NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-Q
April 01, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-10345

Nuveen Dividend Advantage Municipal Fund 3
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: 312-917-7700

Date of fiscal year end: 10/31

Date of reporting period: 1/31/13

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)
Nuveen Dividend Advantage Municipal Fund 3 (NZF)
January 31, 2013

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	Municipal Bonds – 135.9% (98.5% of Total Investments)			
	Alabama – 0.6% (0.4% of Total Investments)			
$ 3,500	Alabama Special Care Facilities Financing Authority, Revenue Bonds, Ascension Health, Series 2006C-2, 5.000%, 11/15/36 (UB)	11/16 at 100.00	AA+	$ 3,773,000
	Alaska – 0.1% (0.1% of Total Investments)			
1,000	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A, 5.000%, 6/01/46	6/14 at 100.00	B+	883,830
	Arizona – 2.0% (1.5% of Total Investments)			
3,390	Arizona State Transportation Board, Highway Revenue Bonds, Series 2008, Trust 3151, 13.721%, 7/01/16 (IF)	No Opt. Call	AAA	4,919,873
5,000	Phoenix Civic Improvement Corporation, Arizona, Subordinate Excise Tax Revenue Bonds, Civic Plaza Expansion Project, Series 2005A, 5.000%, 7/01/30 – FGIC Insured	7/15 at 100.00	AA	5,382,800
2,200	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Citigroup Energy Inc Prepay Contract Obligations, Series 2007, 5.000%, 12/01/37	No Opt. Call	A–	2,528,592
10,590	Total Arizona			12,831,265
	California – 13.0% (9.4% of Total Investments)			
	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A:			
2,220	5.000%, 3/01/28 (Pre-refunded 3/01/13)	3/13 at 100.00	A (4)	2,228,813

140	5.000%, 3/01/33 (Pre-refunded 3/01/13)	3/13 at 100.00	A (4)	140,556
1,670	California Health Facilities Financing Authority, Refunding Revenue Bonds, Stanford Hospital and Clinics, Series 2008A-2. RMKT, 5.250%, 11/15/40	11/21 at 100.00	AA–	1,921,419
3,400	California Health Facilities Financing Authority, Revenue Bonds, Providence Health & Services, Series 2009B, 5.500%, 10/01/39	10/19 at 100.00	AA	3,891,198
2,900	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, 2007A, 5.000%, 11/15/42 (UB)	11/16 at 100.00	AA–	3,159,318
5,355	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Tender Option Bond Trust 3175, 13.861%, 5/15/14 (IF)	No Opt. Call	AA–	8,265,014
20	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 – NPFG Insured (Alternative Minimum Tax)	4/13 at 100.00	AA	20,036
	Ceres Unified School District, Stanislaus County, California, General Obligation Bonds, Series 2002B:			
2,180	0.000%, 8/01/31 – FGIC Insured	4/13 at 34.31	A+	738,737
3,300	0.000%, 8/01/32 – FGIC Insured	4/13 at 32.32	A+	1,053,393
2,995	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.250%, 6/01/33 (Pre-refunded 6/01/13)	6/13 at 100.00	Aaa	3,055,679
11,865	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.00	B	10,238,664
7,150	Grossmont Healthcare District, California, General Obligation Bonds, Series 2011B, 6.125%, 7/15/40	7/21 at 100.00	Aa2	8,787,851
10,000	Los Angeles Department of Water and Power, California, Waterworks Revenue Bonds, Series 2011A, 5.000%, 7/01/41	1/21 at 100.00	AA	11,388,500
2,750	Los Angeles Regional Airports Improvement Corporation, California, Lease Revenue Refunding Bonds, LAXFUEL Corporation at Los Angeles International Airport, Series 2012, 4.500%, 1/01/27 (Alternative Minimum Tax)	1/22 at 100.00	A	2,988,645

12,000	Palomar Pomerado Health, California, General Obligation Bonds, Convertible Capital Appreciation, Election 2004 Series 2010A, 0.000%, 8/01/40	8/30 at 100.00	A+	9,753,000
3,850	Placentia-Yorba Linda Unified School District, Orange County, California, Certificates of Participation, Series 2011, 0.000%, 10/01/28 – AGM Insured	10/21 at 100.00	AA–	3,667,010
3,550	San Buenaventura, California, Revenue Bonds, Community Memorial Health System, Series 2011, 7.500%, 12/01/41	12/21 at 100.00	BB	4,349,460
3,000	San Diego Community College District, California, General Obligation Bonds, Tender Option Bond Trust 1005, 13.606%, 8/01/41 (IF)	8/21 at 100.00	AA+	4,411,110
10,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 – NPFG Insured	No Opt. Call	BBB	3,071,100
3,000	San Mateo County Community College District, California, General Obligation Bonds, Series 2006C, 0.000%, 9/01/30 – NPFG Insured	No Opt. Call	Aaa	1,546,290
91,345	Total California			84,675,793
	Colorado – 4.5% (3.3% of Total Investments)			
1,495	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek Education Center, Series 2002A, 7.625%, 3/15/32 (Pre-refunded 3/15/13)	3/13 at 100.00	N/R (4)	1,507,812
2,950	Colorado Educational and Cultural Facilities Authority, Revenue Bonds, Montessori Peaks Academy, Series 2006A, 5.400%, 5/01/26	5/16 at 102.00	N/R	2,815,421
865	Colorado Housing Finance Authority, Multifamily Project Bonds, Class I, Series 2001A-1, 5.500%, 4/01/31 (Alternative Minimum Tax)	4/13 at 100.00	AAA	866,150
5,000	Compark Business Campus Metropolitan District, Colorado, General Obligation Limited Tax Bonds, Series 2007A, 5.600%, 12/01/34 – RAAI Insured	12/17 at 100.00	N/R	4,864,550
	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006:			
5,365	5.000%, 11/15/23 – FGIC Insured	11/16 at 100.00	A+	6,113,578

3,300	5.000%, 11/15/24 – FGIC Insured	11/16 at 100.00	A+	3,719,892
4,335	5.000%, 11/15/25 – FGIC Insured	11/16 at 100.00	A+	4,886,585
	Maher Ranch Metropolitan District 4, Colorado, General Obligation Limited Tax Bonds, Series 2007:			
950	5.125%, 12/01/27 – RAAI Insured	12/17 at 100.00	N/R	946,998
2,000	5.250%, 12/01/36 – RAAI Insured	12/17 at 100.00	N/R	1,921,060
1,000				

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)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 1,807	$ 987
Investment securities	1,706	1,697
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $10.0 billion in 2018 and $9.8 billion in 2017)	14,858	14,823
Other receivables	129	134
Net finance receivables	14,987	14,957
Unearned insurance premium and claim reserves	(585)	(590)
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $461 million in 2018 and $465 million in 2017)	(689)	(697)
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	13,713	13,670
Finance receivables held for sale	126	132
Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of $657 million in 2018 and $482 million in 2017)	679	498
Goodwill	1,422	1,422
Other intangible assets	428	440
Other assets	586	587
Total assets	$ 20,467	$ 19,433
Liabilities and Shareholders' Equity		
Long-term debt (includes debt of consolidated VIEs of $9.0 billion in 2018 and $8.7 billion in 2017)	$ 15,898	$ 15,050
Insurance claims and policyholder liabilities	728	737
Deferred and accrued taxes	72	45
Other liabilities (includes other liabilities of consolidated VIEs of $15 million in 2018 and $14 million in 2017)	387	323
Total liabilities	17,085	16,155
Commitments and contingent liabilities (Note 14)		
Shareholders' equity:		
Common stock, par value $.01 per share; 2,000,000,000 shares authorized, 135,696,512 and 135,349,638 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1	1
Additional paid-in capital	1,563	1,560

Accumulated other comprehensive income (loss)	(12)	11
Retained earnings	1,830	1,706
Total shareholders' equity	3,382	3,278
Total liabilities and shareholders' equity	$ 20,467	$ 19,433

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions, except per share amounts)	Three Months Ended March 31, 2018	2017
Interest income:		
Finance charges	$859	$ 756
Finance receivables held for sale originated as held for investment	3	3
Total interest income	862	759
Interest expense	200	202
Net interest income	662	557
Provision for finance receivable losses	254	245
Net interest income after provision for finance receivable losses	408	312
Other revenues:		
Insurance	105	103
Investment	13	19
Other	19	19
Total other revenues	137	141
Other expenses:		
Operating expenses:		
Salaries and benefits	194	186
Acquisition-related transaction and integration expenses	10	23
Other operating expenses	128	142
Insurance policy benefits and claims	45	45
Total other expenses	377	396
Income before income taxes	168	57
Income taxes	44	24
Net income	$124	$ 33
Share Data:		
Weighted average number of shares outstanding:		
Basic	135,596,272	135,218,586
Diluted	135,891,296	135,673,167
Earnings per share:		
Basic	$0.91	$ 0.25
Diluted	$0.91	$ 0.25

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Three Months Ended March 31, 2018	2017
Net income	$124	$33
Other comprehensive income (loss):		
Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities	(24)	10
Foreign currency translation adjustments	(3)	—
Income tax effect:		
Net unrealized gains (losses) on non-credit impaired available-for-sale securities	4	(3)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(23)	7
Reclassification adjustments included in net income:		
Net realized gains on available-for-sale securities	—	(4)
Income tax effect:		
Net realized gains on available-for-sale securities	—	1
Reclassification adjustments included in net income, net of tax	—	(3)
Other comprehensive income (loss), net of tax	(23)	4
Comprehensive income	$101	$37

See Notes to Condensed Consolidated Financial Statements.

