the balance sheet. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) shall be applied prospectively to equity investments that exist as of the date of adoption of this update. We adopted all other amendments of these ASUs as of January 1, 2018 and presented this change on a retrospective basis for all periods presented. We concluded that these ASUs do not have a material impact on our consolidated financial statements.

In March of 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs, which amends the amortization period for certain purchased callable debt securities held at a premium. This ASU shortens the amortization period for the premium from the adjustment of yield over the contractual life of the instrument to the earliest call date. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. As the Company's existing accounting policy was in accordance with the amendments of this ASU, we elected to early adopt as of January 1, 2018 and concluded that it does not have a material impact on our consolidated financial statements.

Statement of Cash Flows

In August of 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

Income Taxes

In October of 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

In February of 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income: Reclassifications of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits the reclassification of stranded tax effects within accumulated other comprehensive income to retained earnings from the passage of the Tax Act. This update requires additional disclosures describing the nature of the stranded tax effects. The amendments within this ASU become effective for the Company for fiscal years beginning after January 1, 2019, with early adoption permitted. We elected to early adopt as of April 1, 2018 and reclassified \$2 million of stranded tax effects resulting in a decrease to retained earnings and an increase to accumulated other comprehensive income.

Compensation and Benefits

In March of 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, to improve the presentation of the net periodic pension cost and net periodic postretirement benefit costs. It requires that a company present the service cost component separately from other components of net benefit cost on the income statement. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

In May of 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation: Scope of Modification Accounting, which provides guidance on which changes to the terms or conditions of a share-based payment award requires an entity to apply modification accounting. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

Goodwill Impairment

In January of 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment, which simplifies the test for goodwill impairment by eliminating Step 2 of the impairment testing process. The amendments in this ASU will become effective for the Company for fiscal years beginning January 1, 2020. We elected to early adopt as of January 1, 2018 and concluded that it does not have a material impact on our consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Leases

In February of 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize a right-of-use asset and a liability for the obligation to make payments on leases with terms greater than 12 months and to disclose information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. Management has reviewed this update and other ASUs that were subsequently issued to further clarify the implementation guidance outlined in ASU 2016-02.

The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. The Company's cross-functional implementation team continues to make progress in line with the established project plan to ensure we comply with all updates from this ASU at the time of adoption. We are currently in the process of implementing a new leasing system that will allow us to better account for the leases in accordance with the new guidance. We are assessing new system updates to ensure both qualitative and quantitative data requirements will be met at the time of adoption. The Company's leases primarily consist of leased office space, automobiles and information technology equipment. At December 31, 2017, the Company had approximately \$180 million of minimum lease commitments from these operating leases (refer to Note 19 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K). The adoption of this ASU will result in an increase in our reported assets and liabilities on the consolidated balance sheets due to the recognition of the right-of-use asset and lease liability, and we are in the process of quantifying the expected impact.

Allowance for Finance Receivables Losses

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an “expected credit loss” approach rather than the “incurred loss” approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model will require earlier recognition of credit losses than the incurred loss approach. Therefore, we would expect changes in the allowance for finance receivable losses will be driven primarily by the nature and growth of the Company’s loan portfolio and the economic environment at that time.

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

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

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

The ASU will become effective for the Company for fiscal years beginning January 1, 2020. Early adoption is permitted for fiscal years beginning January 1, 2019. The Company’s cross-functional implementation team continues to make progress in line with the established project plan to ensure we comply with all updates from this ASU at the time of adoption. We continue to refine the development of an acceptable model to estimate the expected credit losses. After the model has been reviewed and validated in accordance with our governance policies, the Company will provide further disclosure regarding the estimated impact on our allowance for finance receivables losses. In addition to the development of the model, we are assessing the additional disclosure requirements from this update and the impact the adoption may have on any available-for-sale securities held by the Company. We believe the adoption of this ASU will have a material effect on our consolidated financial statements through an increase to the allowance for finance receivable losses and a corresponding one-time cumulative effect reduction to retained earnings in the consolidated balance sheet as of the beginning of the year of adoption. We are in the process of quantifying the expected impacts.

We do not believe that any other accounting pronouncements issued during the six months ended June 30, 2018, but not yet effective, would have a material impact on our consolidated financial statements or disclosures, if adopted.

3. Finance Receivables

Our finance receivable types include personal loans and other receivables as defined below:

- Personal loans — are secured by consumer goods, automobiles, or other personal property or are unsecured, typically non-revolving with a fixed-rate and a fixed, original term of three to six years.