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 Initial Stockholder	—	4	—	—	4
Share-based compensation expense, net of forfeitures	—	5	—	—	5
Withholding tax on share-based compensation	—	(6)	—	—	(6)
Other comprehensive income	—	—	(23)	—	(23)
Net income	—	—	—	124	124
Balance, March 31, 2018	$ 1	$ 1,563	$ (12)	$ 1,830	$ 3,382
Balance, January 1, 2017	$ 1	$ 1,548	$ (6)	$ 1,523	$ 3,066
Share-based compensation expense, net of forfeitures	—	7	—	—	7
Withholding tax on share-based compensation	—	(5)	—	—	(5)
Other comprehensive income	—	—	4	—	4
Net income	—	—	—	33	33
Balance, March 31, 2017	$ 1	$ 1,550	$ (2)	$ 1,556	$ 3,105

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Three Months Ended March 31, 2018	2017
Cash flows from operating activities		
Net income	$124	$33
Reconciling adjustments:		
Provision for finance receivable losses	254	245
Depreciation and amortization	67	98
Deferred income tax charge	11	25
Non-cash incentive compensation from Initial Stockholder	4	—
Share-based compensation expense, net of forfeitures	5	7
Other	7	(2)
Cash flows due to changes in other assets and other liabilities	83	38
Net cash provided by operating activities	555	444
Cash flows from investing activities		
Net principal collections (originations) of finance receivables held for investment and held for sale	(333)	30
Available-for-sale securities purchased	(197)	(132)
Available-for-sale securities called, sold, and matured	156	162
Trading and Other Securities called, sold, and matured	8	—
Other, net	(15)	(1)
Net cash provided by (used for) investing activities	(381)	59
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	2,805	366
Repayment of long-term debt	(1,972)	(666)
Withholding tax on share-based compensation	(6)	(5)
Net cash provided by (used for) financing activities	827	(305)
Net change in cash and cash equivalents and restricted cash and restricted cash equivalents	1,001	198
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	$2,486	$1,345
Supplemental cash flow information		
Cash and cash equivalents	$1,807	$787
Restricted cash and restricted cash equivalents	679	558
Total cash and cash equivalents and restricted cash and restricted cash equivalents	$2,486	$1,345
Supplemental non-cash activities		
Net unsettled investment security purchases	(5)	(19)

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.

ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 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 March 31, 2018, the Initial Stockholder owned approximately 40.5% of OMH's common stock. The Initial Stockholder is owned by a private equity fund managed by an affiliate of Fortress. On December 27, 2017, SoftBank acquired Fortress and Fortress now operates within SoftBank as an independent business headquartered in New York.

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with the Initial Stockholder and the Company to acquire from the Initial Stockholder 54,937,500 shares of OMH common stock representing the entire holdings of our stock beneficially owned by Fortress. This transaction is expected to close in the second quarter of 2018 and is subject to regulatory approvals and other customary closing conditions.

On February 21, 2018, OMH entered into an underwriting agreement among OMH, the Initial Stockholder and Morgan Stanley & Co. LLC as underwriter in connection with the sale by Springleaf Financial Holdings, LLC 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. 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 the Initial Stockholder makes distributions to one or more of its common members that exceed specified amounts. In connection with the sale of our common stock by the Initial Stockholder on February 21, 2018, certain of the specified thresholds were satisfied. In accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of $4 million in the first quarter of 2018 related to the incentive units with a capital contribution offset such that the impact to overall shareholders' equity was neutral.

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

BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using GAAP. These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements but does not include all disclosures required by GAAP. The statements include the accounts of OMH, its subsidiaries (all of which are wholly owned), 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 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 ASU's 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 these ASU's as of January 1, 2018 and concluded that it does 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 ASU's 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 ASU's as of January 1, 2018 and presented this change on a retrospective basis for all periods presented. We concluded that this ASU does 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 it does 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 it does not have a material impact on our consolidated financial statements.

Compensation and Benefits

In March of 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, to improve the presentation of the net periodic pension cost and net periodic postretirement benefit costs. It requires that a company present 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 it does 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 it does 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 ASU’s 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 has developed a 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 has developed a project plan to ensure we comply with all updates from this ASU at the time of adoption. We continue to make progress in developing 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. 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.

Income Taxes

In February of 2018, the FASB issued ASU 2018-02, Income Statement-Reporting 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 believe that the adoption of this ASU will not have a material impact on our consolidated financial statements.

We do not believe that any other accounting pronouncements issued during the three months ended March 31, 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.

- Other receivables — consist of our loan portfolios in a liquidating status. We ceased originating real estate loans and purchasing retail sales contracts and revolving retail accounts. 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
March 31, 2018			
Gross receivables (a)(b)	$14,710	$ 128	$14,838
Unearned points and fees	(169)	—	(169)
Accrued finance charges	198	1	199
Deferred origination costs	119	—	119
Total	$14,858	$ 129	$14,987
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 premium, net of discount 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 March 31, 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 recoverability of collateral, if any, securing a loan at loan origination and the delinquency status of our finance receivables as our primary credit quality indicators. At March 31, 2018 and December 31, 2017, 43% of our personal loans were secured by titled collateral. 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.

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

(dollars in millions)	Personal Loans	Other Receivables	Total
March 31, 2018			
Performing			
Current	$14,213	$ 103	$14,316
30-59 days past due	174	7	181
60-89 days past due	134	2	136
Total performing	14,521	112	14,633
Nonperforming			
90-179 days past due	329	3	332
180 days or more past due	8	14	22
Total nonperforming	337	17	354
Total	$14,858	$ 129	$14,987
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 March 31, 2018 and December 31, 2017, finance receivables held for sale totaled $126 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)	March 31, 2018	December 31, 2017
OM Loans		
Carrying amount, net of allowance	$ 152	$ 176
Outstanding balance (a)	209	243
Allowance for purchased credit impaired finance receivable losses	—	6
FA Loans (b)		
Carrying amount, net of allowance	$ 54	$ 57
Outstanding balance (a)	91	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)	March 31, 2018	December 31, 2017
Carrying amount	$ 42	$ 44
Outstanding balance	69	72

The allowance for purchased credit impaired finance receivable losses at March 31, 2018 and December 31, 2017, reflected 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 March 31, 2018	2017
OM Loans		
Balance at beginning of period	$47	$59
Accretion	(6)	(11)
Reclassifications from nonaccretable difference (a)	8	—
Balance at end of period	$49	$48
FA Loans		
Balance at beginning of period	$53	$60
Accretion (b)	(1)	(1)

Balance at end of period	$52	$59

(a) Reclassifications from nonaccretable difference represents the increases in accretable yield resulting from higher estimated undiscounted cash flows.

(b) Accretion on our purchased credit impaired FA Loans held for sale included in the table above were immaterial for the three months ended March 31, 2018 and 2017.

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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
March 31, 2018			
TDR gross finance receivables (b)	$ 356	$ 138	$494
TDR net finance receivables	355	139	494
Allowance for TDR finance receivable losses	153	12	165
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)	March 31, 2018	December 31, 2017
TDR gross finance receivables	$ 88	$ 90
TDR net finance receivables	89	91

(b) As defined earlier in this Note.

As of March 31, 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 March 31, 2018			
TDR average net receivables	$ 337	$ 139	$476
TDR finance charges recognized	11	2	13
Three Months Ended March 31, 2017			
TDR average net receivables	$ 153	$ 134	$287
TDR finance charges recognized	6	2	8

* Other Receivables held for sale included in the table above were as follows:

	Three Months Ended March 31,

(dollars in millions)	2018	2017
TDR average net receivables	$90	$ 89
TDR finance charges recognized	1	1

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

(dollars in millions)	Personal Loans	Other Receivables (a)	Total
Three Months Ended March 31, 2018			
Pre-modification TDR net finance receivables	$ 94	$ 2	$ 96
Post-modification TDR net finance receivables:			
Rate reduction	$ 70	$ 2	$ 72
Other (b)	24	—	24
Total post-modification TDR net finance receivables	$ 94	$ 2	$ 96
Number of TDR accounts	14,730	29	14,759
Three Months Ended March 31, 2017			
Pre-modification TDR net finance receivables	$ 44	$ 3	$ 47
Post-modification TDR net finance receivables:			
Rate reduction	$ 39	$ 3	$ 42
Other (b)	4	—	4
Total post-modification TDR net finance receivables	$ 43	$ 3	$ 46
Number of TDR accounts	6,438	64	6,502

(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.

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 March 31, 2018	2017
TDR net finance receivables *	$ 18	$ 12
Number of TDR accounts	2,719	1,793

* 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 months ended March 31, 2018 and 2017 that defaulted during the previous 12-month period were immaterial.

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4. Allowance for Finance Receivable Losses

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

(dollars in millions)	Personal Loans	Other Receivables	Consolidated Total
Three Months Ended March 31, 2018			
Balance at beginning of period	$ 673	$ 24	$ 697
Provision for finance receivable losses	254	—	254
Charge-offs	(289)	(1)	(290)
Recoveries	27	1	28
Balance at end of period	$ 665	$ 24	$ 689
Three Months Ended March 31, 2017			
Balance at beginning of period	$ 669	$ 20	$ 689
Provision for finance receivable losses	244	1	245
Charge-offs	(296)	(1)	(297)
Recoveries	29	—	29
Balance at end of period	$ 646	$ 20	$ 666

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
March 31, 2018			
Allowance for finance receivable losses:			
Collectively evaluated for impairment	$512	$ 3	$515
Purchased credit impaired finance receivables	—	9	9
TDR finance receivables	153	12	165
Total	$665	$ 24	$689
Finance receivables:			
Collectively evaluated for impairment	$14,351	$ 58	$14,409
Purchased credit impaired finance receivables	152	21	173
TDR finance receivables	355	50	405
Total	$14,858	$ 129	$14,987
Allowance for finance receivable losses as a percentage of finance receivables	4.47 %	18.72 %	4.60 %
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 %

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5. Finance Receivables Held for Sale

We report finance receivables held for sale of $126 million at March 31, 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 March 31, 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 months ended March 31, 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
March 31, 2018				
Fixed maturity available-for-sale securities:				
U.S. government and government sponsored entities	$ 29	$ —	$ —	$29
Obligations of states, municipalities, and political subdivisions	132	—	(1)	131
Certificates of deposit and commercial paper	39	—	—	39
Non-U.S. government and government sponsored entities	128	1	(2)	127
Corporate debt	980	5	(16)	969
Mortgage-backed, asset-backed, and collateralized:				
RMBS	122	—	(3)	119
CMBS	86	—	(1)	85
CDO/ABS	99	—	(1)	98
Total	$ 1,615	$ 6	$ (24)	$1,597
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 Fair Value	Less Than 12 Months Unrealized Losses *	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses *	Total Fair Value	Total Unrealized Losses
March 31, 2018						
U.S. government and government sponsored entities	$ 18	$ —	$ 10	$ —	$28	$ —
Obligations of states, municipalities, and political subdivisions	91	(1)	19	—	110	(1)
Non-U.S. government and government sponsored entities	100	(2)	12	—	112	(2)
Corporate debt	669	(13)	86	(3)	755	(16)
RMBS	71	(2)	24	(1)	95	(3)
CMBS	45	—	34	(1)	79	(1)
CDO/ABS	56	(1)	23	—	79	(1)
Total	$ 1,050	$ (19)	$ 208	$ (5)	$1,258	$ (24)
December 31, 2017						
U.S. government and government sponsored entities	$ 21	$ —	$ 3	$ —	$24	$ —
Obligations of states, municipalities, and political subdivisions	65	—	20	—	85	—
Non-U.S. government and government sponsored entities	89	(1)	13	—	102	(1)
Corporate debt	387	(3)	93	(2)	480	(5)
RMBS	40	—	25	(1)	65	(1)
CMBS	40	—	38	(1)	78	(1)
CDO/ABS	48	—	26	—	74	—
Total	$ 690	$ (4)	$ 218	$ (4)	$908	$ (8)

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

On a lot basis, we had 1,718 and 1,229 investment securities in an unrealized loss position at March 31, 2018 and December 31, 2017, respectively. We do not consider the unrealized losses to be credit-related, as these unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. Additionally, at March 31, 2018, we had no plans to sell any investment securities with unrealized losses, and we believe it is more likely than not that we would not be required to sell such investment securities before recovery of their amortized cost.