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Other receivables — consist of our loan portfolios in a liquidating status. We ceased originating real estate loans in 2012 and purchasing retail sales contracts and revolving retail accounts in 2013. We continue to service or sub-service the liquidating real estate loans and retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts.

Beginning in 2018, we combined real estate and retail sales finance loans into “Other Receivables.” Previously, we presented real estate and retail sales finance loans as distinct receivable types. In order to conform to this new alignment, we have revised our prior period finance receivable disclosures.

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

(dollars in millions)	Personal Loans	Other Receivables	Total
June 30, 2018			
Gross receivables (a)(b)	\$15,216	\$ 123	\$15,339
Unearned points and fees	(176)	—	(176)
Accrued finance charges	219	1	220
Deferred origination costs	125	—	125
Total	\$15,384	\$ 124	\$15,508
December 31, 2017			
Gross receivables (a)(b)	\$14,664	\$ 133	\$14,797
Unearned points and fees	(168)	—	(168)
Accrued finance charges	210	1	211
Deferred origination costs	117	—	117
Total	\$14,823	\$ 134	\$14,957

(a) Gross receivables are defined as follows:

Finance receivables purchased as a performing receivable — gross finance receivables equal the UPB and the remaining unearned discount, net of premium established at the time of purchase to reflect the finance receivable balance at its initial fair value;

Finance receivables originated subsequent to the OneMain Acquisition and the Fortress Acquisition — gross finance receivables equal the UPB;

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

TDR finance receivables — gross finance receivables equal the UPB and, if applicable, the remaining unearned premium, net of discount established at the time of purchase if previously purchased as a performing receivable.

(b) As of January 1, 2018, we have reclassified unearned finance charges to gross receivables. To conform to this presentation, we have reclassified the prior period.

At June 30, 2018 and December 31, 2017, unused lines of credit extended to customers by the Company were immaterial.

CREDIT QUALITY INDICATOR

We consider the value and concentration of secured loans and the delinquency status of our finance receivables as our primary credit quality indicators. At June 30, 2018 and December 31, 2017, 44% and 43% of our personal loans were secured by titled collateral, respectively. We monitor delinquency trends to manage our exposure to credit risk. When finance receivables are 60 days contractually past due, we consider these accounts to be at an increased risk for loss and we transfer collection of these accounts to our centralized operations. At 90 days or more contractually past due, we consider our finance receivables to be nonperforming.

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

(dollars in millions)	Personal Loans	Other Receivables	Total
June 30, 2018			
Performing			
Current	\$ 14,766	\$ 95	\$ 14,861
30-59 days past due	193	9	202
60-89 days past due	133	3	136
Total performing	15,092	107	15,199
Nonperforming			
90-179 days past due	284	4	288
180 days or more past due	8	13	21
Total nonperforming	292	17	309
Total	\$ 15,384	\$ 124	\$ 15,508

December 31, 2017			
Performing			
Current	\$ 14,124	\$ 104	\$ 14,228
30-59 days past due	204	8	212
60-89 days past due	157	3	160
Total performing	14,485	115	14,600
Nonperforming			
90-179 days past due	332	4	336
180 days or more past due	6	15	21
Total nonperforming	338	19	357
Total	\$ 14,823	\$ 134	\$ 14,957

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

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

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

At June 30, 2018 and December 31, 2017, finance receivables held for sale totaled \$123 million and \$132 million, respectively, which include purchased credit impaired finance receivables, as well as TDR finance receivables. Therefore, we are presenting the financial information for our purchased credit impaired finance receivables and TDR finance receivables combined for finance receivables held for investment and finance receivables held for sale in the tables below. See Note 5 for further information on our finance receivables held for sale.

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

(dollars in millions)	June 30, 2018	December 31, 2017
OM Loans		
Carrying amount, net of allowance	\$ 127	\$ 176
Outstanding balance (a)	180	243
Allowance for purchased credit impaired finance receivable losses	—	6
FA Loans (b)		
Carrying amount, net of allowance	\$ 53	\$ 57
Outstanding balance (a)	90	94
Allowance for purchased credit impaired finance receivable losses	9	9

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

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

(dollars in millions)	June 30, 2018	December 31, 2017
Carrying amount	\$ 41	\$ 44
Outstanding balance	68	72

The allowance for purchased credit impaired finance receivable losses reflects the carrying value of the purchased credit impaired loans held for investment being higher than the present value of the expected cash flows.