We continue to monitor unrealized loss positions for potential impairments. During the three months ended March 31, 2018 and 2017, we recognized less than $1 million of other-than-temporary impairment credit losses on our available-for-sale securities in investment revenues.

During the three months ended March 31, 2018 and 2017, there were no material additions or reductions in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired available-for-sale securities.

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

(dollars in millions)	Three Months Ended March 31, 2018	2017
Proceeds from sales and redemptions	$71	$113
Net realized gains *	$—	$4

* Realized losses on available-for-sale securities sold or redeemed during the three months ended March 31, 2018 and 2017 were less than $1 million.

Contractual maturities of fixed-maturity available-for-sale securities at March 31, 2018 were as follows:

(dollars in millions)	Fair Value	Amortized Cost
Fixed maturities, excluding mortgage-backed, asset-backed, and collateralized securities:		
Due in 1 year or less	$166	$ 166
Due after 1 year through 5 years	556	562
Due after 5 years through 10 years	363	369
Due after 10 years	210	211
Mortgage-backed, asset-backed, and collateralized securities	302	307
Total	$1,597	$ 1,615

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

The fair value of securities on deposit with third parties totaled $493 million and $537 million at March 31, 2018 and December 31, 2017, respectively.

OTHER SECURITIES

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

(dollars in millions)	March 31, 2018	December 31, 2017
Fixed maturity other securities:		
Bonds		
Non-U.S. government and government sponsored entities	$ 1	$ 1
Corporate debt	62	68
Mortgage-backed, asset-backed, and collateralized:		
RMBS	1	1
CDO/ABS	3	4
Total bonds	67	74

Preferred stock *	19	20
Common stock *	22	23
Other long-term investments	1	1
Total	$ 109	$ 118

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

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Unrealized gains (losses) on other securities held at March 31, 2018 and 2017 were $2 million for the three months ended March 31, 2018 and were immaterial for the three months ended March 31, 2017. Net realized gains (losses) on other securities sold or redeemed during the 2018 and 2017 periods were immaterial for the three months ended March 31, 2018 and 2017. We report these gains and losses in investment revenues.

7. Transactions with Affiliates

SUBSERVICING AGREEMENT

Nationstar subservices the real estate loans of certain of our indirect subsidiaries. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar. On February 12, 2018, Nationstar's parent, Nationstar Mortgage Holdings Inc. ("NSM"), entered into an Agreement and Plan of Merger (the "Merger Agreement"). In connection with the closing of the transactions contemplated by the Merger Agreement, investment funds managed by affiliates of Fortress have agreed to elect to receive cash merger consideration with respect to no less than 50% of the shares in NSM held by such funds and, following such closing, will no longer indirectly own a majority interest in Nationstar. The subservicing fees paid to Nationstar were immaterial for the three months ended March 31, 2018 and 2017.

SERVICING AGREEMENT

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

Unless we are terminated, we will continue as the servicer of the SpringCastle Portfolio for the SpringCastle Funding Trust pursuant to a servicing agreement. Servicing fees revenue totaled $8 million for the three months ended March 31, 2018, compared to $10 million for the three months ended March 31, 2017. At March 31, 2018 and December 31, 2017, the servicing fees receivable from the SpringCastle Funding Trust totaled $3 million.

8. Long-term Debt

Principal maturities of long-term debt (excluding projected repayments on securitizations and revolving conduit facilities by period) by type of debt at March 31, 2018 were as follows:

(dollars in millions)	Senior Debt Securitizations	Medium Term Notes	Junior Subordinated Debt	Total
Interest rates (a)	2.04% - 6.94%	5.25% - 8.25%	3.47 %	
Second quarter 2018	$—	$400	$ —	$400
Remainder of 2018	—	—	—	—
2019	—	696	—	696
2020	—	1,299	—	1,299
2021	—	1,046	—	1,046
2022	—	1,000	—	1,000

2023-2067	—	2,424	350	2,774
Securitizations (b)	9,043	—	—	9,043
Total principal maturities	$9,043	$6,865	$ 350	$16,258
Total carrying amount	$9,015	$6,711	$ 172	$15,898
Debt issuance costs (c)	$(28)	$(45)	$ —	$(73)

(a) The interest rates shown are the range of contractual rates in effect at March 31, 2018. The interest rate on the UPB of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 3.47% as of March 31, 2018.

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(b) Securitizations have a stated maturity date but are not included in the above maturities by period due to their variable monthly repayments, which may result in pay-off prior to the stated maturity date. At March 31, 2018, there were no amounts drawn under our revolving conduit facilities. See Note 9 for further information on our long-term debt associated with securitizations and revolving conduit facilities.

(c) Debt issuance costs are reported as a direct deduction from long-term debt, with the exception of debt issuance costs associated with our revolving conduit facilities, which totaled $20 million at March 31, 2018 and are reported in other assets.

SFC'S OFFERING OF 6.875% SENIOR NOTES DUE 2025

On March 12, 2018, SFC issued $1.25 billion aggregate principal amount of 6.875% Senior Notes due 2025 (the "6.875% SFC Notes") under an Indenture dated as of December 3, 2014 (the "SFC Base Indenture"), as supplemented by a Fifth Supplemental Indenture, dated as of March 12, 2018 (the "SFC Fifth Supplemental Indenture" and, collectively, with the SFC Base Indenture, the SFC First Supplemental Indenture, the SFC Second Supplemental Indenture, the SFC Third Supplemental Indenture, and the SFC Fourth Supplemental Indenture, the "SFC Senior Notes Indentures"), pursuant to which OMH provided a guarantee of the 6.875% SFC Notes on an unsecured basis.

SFC intends to use the net proceeds from the sale of the 6.875% SFC Notes for general corporate purposes, which may include debt repurchases and repayments.

The 6.875% SFC Notes are SFC's senior unsecured obligations and rank equally in right of payment to all of SFC's other existing and future unsubordinated indebtedness from time to time outstanding. The notes are effectively subordinated to all of SFC's secured obligations to the extent of the value of the assets securing such obligations and structurally subordinated to any existing and future obligations of SFC's subsidiaries with respect to claims against the assets of such subsidiaries.

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

GUARANTY AGREEMENTS

OMH entered into the SFC Base Indenture and the following SFC supplemental indentures, pursuant to which OMH agreed to fully and unconditionally guarantee, on a senior unsecured basis the payments of principal, premium (if any) and interest on the following notes:

Guarantee Agreement	Date Entered	SFC Supplemental Indentures	Interest rate	March 31, 2018 Outstanding balance (dollars in millions)
6.875% SFC Notes	3/12/2018	SFC Fifth Supplemental Indenture	6.875%	$ 1,250
5.625% SFC Notes	12/8/2017	SFC Fourth Supplemental Indenture	5.625%	875
6.125% SFC Notes	5/15/2017	SFC Third Supplemental Indenture	6.125%	1,000
8.25% SFC Notes	4/11/2016	SFC Second Supplemental Indenture	8.25%	1,000

5.25% SFC Notes	12/3/2014	SFC First Supplemental Indenture	5.25%	700

The supplemental indentures listed above contain covenants that, among other things, (i) limit SFC's ability to create liens on assets and (ii) restrict SFC's ability to consolidate, merge or sell its assets. The SFC Senior Notes Indentures also provide for events of default which, if any of them were to occur, would permit or require the principal of and accrued interest on the SFC Notes to become, or to be declared, due and payable. We describe our guarantee agreements in Note 12 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

Other SFC Notes

On December 30, 2013, OMH entered into SFC Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes. The Other SFC Notes consisted of the following:

- 8.25% Senior Notes due 2023;
- 7.75% Senior Notes due 2021;
- 6.00% Senior Notes due 2020; and
- the Junior Subordinated Debenture.

The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, OMH entered into the SFC Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of March 31, 2018, $1.6 billion aggregate principal amount of the Other SFC Notes were outstanding.

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

OMFH Notes

On December 11, 2014, OMFH and certain of its subsidiaries entered into the OMFH Indenture, among OMFH, the guarantors listed therein and The Bank of New York Mellon, as trustee, in connection with OMFH's issuance of the OMFH Notes. The OMFH Notes are OMFH's unsecured senior obligations, guaranteed on a senior unsecured basis by each of its wholly owned domestic subsidiaries, other than certain subsidiaries, including its insurance subsidiaries and securitization subsidiaries. As of March 31, 2018, $800 million aggregate principal amount of the OMFH Notes were outstanding.

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

On December 8, 2017, OMFH provided notice to note holders to redeem on January 8, 2018, all $700 million outstanding principal amount of OMFH Notes due 2019 at a redemption price equal to 103.375%, plus accrued and unpaid interest to the redemption date. The notes were redeemed on January 8, 2018. In connection with the redemption, we recognized $1.2 million of net loss on repurchases and repayments of debt for the three months ended March 31, 2018.

On March 19, 2018, OMFH provided notice to note holders to redeem $400 million in aggregate principal amount of OMFH Notes due 2021 on April 18, 2018, at a redemption price in cash equal to 103.625%, plus accrued and unpaid interest to the redemption date on the principal amount. See Note 18 for more detail on this redemption.

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

9. Variable Interest Entities

CONSOLIDATED VIES

As part of our overall funding strategy, we have transferred certain finance receivables to VIEs for asset-backed financing transactions, including securitization and conduit transactions. We have determined that either of SFC or OMFH is the primary beneficiary of these VIEs and, as a result, we include each VIE's assets, including any finance receivables securing the VIE's debt obligations, and related liabilities in our consolidated financial statements and each VIE's asset-backed debt obligations are accounted for as secured borrowings.

See Note 3 and Note 13 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K for more detail regarding VIEs.

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

(dollars in millions)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 4	$ 4
Finance receivables:		
Personal loans	9,978	9,769
Allowance for finance receivable losses	461	465
Restricted cash and restricted cash equivalents	657	482
Other assets	21	20
Liabilities		
Long-term debt	$ 9,015	$ 8,688
Other liabilities	15	15

SECURITIZED BORROWINGS

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

Our securitized borrowings at March 31, 2018 consisted of the following:

(dollars in millions)	Issue Amount (a)	Current Note Amounts Outstanding	Current Weighted Average Interest Rate		Original Revolving Period	Issue Date	Maturity Date
Consumer Securitizations:							
SLFT 2015-A	$ 1,163	$ 1,053	3.50	%	3 years	02/26/15	11/2024
SLFT 2015-B	314	314	3.78	%	5 years	04/07/15	05/2028
SLFT 2016-A (b)	532	500	3.10	%	2 years	12/14/16	11/2029
SLFT 2017-A (b)	652	619	2.98	%	3 years	06/28/17	07/2030
OMFIT 2014-2	1,185	235	4.59	%	2 years	07/30/14	09/2024
OMFIT 2015-1	1,229	1,052	3.83	%	3 years	02/05/15	03/2026
OMFIT 2015-2	1,250	593	3.62	%	2 years	05/21/15	07/2025
OMFIT 2015-3	293	293	4.21	%	5 years	09/29/15	11/2028
OMFIT 2016-1 (b)	500	459	4.01	%	3 years	02/10/16	02/2029
OMFIT 2016-2 (b)	890	786	4.52	%	2 years	03/23/16	03/2028
OMFIT 2016-3 (b)	350	317	4.33	%	5 years	06/07/16	06/2031
OMFIT 2017-1 (b)	947	900	2.70	%	2 years	09/06/17	09/2032
OMFIT 2018-1 (c)	632	600	3.60	%	3 years	02/28/18	03/2029
OMFIT 2018-2 (d)	368	350	3.87	%	5 years	03/19/18	03/2033
Total consumer securitizations		8,071					
Auto Securitizations:							
ODART 2016-1 (b)	754	142	3.19	%	—	07/19/16	Various
ODART 2017-1 (b)	300	255	2.63	%	1 year	02/01/17	Various
ODART 2017-2 (b)	605	575	2.63	%	1 year	12/11/17	Various
Total auto securitizations		972					
Total secured structured financings		$ 9,043					

(a) Issue Amount includes the retained interest amounts as applicable and as noted below while the Current Note Amounts Outstanding balances reflect pay-downs subsequent to note issuance and exclude retained interest amounts.

(b) For these borrowings, we describe our consumer and auto securitizations initial retained amounts in Note 13 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

(c) OMFIT 2018-1 Securitization. We initially retained approximately $32 million of the asset-backed notes.

(d) OMFIT 2018-2 Securitization. We initially retained approximately $18 million of the asset-backed notes.

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REVOLVING CONDUIT FACILITIES

As of March 31, 2018, our borrowings under conduit facilities consisted of the following:

(dollar in millions)	Note Maximum Balance	Amount Drawn	Revolving Period End	Backed by Loans Acquired from Subsidiaries of	Due and Payable (a)
First Avenue Funding, LLC	$ 250	$ —	June 2018	SFC - auto loans	(b)
Seine River Funding, LLC	500	—	December 2019	SFC - personal loans	December 2022
Rocky River Funding, LLC	250	—	September 2019	OMFH - personal loans	October 2020
OneMain Financial Funding VII, LLC	650	—	October 2019	OMFH - personal loans	November 2021
Thur River Funding, LLC	350	—	June 2020	SFC - personal loans	February 2027
OneMain Financial Funding IX, LLC	600	—	June 2020	OMFH - personal loans	July 2021
Mystic River Funding, LLC	850	—	September 2020	SFC - personal loans and auto loans	October 2023
Fourth Avenue Auto Funding, LLC	250	—	September 2020	SFC - auto loans	October 2021
OneMain Financial Auto Funding I, LLC	750	—	October 2020	OMFH - auto loans	November 2027
OneMain Financial Funding VIII, LLC (c)	450	—	January 2021	OMFH - personal loans	February 2023
Total	$ 4,900	$ —			

(a) The date following the revolving period that the principal balance of the outstanding loans, if any, will be reduced as cash payments are received on the underlying loans and will be due and payable in full.

(b) For First Avenue Funding, LLC, principal amount of the notes, if any, will be reduced as cash payments are received on the underlying direct auto loans and will be due and payable in full 12 months following the maturity of the last direct auto loan held by First Avenue Funding, LLC.

(c) On February 2, 2018, we entered in to the OneMain Financial Funding VIII LSA concurrently with the voluntary termination of the note purchase agreement with the OneMain Financial B6 Warehouse Trust.

VIE INTEREST EXPENSE

Other than the retained subordinate and residual interests in our consolidated VIEs, we are under no obligation, either contractually or implicitly, to provide financial support to these entities. Consolidated interest expense related to our VIEs for the three months ended March 31, 2018 totaled $87 million, compared to $80 million for the three months ended March 31, 2017.

10. Insurance

Changes in the reserve for unpaid claims and loss adjustment expenses (not considering reinsurance recoverable) were as follows:

	At or for the Three Months Ended March 31,	
(dollars in millions)	2018	2017
Balance at beginning of period	$154	$158
Less reinsurance recoverables	(23)	(26)
Net balance at beginning of period	131	132
Additions for losses and loss adjustment expenses incurred to:		
Current year	50	52
Prior years *	(4)	(4)
Total	46	48
Reductions for losses and loss adjustment expenses paid related to:		
Current year	(15)	(13)
Prior years	(35)	(40)
Total	(50)	(53)
Net balance at end of period	127	127
Plus reinsurance recoverables	23	27
Balance at end of period	$150	$154

* Reflects (i) a redundancy in the prior years' net reserves of $4 million at March 31, 2018 primarily due to favorable development of credit disability and unemployment claims during the year and (ii) a redundancy in the prior years' net reserves of $4 million at March 31, 2017 primarily due to credit disability and credit involuntary unemployment insurance claims developing more favorably than anticipated.

11. Earnings Per Share

The computation of earnings per share was as follows:

(dollars in millions, except per share data)	Three Months Ended March 31, 2018	2017
Numerator (basic and diluted):		
Net income attributable to OneMain Holdings, Inc.	$124	$ 33
Denominator:		
Weighted average number of shares outstanding (basic)	135,596,272	135,218,586
Effect of dilutive securities *	301,017	454,581
Weighted average number of shares outstanding (diluted)	135,897,289	135,673,167
Earnings per share:		
Basic	$0.91	$ 0.25
Diluted	$0.91	$ 0.25

* We have excluded the following shares in the diluted earnings per share calculation for the three months ended March 31, 2018 and 2017 because these shares would be anti-dilutive, which could impact the earnings per share calculation in the future:

	Three Months Ended March 31, 2018	2017
Performance-based shares	97,161	30,685
Service-based shares	321,237	755,631

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

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12. Accumulated Other Comprehensive Income (Loss)

Changes, net of tax, in accumulated other comprehensive income (loss) were as follows:

(dollars in millions)	Unrealized Gains (Losses) Available-for-Sale Securities	Retirement Plan Liabilities Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Three Months Ended March 31, 2018				
Balance at beginning of period	$ 4	$ 4	$ 3	$ 11
Other comprehensive loss before reclassifications	(20)	—	(3)	(23)
Balance at end of period	$ (16)	$ 4	$ —	$ (12)
Three Months Ended March 31, 2017				
Balance at beginning of period	$ (1)	$ (4)	$ (1)	$ (6)
Other comprehensive income before reclassifications	7	—	—	7
Reclassification adjustments from accumulated other comprehensive income (loss)	(3)	—	—	(3)
Balance at end of period	$ 3	$ (4)	$ (1)	$ (2)

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

(dollars in millions)	Three Months Ended March 31, 2018	2017
Unrealized gains on available-for-sale securities:		
Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes	$ —	$ 4
Income tax effect	—	(1)
Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes	$ —	$ 3

13. Income Taxes

We had a net deferred tax asset of $135 million and $143 million at March 31, 2018 and December 31, 2017, respectively. The decrease in net deferred tax asset of $8 million was primarily due to amortization of tax goodwill and the change in debt fair value adjustment.

The effective tax rate for the three months ended March 31, 2018 was 26.2%, compared to 41.5% for the same period in 2017. The effective tax rate for the three months ended March 31, 2018 differed from the federal statutory rate of 21% primarily due to the effect of state income taxes and discrete tax expense for non-deductible compensation. The effective tax rate for the three months ended March 31, 2017 differed from the then-applicable federal statutory rate of 35% primarily due to the effect of state income taxes and discrete expense from share-based compensation.

We are currently under examination of our U.S. federal tax return for the years 2011 to 2013 by the IRS. We are also under examination of various states for the years 2011 to 2016. Management believes it has adequately provided for taxes for such years.

Our gross unrecognized tax benefits, including related interest and penalties, totaled $16 million at March 31, 2018 and $15 million at December 31, 2017. We accrue interest related to uncertain tax positions in income tax expense. The amount of any change in the balance of uncertain tax liabilities over the next 12 months is not expected to be material to our consolidated financial statements.

14. Contingencies

LEGAL CONTINGENCIES

In the normal course of business, we have been named, from time to time, as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with our activities. Some of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. While we will continue to evaluate legal actions to determine whether a loss is reasonably possible or probable and is reasonably estimable, there can be no assurance that material losses will not be incurred from pending, threatened or future litigation, investigations, examinations, or other claims.

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

For certain legal actions, we cannot reasonably estimate such losses, particularly for actions that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the actions in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any given action.

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

Federal Securities Class Actions

On February 10, 2017, a putative class action lawsuit, Galestan v. OneMain Holdings, Inc., et al., was filed in the U.S. District Court for the Southern District of New York, naming as defendants the Company and two of its officers. The lawsuit alleges violations of the Exchange Act for allegedly making materially misleading statements and/or omitting material information concerning alleged integration issues after the acquisition of OMFH in November 2015, and was filed on behalf of a putative class of persons who purchased or otherwise acquired the Company's common stock between February 25, 2016 and November 7, 2016. The complaint seeks an award of unspecified compensatory damages, an award of interest, reasonable attorney's fees, expert fees and other costs, and equitable relief as the court may deem just and proper. On March 23, 2017, the court appointed a lead plaintiff for the putative class and approved the lead plaintiff's selection of counsel. The plaintiff filed an amended complaint on June 13, 2017 challenging statements regarding the Company's projections of future financial performance and certain statements regarding integration after the OneMain Acquisition. On September 29, 2017, pursuant to the Court's Individual Rules and Practices, we sought permission to file a motion to dismiss the amended complaint. The Company believes that the allegations specified in the amended complaint are without merit, and intends to vigorously defend against the claims. As the lawsuit is in the preliminary stages, the Company is unable to estimate a reasonably possible range of loss, if any, that may result from the lawsuit.