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

(dollars in millions)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
OM Loans				
Balance at beginning of period	\$49	\$48	\$47	\$59
Accretion	(8)	(9)	(14)	(20)
Reclassifications from (to) nonaccretable difference *	11	10	19	10
Balance at end of period	\$52	\$49	\$52	\$49
FA Loans				
Balance at beginning of period	\$52	\$59	\$53	\$60
Accretion	(1)	(2)	(2)	(3)
Reclassifications from (to) nonaccretable difference *	—	(2)	—	(2)
Balance at end of period	\$51	\$55	\$51	\$55

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

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TDR FINANCE RECEIVABLES

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

(dollars in millions)	Personal Loans	Other Receivables (a)	Total
June 30, 2018			
TDR gross finance receivables (b)	\$ 377	\$ 136	\$513
TDR net finance receivables	380	136	516
Allowance for TDR finance receivable losses	158	12	170
December 31, 2017			
TDR gross finance receivables (b)	\$ 318	\$ 139	\$457
TDR net finance receivables	318	140	458
Allowance for TDR finance receivable losses	135	12	147

(a) Other Receivables held for sale included in the table above were as follows:

(dollars in millions)	June 30, December	
	2018	31, 2017
TDR gross finance receivables	\$ 87	\$ 90
TDR net finance receivables	87	91

(b) As defined earlier in this Note.

As of June 30, 2018, we had no commitments to lend additional funds on our TDR finance receivables.

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

(dollars in millions)	Personal Loans	Other Receivables *	Total
Three Months Ended June 30, 2018			
TDR average net receivables	\$ 367	\$ 137	\$504
TDR finance charges recognized	11	2	13
Three Months Ended June 30, 2017			
TDR average net receivables	\$ 197	\$ 140	\$337
TDR finance charges recognized	9	2	11
Six Months Ended June 30, 2018			
TDR average net receivables	\$ 352	\$ 138	\$490
TDR finance charges recognized	22	4	26
Six Months Ended June 30, 2017			
TDR average net receivables	\$ 175	\$ 138	\$313

TDR finance charges recognized	15	4	19
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* Other Receivables held for sale included in the table above were as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
(dollars in millions)				
TDR average net receivables	\$88	\$91	\$89	\$90
TDR finance charges recognized	2	2	3	3

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

(dollars in millions)	Personal Loans	Other Receivables (a)	Total
Three Months Ended June 30, 2018			
Pre-modification TDR net finance receivables	\$ 84	\$ —	\$ 84
Post-modification TDR net finance receivables:			
Rate reduction	\$ 63	\$ —	\$ 63
Other (b)	21	—	21
Total post-modification TDR net finance receivables	\$ 84	\$ —	\$ 84
Number of TDR accounts	12,778	15	12,793
Three Months Ended June 30, 2017			
Pre-modification TDR net finance receivables	\$ 115	\$ 10	\$ 125
Post-modification TDR net finance receivables:			
Rate reduction	\$ 79	\$ 10	\$ 89
Other (b)	35	—	35
Total post-modification TDR net finance receivables	\$ 114	\$ 10	\$ 124
Number of TDR accounts	14,583	350	14,933
Six Months Ended June 30, 2018			
Pre-modification TDR net finance receivables	\$ 179	\$ 2	\$ 181
Post-modification TDR net finance receivables:			
Rate reduction	\$ 132	\$ 2	\$ 134
Other (b)	47	—	47
Total post-modification TDR net finance receivables	\$ 179	\$ 2	\$ 181
Number of TDR accounts	27,508	44	27,552
Six Months Ended June 30, 2017			
Pre-modification TDR net finance receivables	\$ 159	\$ 13	\$ 172
Post-modification TDR net finance receivables:			
Rate reduction	\$ 118	\$ 13	\$ 131
Other (b)	39	—	39
Total post-modification TDR net finance receivables	\$ 157	\$ 13	\$ 170
Number of TDR accounts	21,021	414	21,435

(a) Other Receivables held for sale included in the table above were immaterial.

(b) “Other” modifications primarily include potential principal and interest forgiveness contingent on future payment performance by the borrower under the modified terms.

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

(dollars in millions)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	2018	2017	2018	2017
TDR net finance receivables *	\$ 18	\$ 30	\$ 35	\$ 42
Number of TDR accounts	2,624,805	5,341,598		

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

TDR other receivables for the three and six months ended June 30, 2018 and 2017 that defaulted during the previous 12-month period were immaterial.