SALES RECOURSE OBLIGATIONS

At March 31, 2018, our reserve for sales recourse obligations totaled $9 million, which primarily related to our real estate loan sales in 2014, with a minimal portion of the reserve related to net charge-off sales of our finance receivables. During the three months ended March 31, 2018 and 2017, we had no material repurchase activity related to these sales and no material activity related to our sales recourse obligations.

At March 31, 2018, there were no material recourse requests with loss exposure that management believed would not be covered by the reserve. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly. When recourse losses are reasonably possible or exposure to such losses exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible recourse losses or range of losses.

15. Benefit Plans

During the three months ended March 31, 2018 and 2017, the components of net periodic benefit cost with respect to our defined benefit pension plans were immaterial. We do not currently fund post retirement benefits.

16. Segment Information

Our segments coincide with how our businesses are managed. At March 31, 2018, our two segments included Consumer and Insurance and Acquisitions and Servicing. The remaining components (which we refer to as "Other") consist of our non-originating legacy operations, which include our liquidating real estate loan portfolio and our liquidating retail sales finance portfolio.

Due to the nature of the OneMain Acquisition and the Fortress Acquisition, we applied purchase accounting. However, we report the operating results of Consumer and Insurance, Acquisitions and Servicing, and Other using the Segment Accounting Basis, which (i) reflects our allocation methodologies for certain costs, primarily interest expense, loan loss reserves, and acquisition costs, to reflect the manner in which we assess our business results and (ii) excludes the impact of applying purchase accounting (eliminates premiums/discounts on our finance receivables and long-term debt at acquisition, as well as the amortization/accretion in future periods).

The accounting policies of the segments are the same as those disclosed in Note 3 and Note 22 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

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

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Other	Segment to GAAP Adjustment	Consolidated Total
At or for the Three Months Ended March 31, 2018					
Interest income	$ 873	$ —	$5	$ (16)	$ 862
Interest expense	194	—	5	1	200
Provision for finance receivable losses	258	—	(2)	(2)	254
Net interest income after provision for finance receivable losses	421	—	2	(15)	408
Other revenues	106	9	(2)	24	137
Acquisition-related transaction and integration expenses	10	—	—	—	10
Other expenses	343	8	10	6	367
Income (loss) before income tax expense (benefit)	$ 174	$ 1	$(10)	$ 3	$ 168
Assets	$ 18,033	$ —	$255	$ 2,179	$ 20,467
At or for the Three Months Ended March 31, 2017					
Interest income	$798	$—	$6	$(45)	$759
Interest expense	186	—	6	10	202
Provision for finance receivable losses	239	—	1	5	245
Net interest income (loss) after provision for finance receivable losses	373	—	(1)	(60)	312
Other revenues	137	12	—	(8)	141
Acquisition-related transaction and integration expenses	20	—	6	(3)	23

Other expenses	348	11	6	8	373
Income (loss) before income tax expense (benefit)	$142	$1	$(13)	$(73)	$57
Assets	$15,335	$2	$701	$1,935	$17,973

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17. Fair Value Measurements

The fair value of a financial instrument is the amount that would be expected to be received if an asset were to be sold or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. The accounting policies of our Fair Value Measurements are the same as those disclosed in Note 3 and Note 23 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

The following table presents the carrying amounts and estimated fair values of our financial instruments and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

	Fair Value Measurements Using			Total	Total
(dollars in millions)	Level 1	Level 2	Level 3	Fair Value	Carrying Value
March 31, 2018					
Assets					
Cash and cash equivalents	$ 1,753	$ 54	$ —	$ 1,807	$ 1,807
Investment securities	35	1,665	6	1,706	1,706
Net finance receivables, less allowance for finance receivable losses	—	—	15,661	15,661	14,298
Finance receivables held for sale	—	—	134	134	126
Restricted cash and restricted cash equivalents	679	—	—	679	679
Other assets *	—	—	11	11	11
Liabilities					
Long-term debt	$ —	$ 16,379	$ —	$ 16,379	$ 15,898
December 31, 2017					
Assets					
Cash and cash equivalents	$ 933	$ 54	$ —	$ 987	$ 987
Investment securities	36	1,654	7	1,697	1,697
Net finance receivables, less allowance for finance receivable losses	—	—	15,656	15,656	14,260
Finance receivables held for sale	—	—	139	139	132
Restricted cash and restricted cash equivalents	498	—	—	498	498
Other assets *	—	—	12	12	12
Liabilities					
Long-term debt	$ —	$ 15,625	$ —	$ 15,625	$ 15,050

* Other assets include commercial mortgage loans and escrow advance receivable.

FAIR VALUE MEASUREMENTS — RECURRING BASIS

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

(dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3 *	Total Carried At Fair Value
March 31, 2018				
Assets				
Cash equivalents in mutual funds	$ 1,475	$ —	$ —	$ 1,475
Cash equivalents in securities	—	54	—	54
Investment securities:				
Available-for-sale securities				
U.S. government and government sponsored entities	—	29	—	29
Obligations of states, municipalities, and political subdivisions	—	131	—	131
Certificates of deposit and commercial paper	—	39	—	39
Non-U.S. government and government sponsored entities	—	127	—	127
Corporate debt	—	967	2	969
RMBS	—	119	—	119
CMBS	—	85	—	85
CDO/ABS	—	97	1	98
Total available-for-sale securities	—	1,594	3	1,597
Other securities				
Bonds:				
Non-U.S. government and government sponsored entities	—	1	—	1
Corporate debt	—	60	2	62
RMBS	—	1	—	1
CDO/ABS	—	3	—	3
Total bonds	—	65	2	67
Preferred stock	13	6	—	19
Common stock	22	—	—	22
Other long-term investments	—	—	1	1
Total other securities	35	71	3	109
Total investment securities	35	1,665	6	1,706
Restricted cash in mutual funds	662	—	—	662
Total	$ 2,172	$ 1,719	$ 6	$ 3,897

* Due to the insignificant activity within the Level 3 assets during the three months ended March 31, 2018, we have omitted the additional disclosures relating to the changes in Level 3 assets measured at fair value on a recurring basis and the quantitative information about Level 3 unobservable inputs.

(dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3 (a)	Total Carried At Fair Value
December 31, 2017				
Assets				
Cash equivalents in mutual funds	$ 709	$ —	$ —	$ 709
Cash equivalents in securities	—	54	—	54
Investment securities:				
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	—	125	—	125
Corporate debt	—	946	2	948
RMBS	—	99	—	99
CMBS	—	87	—	87
CDO/ABS	—	95	1	96
Total available-for-sale securities (b)	—	1,575	3	1,578
Other securities				
Bonds:				
Non-U.S. government and government sponsored entities	—	1	—	1
Corporate debt	—	66	2	68
RMBS	—	1	—	1
CDO/ABS	—	4	—	4
Total bonds	—	72	2	74
Preferred stock	13	7	—	20
Common stock	23	—	—	23
Other long-term investments	—	—	1	1
Total other securities	36	79	3	118
Total investment securities	36	1,654	6	1,696
Restricted cash in mutual funds	484	—	—	484
Total	$ 1,229	$ 1,708	$ 6	$ 2,943

(a) Due to the insignificant activity within the Level 3 assets during 2017, we have omitted the additional disclosures relating to the changes in Level 3 assets measured at fair value on a recurring basis and the quantitative information about Level 3 unobservable inputs.

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

We had no transfers between Level 1 and Level 2 during the three months ended March 31, 2018.

FAIR VALUE MEASUREMENTS — NON-RECURRING BASIS

We measure the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Net impairment charges recorded on assets measured at fair value on a non-recurring basis were immaterial for the three months ended March 31, 2018 and 2017.

FAIR VALUE MEASUREMENTS — VALUATION METHODOLOGIES AND ASSUMPTIONS

See Note 23 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K for information regarding our methods and assumptions used to estimate fair value.

18. Subsequent Events

Partial Redemption of OMFH 2021 Notes

On March 19, 2018, OMFH provided notice of redemption to redeem $400 million in aggregate principal amount of OMFH Notes due 2021 on April 18, 2018 at a redemption price in cash equal to the sum of (i) 103.625% of the principal amount of the notes and (ii) any accrued and unpaid interest to the redemption date on the principal amount. These notes were redeemed on April 18, 2018. In connection with the redemption, we will recognize approximately $4 million of net loss on repurchases and repayments of debt for the three months ended June 30, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

An index to our management's discussion and analysis follows:

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but instead represent only management's current beliefs regarding future events. By their nature, forward-looking statements involve inherent risks, uncertainties and other important factors that may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements. We caution you not to place undue reliance on these forward-looking statements that speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events or the non-occurrence of anticipated events. Forward-looking statements include, without limitation, statements concerning future plans, objectives, goals, projections, strategies, events or performance, and underlying assumptions and other statements related thereto. Statements preceded by, followed by or that otherwise include the words "anticipates," "appears," "are likely," "believes," "estimates," "expects," "foresees," "intends," "plans," "projects" and similar expressions or future or conditional verbs such as "would," "should," "could," "may," or "will," are intended to identify forward-looking statements. Important factors that could cause actual results, performance or achievements to differ materially from those expressed in or implied by forward-looking statements include, without limitation, the following:

- the inability to obtain, or delays in obtaining, cost savings and synergies from the OneMain Acquisition and risks and other uncertainties associated with the integration of the companies;
- any litigation, fines or penalties that could arise relating to the OneMain Acquisition or Apollo-Värde Transaction;
- the impact of the Apollo-Värde Transaction on our relationships with employees and third parties;
- various risks relating to continued compliance with the Settlement Agreement;
- changes in general economic conditions, including the interest rate environment in which we conduct business and the financial markets through which we can access capital and also invest cash flows from our Consumer and Insurance

segment;

- levels of unemployment and personal bankruptcies;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or branches or other operating facilities;
- war, acts of terrorism, riots, civil disruption, pandemics, disruptions in the operation of our information systems, cyber-attacks or other security breaches, or other events disrupting business or commerce;

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- changes in the rate at which we can collect or potentially sell our finance receivables portfolio;
- the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or lack of capacity to repay;
- changes in our ability to attract and retain employees or key executives to support our businesses;
- changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, our ability to make technological improvements, and the strength and ability of our competitors to operate independently or to enter into business combinations that result in a more attractive range of customer products or provide greater financial resources;
- risks related to the acquisition or sale of assets or businesses or the formation, termination or operation of joint ventures or other strategic alliances or arrangements, including loan delinquencies or net charge-offs, integration or migration issues, increased costs of servicing, incomplete records, and retention of customers;
- risks associated with our insurance operations, including insurance claims that exceed our expectations or insurance losses that exceed our reserves;
- the inability to successfully implement our growth strategy for our consumer lending business as well as various risks associated with successfully acquiring portfolios of consumer loans, pursuing acquisitions, and/or establishing joint ventures;
- declines in collateral values or increases in actual or projected delinquencies or net charge-offs;
- changes in federal, state or local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB, which has broad authority to regulate and examine financial institutions, including us), that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry, our use of third-party vendors and real estate loan servicing, or changes in corporate or individual income tax laws or regulations, including effects of the enactment of the Tax Act;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a representation or warranty made in connection with such transactions;
- the costs and effects of any actual or alleged violations of any federal, state or local laws, rules or regulations, including any litigation associated therewith, any impact to our business operations, reputation, financial position, results of operations or cash flows arising therefrom, any impact to our relationships with lenders, investors or other third parties attributable thereto, and the costs and effects of any breach of any representation, warranty or covenant under any of our contractual arrangements, including indentures or other financing arrangements or contracts, as a result of any such violation;
- the costs and effects of any fines, penalties, judgments, decrees, orders, inquiries, investigations, subpoenas, or enforcement or other proceedings of any governmental or quasi-governmental agency or authority and any litigation associated therewith;

- our continued ability to access the capital markets or the sufficiency of our current sources of funds to satisfy our cash flow requirements;
- our ability to comply with our debt covenants;
- our ability to generate sufficient cash to service all of our indebtedness;
- any material impairment or write-down of the value of our assets;
- the effects of any downgrade of our debt ratings by credit rating agencies, which could have a negative impact on our cost of and/or access to capital;

- our substantial indebtedness, which could prevent us from meeting our obligations under our debt instruments and limit our ability to react to changes in the economy or our industry, or our ability to incur additional borrowings;
- the impacts of our securitizations and borrowings;
- our ability to maintain sufficient capital levels in our regulated and unregulated subsidiaries;
- changes in accounting standards or tax policies and practices and the application of such new standards, policies and practices;
- changes in accounting principles and policies or changes in accounting estimates;
- effects of the acquisition of Fortress by an affiliate of SoftBank Group Corp.;
- effects, if any, of the contemplated acquisition by an investor group of shares of our common stock beneficially owned by Fortress and its affiliates;
- any failure or inability to achieve the SpringCastle Portfolio performance requirements set forth in the SpringCastle Interests Sale purchase agreement; and
- the effect of future sales of our remaining portfolio of real estate loans and the transfer of servicing of these loans, including the environmental liability and costs for damage caused by hazardous waste if a real estate loan goes into default.

We also direct readers to the other risks and uncertainties discussed in other documents we filed with the SEC.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. You should specifically consider the factors identified in this report that could cause actual results to differ before making an investment decision to purchase our common stock. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

Overview

We are a leading provider of responsible personal loan products, primarily to non-prime customers. Our network of over 1,600 branch offices in 44 states as of March 31, 2018, is staffed with expert personnel and is complemented by our online consumer loan origination business and centralized operations, which allows us to reach customers located outside our branch footprint. Our digital platform provides current and prospective customers the option of obtaining a personal loan via our website, www.omf.com. (The information on our website is not incorporated by reference into this report.) In connection with our personal loan business, our insurance subsidiaries offer our customers credit and non-credit insurance.

In addition, we service loans owned by us and service or subservice loans owned by third-parties; pursue strategic acquisitions and dispositions of assets and businesses, including loan portfolios or other financial assets; and may establish joint ventures or enter into other strategic alliances or arrangements from time to time.

OUR PRODUCTS

Our product offerings include:

- Personal Loans — We offer personal loans through our branch network and over the Internet through our centralized operations to customers who generally need timely access to cash. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by consumer goods, automobiles, or other personal property or are unsecured. At March 31, 2018, we had over 2.3 million personal loans representing $14.9 billion of net finance receivables, compared to 2.4 million personal loans totaling $14.8 billion at December 31, 2017.

- Insurance Products — We offer our customers credit insurance (life insurance, disability insurance, and involuntary unemployment insurance) and non-credit insurance through both our branch network and our centralized operations. Credit insurance and non-credit insurance products are provided by our affiliated insurance companies, Merit, Yosemite, AHL and Triton. We also offer home and auto membership plans of an unaffiliated company.

Our non-originating legacy products include:

- Other Receivables — 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.

OUR SEGMENTS

At March 31, 2018, we had two operating segments:

- Consumer and Insurance; and
- Acquisitions and Servicing.

See Note 16 of the Notes to Condensed Consolidated Financial Statements included in this report for more information about our segments.

Recent Developments and Outlook

RECENT DEVELOPMENTS

Apollo-Värde Transaction

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with the Initial Stockholder and the Company to acquire from the Initial Stockholder 54,937,500 shares of our common stock representing the entire holdings of our stock beneficially owned by Fortress. The Apollo-Värde Transaction is expected to close in the second quarter of 2018 and is subject to regulatory approvals and other customary closing conditions.

The Share Purchase Agreement is filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 4, 2018, and such Current Report on Form 8-K, including Exhibit 10.1 thereto, is incorporated by reference herein in its entirety. Upon closing of the Apollo-Värde Transaction, we expect to enter into an Amended and Restated Stockholders' Agreement, the expected terms of which are described in such Current Report on Form 8-K. Further, upon closing of the Apollo-Värde Transaction, we expect to recognize non-cash incentive compensation expense of approximately $108 million along with a capital contribution offset such that the overall impact to our shareholders' equity will be neutral.

AIG Secondary Offering

On February 21, 2018, OMH entered into an underwriting agreement among OMH, the Initial Stockholder and Morgan Stanley & Co. LLC as underwriter in connection with the sale by Springleaf Financial Holdings, LLC 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. 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 the Initial Stockholder makes distributions to one or more of its common members that exceed specified amounts. In connection with the sale of our common stock by the Initial Stockholder on February 21, 2018, certain of the specified thresholds were satisfied. In accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of $4 million in the first quarter of 2018 related to the incentive units with a capital contribution offset such that the impact to overall shareholders' equity was neutral.

Redemption of OMFH 2019 Notes

OMFH redeemed all $700 million outstanding principal amount of OMFH's 6.75% Senior Notes due 2019 at a redemption price equal to 103.375%, plus accrued and unpaid interest on January 8, 2018. For further information see "Liquidity and Capital Resources" in Item 2 included in this report.

6.875% Senior Notes Due 2025

On March 12, 2018, SFC issued $1.25 billion aggregate principal amount of 6.875% SFC Notes under the SFC Base Indenture, as supplemented by the SFC Fifth Supplemental Indenture, pursuant to which OMH provided a guarantee of the 6.875% SFC Notes on an unsecured basis. For further information see Note 8 of the Notes to Condensed Consolidated Financial Statements included in this report.

Partial Redemption of OMFH 2021 Notes

On March 19, 2018, OMFH provided notice to note holders to redeem on April 18, 2018, $400 million in aggregate principal amount of OMFH Notes due 2021 at a redemption price in cash equal to the sum of (i) 103.625% of the principal amount of the notes and (ii) any accrued and unpaid interest to the redemption date on the principal amount. These notes were redeemed on April 18, 2018.

The Tax Act

On December 22, 2017, President Trump signed into law the Tax Act, which contains substantial changes to the Internal Revenue Code effective January 1, 2018, including a reduction in the federal corporate tax rate from 35% to 21%. For further information see Note 13 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Cost Synergies

As of March 31, 2018, we had incurred approximately $249 million of acquisition-related transaction and integration expenses ($10 million incurred during 2018) from the OneMain Acquisition.

OUTLOOK

With our experienced management team, long track record of successfully accessing the capital markets, and strong demand for consumer credit, we believe we are well positioned to execute on our strategic priorities to strengthen our capital base through the following key initiatives:

- Continuing the growth in receivables through enhanced marketing strategies and customer product options;
- Growing secured lending originations with a goal of enhancing credit performance;
- Leveraging our scale and cost discipline across the Company to deliver improved operating leverage;
- Increasing tangible equity and reducing leverage; and
- Maintaining a strong liquidity level with diversified funding sources.

We continue to execute our strategy to increase the proportion of our loan originations secured by titled collateral (which typically have lower yields and credit losses relative to unsecured personal loans). As we continue to increase secured loans as a proportion of our total loan portfolio, our yields may be lower in future periods relative to our historical yields; however, we also expect a proportional improvement in net credit losses over time as our portfolio matures and as secured loans become a greater proportion of our total loan portfolio.

Assuming the U.S. economy continues to experience slow to moderate growth, we expect to continue our long history of strong credit performance and believe the strong credit quality of our loan portfolio will continue as the result of our disciplined underwriting practices and ongoing collection efforts. We have continued to see some migration of customer activity away from traditional channels, such as direct mail, to online channels (primarily serviced through our branch network), where we believe we are well suited to capture volume due to our scale, technology, and deployment of advanced analytics.

Results of Operations

CONSOLIDATED RESULTS

See the table below for our consolidated operating results and selected financial statistics. A further discussion of our operating results for each of our operating segments is provided under “Segment Results” below.

(dollars in millions, except per share amounts)	At or for the Three Months Ended March 31, 2018	2017
Interest income	$862	$759
Interest expense	200	202
Provision for finance receivable losses	254	245
Net interest income after provision for finance receivable losses	408	312
Other revenues	137	141
Acquisition-related transaction and integration expenses	10	23
Other expenses	367	373
Income before income taxes	168	57
Income taxes	44	24
Net income	$124	$33
Share Data:		
Weighted average number of shares outstanding:		
Basic	135,596,279	135,218,586
Diluted	135,897,296	135,573,167
Earnings per share:		
Basic	$0.91	$0.25
Diluted	$0.91	$0.25
Selected Financial Statistics *		
Finance receivables held for investment:		
Net finance receivables	$14,987	$13,388
Number of accounts	2,348,676	2,154,034
Finance receivables held for sale:		
Net finance receivables	$126	$148
Number of accounts	2,345	2,714
Finance receivables held for investment:		
Average net receivables	$14,986	$13,513
Yield	23.25 %	22.67 %
Gross charge-off ratio	7.85 %	8.91 %
Recovery ratio	(0.75)%	(0.89)%
Net charge-off ratio	7.10 %	8.02 %
30-89 Delinquency ratio	2.11 %	2.21 %
Origination volume	$2,540	$1,812
Number of accounts originated	324,730	243,652

* See “Glossary” at the beginning of this report for formulas and definitions of our key performance ratios.

Comparison of Consolidated Results for the Three Months Ended March 31, 2018 and 2017

Interest income increased $103 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to continued growth in our loan portfolio and higher yield primarily driven by the reduction in amortization of purchase premium on our non-credit impaired finance receivables.

Interest expense decreased $2 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to lower weighted average interest rate offset by the increase in average debt balance primarily due to the issuance of 6.125% SFC Notes and 5.625% SFC Notes and our securitization transactions.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, securitization transactions and our conduit facilities.