4. Allowance for Finance Receivable Losses

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

(dollars in millions)	Personal Loans	Other Receivables	Total
Three Months Ended June 30, 2018			
Balance at beginning of period	\$ 665	\$ 24	\$ 689
Provision for finance receivable losses	261	(1)	260
Charge-offs	(278)	—	(278)
Recoveries	30	1	31
Balance at end of period	\$ 678	\$ 24	\$ 702
Three Months Ended June 30, 2017			
Balance at beginning of period	\$ 646	\$ 20	\$ 666
Provision for finance receivable losses	235	1	236
Charge-offs	(253)	(2)	(255)
Recoveries	28	1	29
Balance at end of period	\$ 656	\$ 20	\$ 676
Six Months Ended June 30, 2018			
Balance at beginning of period	\$ 673	\$ 24	\$ 697
Provision for finance receivable losses	515	(1)	514
Charge-offs	(567)	(1)	(568)
Recoveries	57	2	59
Balance at end of period	\$ 678	\$ 24	\$ 702
Six Months Ended June 30, 2017			
Balance at beginning of period	\$ 669	\$ 20	\$ 689
Provision for finance receivable losses	479	2	481

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Charge-offs	(549)	(3)	(552)
Recoveries	57	1	58
Balance at end of period	\$ 656	\$ 20	\$676

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

(dollars in millions)	Personal Loans	Other Receivables	Total			
June 30, 2018						
Allowance for finance receivable losses:						
Collectively evaluated for impairment	\$520	\$ 3	\$523			
Purchased credit impaired finance receivables	—	9	9			
TDR finance receivables	158	12	170			
Total	\$678	\$ 24	\$702			
Finance receivables:						
Collectively evaluated for impairment	\$14,877	\$ 54	\$14,931			
Purchased credit impaired finance receivables	127	21	148			
TDR finance receivables	380	49	429			
Total	\$15,384	\$ 124	\$15,508			
Allowance for finance receivable losses as a percentage of finance receivables	4.41	%	19.25	%	4.53	%
December 31, 2017						
Allowance for finance receivable losses:						
Collectively evaluated for impairment	\$532	\$ 3	\$535			
Purchased credit impaired finance receivables	6	9	15			
TDR finance receivables	135	12	147			
Total	\$673	\$ 24	\$697			
Finance receivables:						
Collectively evaluated for impairment	\$14,323	\$ 63	\$14,386			
Purchased credit impaired finance receivables	182	22	204			
TDR finance receivables	318	49	367			
Total	\$14,823	\$ 134	\$14,957			
Allowance for finance receivable losses as a percentage of finance receivables	4.53	%	18.27	%	4.66	%

5. Finance Receivables Held for Sale

We reported finance receivables held for sale of \$123 million at June 30, 2018 and \$132 million at December 31, 2017, which are carried at the lower of cost or fair value and consist entirely of real estate loans. At June 30, 2018 and December 31, 2017, the fair value of our finance receivables held for sale exceeded the cost. We used the aggregate basis to determine the lower of cost or fair value of finance receivables held for sale.

We did not have any material transfers to or from finance receivables held for sale during the three and six months ended June 30, 2018 and 2017.

6. Investment Securities

AVAILABLE-FOR-SALE SECURITIES

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

(dollars in millions)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2018				
Fixed maturity available-for-sale securities:				
U.S. government and government sponsored entities	\$ 23	\$ —	\$ —	\$23
Obligations of states, municipalities, and political subdivisions	135	—	(1)	134
Certificates of deposit and commercial paper	26	—	—	26
Non-U.S. government and government sponsored entities	134	—	(2)	132
Corporate debt	1,034	3	(26)	1,011
Mortgage-backed, asset-backed, and collateralized:				
RMBS	118	1	(3)	116
CMBS	83	—	(1)	82
CDO/ABS	95	—	(1)	94
Total	\$ 1,648	\$ 4	\$ (34)	\$1,618
December 31, 2017				
Fixed maturity available-for-sale securities:				
U.S. government and government sponsored entities	\$ 28	\$ —	\$ —	\$28
Obligations of states, municipalities, and political subdivisions	135	—	—	135
Certificates of deposit and commercial paper	60	—	—	60
Non-U.S. government and government sponsored entities	126	—	(1)	125
Corporate debt	941	12	(5)	948
Mortgage-backed, asset-backed, and collateralized:				
RMBS	100	—	(1)	99
CMBS	88	—	(1)	87
CDO/ABS	96	—	—	96
Total	\$ 1,574	\$ 12	\$ (8)	\$1,578

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

(dollars in millions)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses
June 30, 2018						
U.S. government and government sponsored entities	\$ 12	\$ —	\$ 8	\$ —	\$ 20	\$ —
Obligations of states, municipalities, and political subdivisions	84	(1)	17	—	101	(1)
Non-U.S. government and government sponsored entities	63	(1)	57	(1)	120	(2)
Corporate debt	741	(22)	99	(4)	840	(26)
RMBS	80	(2)	32	(1)	112	(3)
CMBS	42	—	33	(1)	75	(1)
CDO/ABS						