Provision for finance receivable losses increased $9 million for the three months ended March 31, 2018 when compared to the same period in 2017 primarily driven by the growth in the loan portfolio partially offset by lower net charge-offs resulting from lower levels of delinquency and greater levels of secured loans.

Other revenues decreased $4 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to a decrease in investment income of $6 million due to lower realized gains on investment securities sold and mark-to-market losses on securities partially offset by an increase in insurance revenue of $2 million.

Acquisition-related transaction and integration costs decreased $13 million for the three months ended March 31, 2018 when compared to the same period in 2017 primarily due to a decrease in professional services and contractor expenses and decrease in rent expense and supplies related to branch closures. See “Non-GAAP Financial Measures” below for further information regarding these costs.

Other expenses decreased $6 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to the net of the following:

- Other operating expenses decreased $14 million primarily due to (i) lower lending-related costs of $12 million, (ii) a decrease in expenses of $7 million charged by Citigroup in first quarter 2017 after the termination of our Transition Services Agreement with Citigroup and (iii) $4 million lower information technology expenses. The decrease was partially offset by an increase in advertising and marketing costs of $11 million.

- Salaries and benefits increased $8 million primarily due to the increase in non-cash incentive compensation expense of $4 million relating to the rights of certain executives to receive a portion of the cash proceeds from the sale of OMH’s common stock that were beneficially owned by AIG and an increase in $2 million in discretionary bonuses.

Income taxes totaled $44 million for the three months ended March 31, 2018 compared to $24 million for the same period in 2017. The effective tax rate for the three months ended March 31, 2018 was 26.2% compared to 41.5% for the same period in 2017. The effective tax rate for the three months ended March 31, 2018 differed from the federal statutory rate of 21% primarily due to the effect of state income taxes and discrete tax expense for non-deductible compensation. The effective tax rate for the three months ended March 31, 2017 differed from the then-applicable federal statutory rate of 35% primarily due to the effect of state income taxes and discrete expense from share-based compensation.

NON-GAAP FINANCIAL MEASURES

Adjusted Pretax Income (Loss)

Management uses adjusted pretax income (loss), a non-GAAP financial measure, as a key performance measure of our segments. Management believes adjusted pretax income (loss) is useful in assessing the profitability of our segments and uses adjusted pretax income (loss) in evaluating our operating performance and as a performance goal under the company's executive compensation programs. We describe our adjusted pretax income (loss) in our "Results of Operations" of the Management's Discussion and Analysis of Financial Condition in Part II - Item 7 included in our 2017 Annual Report on Form 10-K.

Adjusted pretax income (loss) is a non-GAAP financial measure and should be considered supplemental to, but not as a substitute for or superior to, income (loss) before income taxes, net income, or other measures of financial performance prepared in accordance with GAAP.

The reconciliations of income (loss) before income taxes on a Segment Accounting Basis to adjusted pretax income (loss) (non-GAAP) by segment were as follows:

(dollars in millions)	Three Months Ended March 31, 2018	2017
Consumer and Insurance		
Income before income taxes - Segment Accounting Basis	$174	$142
Adjustments:		
Acquisition-related transaction and integration expenses	10	20
Net loss on repurchases and repayments of debt	27	1
Adjusted pretax income (non-GAAP)	$211	$163
Acquisitions and Servicing		
Income before income taxes - Segment Accounting Basis	$1	$1
Adjustments	—	—
Adjusted pretax income (non-GAAP)	$1	$1
Other		
Loss before income tax benefit - Segment Accounting Basis	$(10)	$(13)
Adjustments:		
Acquisition-related transaction and integration expenses	—	6
Adjusted pretax loss (non-GAAP)	$(10)	$(7)

We describe our acquisition-related transaction and integration expenses in our "Results of Operations" of the Management's Discussion and Analysis of Financial Condition in Part II - Item 7 included in our 2017 Annual Report on Form 10-K.

Segment Results

See Note 16 of the Notes to Condensed Consolidated Financial Statements included in this report for (i) a description of our segments, (ii) reconciliations of segment totals to condensed consolidated financial statement amounts, (iii) methodologies used to allocate revenues and expenses to each segment, and (iv) further discussion of the differences in our Segment Accounting Basis and GAAP.

CONSUMER AND INSURANCE

Adjusted pretax income and selected financial statistics for Consumer and Insurance (which are reported on an adjusted Segment Accounting Basis) were as follows:

(dollars in millions)	At or for the Three Months Ended March 31, 2018	2017
Interest income	$873	$798
Interest expense	194	186
Provision for finance receivable losses	258	239
Net interest income after provision for finance receivable losses	421	373
Other revenues	133	138
Other expenses	343	348
Adjusted pretax income (non-GAAP)	$211	$163
Selected Financial Statistics *		
Finance receivables held for investment:		
Net finance receivables	$14,870	$13,157
Number of accounts	2,344,236	2,147,394
Finance receivables held for investment:		
Average net receivables	$14,860	$13,261
Yield	23.83 %	24.39 %
Gross charge-off ratio	8.10 %	9.58 %
Recovery ratio	(0.89)%	(1.11)%
Net charge-off ratio	7.21 %	8.47 %
30-89 Delinquency ratio	2.08 %	2.17 %
Origination volume	$2,540	$1,812
Number of accounts originated	324,730	243,652

* See “Glossary” at the beginning of this report for formulas and definitions of our key performance ratios.

Comparison of Adjusted Pretax Income for the Three Months Ended March 31, 2018 and 2017

Interest income increased $75 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to continued growth in our loan portfolio and partially offset by lower interest income due to lower yield on the portfolio driven by higher levels of secured loans which generally have a lower rate than unsecured loans.

Interest expense increased $8 million for the three months ended March 31, 2018 when compared to the same period in 2017 primarily due to an increase in average debt for the three months ended March 31, 2018.

Provision for finance receivable losses increased $19 million for the three months ended March 31, 2018 when compared to the same period in 2017 primarily driven by growth in the loan portfolio partially offset by lower net charge-offs resulting from lower levels of delinquency and greater levels of secured loans.

Other revenues decreased $5 million for the three months ended March 31, 2018 when compared to the same period in 2017 as investment revenue decreased by $11 million due to lower realized gains on securities sold and mark-to-market losses on securities offset by an increase in insurance revenues of $2 million and an increase of $4 million due to greater home and auto membership fees related to the increase in loan volume.

Other expenses decreased $5 million for the three months ended March 31, 2018 when compared to the same period in 2017 due to the net of the following:

- Other operating expenses decreased $12 million primarily due to (i) lower lending-related costs of $12 million, (ii) a decrease in Citigroup transition expenses of $7 million, and (iii) a decrease in information technology expenses of $4 million. The decrease was offset by an increase in advertising and marketing expenses of $12 million.

- Salaries and benefits increased $7 million primarily due to an increase in discretionary bonuses and branch variable incentives.

ACQUISITIONS AND SERVICING

Adjusted pretax income (which are reported on an adjusted Segment Accounting Basis) were as follows:

(dollars in millions)	Three Months Ended March 31, 2018	2017
Other revenues	$ 9	$ 12
Other expenses	8	11
Adjusted pretax income (non-GAAP)	$ 1	$ 1

OTHER

“Other” consists of our non-originating legacy operations, which include other receivables consisting of (i) our liquidating real estate loan portfolio and (ii) our liquidating retail sales finance portfolio.

Adjusted pretax loss of the Other components (which are reported on an adjusted Segment Accounting Basis) were as follows:

(dollars in millions)	Three Months Ended March 31, 2018	2017
Interest income	$ 5	$ 6
Interest expense	5	6
Provision for finance receivable losses	(2)	1
Net interest income (loss) after provision for finance receivable losses	2	(1)

Other revenues	(2)	—
Other expenses *	10	6
Adjusted pretax loss (non-GAAP)	$(10)	$(7)

* Other expenses in 2018 include $4 million of non-cash incentive compensation expense related to the rights of certain executives to a portion of the cash proceeds from the sale of our common stock by the Initial Stockholder. See Note 1 of the Notes to Condensed Consolidated Financial Statements included in this report.

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Net finance receivables of the Other components (which are reported on a Segment Accounting Basis) were as follows:

(dollars in millions)	March 31, 2018	2017
Net finance receivables held for investment:		
Personal loans	$—	$6
Other receivables	136	158
Total	$136	$164
Net finance receivables held for sale:		
Other receivables	$133	$151

Credit Quality

FINANCE RECEIVABLE COMPOSITION

The following table presents the composition of our finance receivables for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to our total net finance receivables on a GAAP basis:

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
March 31, 2018				
Personal loans	$ 14,870	$—	$ (12)	$ 14,858
Other receivables	—	136	(7)	129
Total	$ 14,870	$136	$ (19)	$ 14,987
December 31, 2017				
Personal loans	$ 14,820	$—	$ 3	$ 14,823
Other receivables	—	142	(8)	134
Total	$ 14,820	$142	$ (5)	$ 14,957

The largest component of our finance receivables and primary source of our interest income is our personal loan portfolio. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by consumer goods, automobiles, or other personal property or are unsecured. We consider the value and recoverability of collateral, if any, securing a loan at loan origination and the delinquency status of our finance receivables as the primary indicators of credit quality. At March 31, 2018 and December 31, 2017, 43% of our personal loans were secured by titled collateral.

Distribution of Finance Receivables by FICO Score

There are many different categorizations used in the consumer lending industry to describe the creditworthiness of a borrower, including prime, non-prime, and sub-prime. We track and analyze the performance of our finance receivable portfolio using many different parameters, including FICO scores, which is widely recognized in the consumer lending industry.

We group FICO scores into the following credit strength categories:

- Prime: FICO score of 660 or higher
- Non-prime: FICO score of 620-659
- Sub-prime: FICO score of 619 or below

Our customers are described as prime at one end of the credit spectrum and sub-prime at the other. Our customers' demographics are in many respects near the national median, but may vary from national norms in terms of credit and repayment histories. Many of our customers have experienced some level of prior financial difficulty or have limited credit experience and require higher levels of servicing and support from our branch network.

Our net finance receivables grouped into the following categories based solely on borrower FICO credit scores at the purchase, origination, renewal, or most recently refreshed date were as follows:

(dollars in millions)	Personal Loans	Other Receivables	Total
March 31, 2018			
FICO scores			
660 or higher	$3,883	$ 43	$3,926
620-659	3,924	22	3,946
619 or below	7,051	64	7,115
Total	$14,858	$ 129	$14,987
December 31, 2017			
FICO scores			
660 or higher	$3,950	$ 45	$3,995
620-659	3,919	22	3,941
619 or below	6,954	67	7,021
Total	$14,823	$ 134	$14,957

DELINQUENCY

We monitor delinquency trends to evaluate the risk of future credit losses and employ advanced analytical tools to manage our exposure and appetite. Our branch team members work with customers through occasional periods of financial difficulty and offer a variety of borrower assistance programs to help customers continue to make payments. Team members also actively engage in collection activities throughout the early stages of delinquency. We closely track and report the percentage of receivables that are contractually 30-89 days past due as a benchmark of portfolio quality, collections effectiveness, and as a strong indicator of losses in coming quarters.

When finance receivables are contractually 60 days 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. Use of our centralized operations teams for managing late stage delinquency allows us to apply more advanced collections technologies/ tools and drives operating efficiencies in servicing. At 90 days contractually past due, we consider our finance receivables to be nonperforming.

The following table presents (i) delinquency information of the Company's segments on a Segment Accounting Basis, (ii) reconciliations to our total net finance receivables on a GAAP basis, by number of days delinquent, and (iii) delinquency ratios as a percentage of net finance receivables:

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
March 31, 2018				
Current	$14,222	$109	$ (15)	$ 14,316
30-59 days past due	175	7	(1)	181
Delinquent (60-89 days past due)	135	2	(1)	136
Performing	14,532	118	(17)	14,633
Nonperforming (90+ days past due)	338	18	(2)	354
Total net finance receivables	$14,870	$136	$ (19)	$ 14,987
Delinquency ratio				
30-89 days past due	2.08 %	6.91 %	*	2.11 %
30+ days past due	4.35 %	20.04%	*	4.47 %
60+ days past due	3.18 %	14.84%	*	3.27 %
90+ days past due	2.27 %	13.12%	*	2.36 %
December 31, 2017				
Current	$14,119	$109	$ —	$ 14,228
30-59 days past due	205	9	(2)	212
Delinquent (60-89 days past due)	157	4	(1)	160
Performing	14,481	122	(3)	14,600
Nonperforming (90+ days past due)	339	20	(2)	357
Total net finance receivables	$14,820	$142	$ (5)	$ 14,957
Delinquency ratio				
30-89 days past due	2.44 %	8.60 %	*	2.49 %
30+ days past due	4.73 %	22.75%	*	4.88 %
60+ days past due	3.35 %	16.66%	*	3.46 %
90+ days past due	2.29 %	14.15%	*	2.39 %

* Not applicable.

ALLOWANCE FOR FINANCE RECEIVABLE LOSSES

We record an allowance for finance receivable losses to cover incurred losses on our finance receivables. Our allowance for finance receivable losses may fluctuate based upon our continual review of the growth, credit quality, and collateral mix of the finance receivable portfolios and changes in economic conditions.

Changes in the allowance for finance receivable losses for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to our total allowance for finance receivable losses on a GAAP basis, were as follows:

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
Three Months Ended March 31, 2018				
Balance at beginning of period	$ 724	$35	$ (62)	$ 697
Provision for finance receivable losses	258	(2)	(2)	254
Charge-offs	(297)	(2)	9	(290)
Recoveries	33	1	(6)	28
Balance at end of period	$ 718	$32	$ (61)	$ 689
Allowance ratio	4.83 %	23.19 %	(a)	4.60 %
Three Months Ended March 31, 2017				
Balance at beginning of period	$ 732	$31	$ (74)	$ 689
Provision for finance receivable losses	239	1	5	245
Charge-offs	(313)	(2)	18	(297)
Recoveries	36	—	(7)	29
Balance at end of period	$ 694	$30	$ (58)	$ 666
Allowance ratio	5.28 %	18.24 %	(a)	4.97 %

(a) Not applicable

The current delinquency status of our finance receivable portfolio, inclusive of recent borrower performance, the collateral mix, along with the volume of our TDR activity, and the level and recoverability of collateral securing our finance receivable portfolio are the primary drivers that can cause fluctuations in our allowance for finance receivable losses from period to period. We monitor the allowance ratio to ensure we have a sufficient level of allowance for finance receivable losses to cover estimated incurred losses in our finance receivable portfolio. The level of allowance for finance receivables losses as a percentage of net finance receivables has decreased from 2017 due to the continued change in portfolio mix to more secured personal loans, improvement in the effectiveness of our collections, and the completion of our integration.

See Note 4 of the Notes to Condensed Consolidated Financial Statements included in this report for more information about the changes in the allowance for finance receivable losses.

TDR FINANCE RECEIVABLES

We make modifications to our finance receivables to assist borrowers during times of financial difficulties. When we modify a loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable.

Information regarding TDR finance receivables held for investment for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to information regarding our total TDR finance receivables held for investment on a GAAP basis, were as follows:

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
March 31, 2018				
TDR net finance receivables	$ 500	$ 74	$ (169)	$ 405
Allowance for TDR finance receivable losses	204	24	(63)	165
December 31, 2017				
TDR net finance receivables	$ 481	$ 74	$ (188)	$ 367
Allowance for TDR finance receivable losses	191	26	(70)	147

The allowance for non-TDR finance receivable losses continues to reflect our historical loss coverage.

Liquidity and Capital Resources

SOURCES OF FUNDS

We finance the majority of our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, borrowings from conduit facilities, unsecured debt and equity, and may also utilize other corporate debt facilities in the future. As a holding company, all of the funds generated from our operations are earned by our operating subsidiaries.

Redemption of OMFH 2019 Notes

On December 8, 2017, OMFH issued a notice of redemption to redeem all $700 million outstanding principal amount of OMFH's 6.75% Senior Notes due 2019 at a redemption price equal to 103.375%, plus accrued and unpaid interest to the redemption date. The notes were redeemed on January 8, 2018. In connection with the redemption, we recognized approximately $1 million of net loss on repurchases and repayments of debt for the three months ended March 31, 2018.

Partial Redemption of OMFH 2021 Notes

On March 19, 2018, OMFH provided notice of redemption to redeem $400 million in aggregate principal amount of OMFH Notes due 2021 on April 18, 2018 at a redemption price in cash equal to the sum of (i) 103.625% of the principal amount of the notes and (ii) any accrued and unpaid interest to the redemption date on the principal amount. These notes were redeemed on April 18, 2018. In connection with the redemption, we will recognize approximately $4 million of net loss on repurchases and repayments of debt for the three months ended June 30, 2018.

Termination of OneMain Financial B6 Warehouse Trust

On February 2, 2018, OneMain Financial B6 Warehouse Trust voluntarily terminated its note purchase agreement. Concurrently with such termination, we entered into the OneMain Financial Funding VIII LSA with the same third party lenders who were party to the terminated note purchase agreement with the OneMain Financial B6 Warehouse

Trust. Under the OneMain Financial Funding VIII LSA, we may borrow up to a maximum principal balance of $450 million.

SFC’s Offering of 6.875% Senior Notes Due 2025

On March 12, 2018, SFC issued $1.25 billion aggregate principal amount of the 6.875% SFC Notes under the SFC Base Indenture, as supplemented by the SFC Fifth Supplemental Indenture, pursuant to which OMH provided a guarantee of the 6.875% SFC Notes on an unsecured basis. SFC intends to use the net proceeds from the sale of the 6.875% SFC Notes for general corporate purposes, which may include debt repurchases and repayments. See Note 9 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information of the issuance.

Securitizations and Borrowings from Revolving Conduit Facilities

During the three months ended March 31, 2018, we completed two consumer loan securitizations. At March 31, 2018, we had approximately $10.1 billion in UPB of finance receivables pledged as collateral for our securitization transactions.

During the three months ended March 31, 2018, we (i) terminated one revolving conduit agreement and (ii) entered into one new revolving conduit agreement.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

SFC entered into various transaction agreements with OMFH in connection with the following securitizations sponsored by OMFH:

- the OneMain Financial Issuance Trust 2017-1 (“OMFIT 2017-1”),
- the OneMain Direct Auto Receivables Trust 2017-2 (“ODART 2017-2”), and
- the OneMain Financial Issuance Trust 2018-1 (“OMFIT 2018-1”).

In addition, OMFH is party to various transaction agreements entered into with SFC in connection with the closing of the OneMain Financial Issuance Trust 2018-2 (“OMFIT 2018-2”) revolving pool consumer loan securitization sponsored by SFC.

The terms of the foregoing securitization transaction agreements permit each of SFC and OMFH, as applicable, to sell, upon customary terms and conditions, including indemnification and repurchase provisions for breaches of representations and warranties, eligible consumer loans or auto loans, as applicable, during the revolving period. Through March 31, 2018, SFC has sold no loans pursuant to OMFIT 2017-1, ODART 2017-2 or OMFIT 2018-1 and OMFH has sold no loans pursuant to OMFIT 2018-2.

Subsequent to March 31, 2018, we completed the following revolving conduit facility transaction:

- On April 9, 2018, we borrowed $50 million under the Thur River Funding LSA

USES OF FUNDS

Our operating subsidiaries’ primary cash needs relate to funding our lending activities, our debt service obligations, our operating expenses (including acquisition-related transaction and integration expenses), payment of insurance claims and, to a lesser extent, expenditures relating to upgrading and monitoring our technology platform, risk systems, and branch locations.

At March 31, 2018, we had $1.8 billion of cash and cash equivalents, which included $201 million of cash and cash equivalents held at our regulated insurance subsidiaries or for other operating activities that is unavailable for general corporate purposes.

At March 31, 2018, we had $1.7 billion of investment securities, which are all held as part of our insurance operations and are unavailable for general corporate purposes.

During the three months ended March 31, 2018, we generated net income of $124 million. Our net cash inflow from operating and investing activities totaled $174 million for the three months ended March 31, 2018. At March 31, 2018, our remaining scheduled principal and interest payments for 2018 on our existing debt (excluding securitizations) totaled $791 million. As of March 31, 2018, we had $4.8 billion UPB of unencumbered personal loans and $316 million UPB of unencumbered real estate loans (including $186 million held for sale).

Based on our estimates and taking into account the risks and uncertainties of our plans, we believe that we will have adequate liquidity to finance and operate our businesses and repay our obligations as they become due for at least the next 12 months.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

We have previously purchased portions of our unsecured indebtedness, and we may elect to purchase additional portions of our unsecured indebtedness in the future. Future purchases may be made through the open market, privately negotiated transactions with third parties, or pursuant to one or more tender or exchange offers, all of which are subject to terms, prices, and consideration we may determine.

We have not paid dividends since our initial public offering in 2013. However, we plan to evaluate the potential for capital distributions in 2018 based on the achievement of our liquidity and target leverage objectives, among other factors. Any capital distribution, including any declaration and payment of future dividends to holders of our common stock, will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that our board of directors deems relevant. There can be no assurances that we will make any capital distributions in 2018 or at any time thereafter and, even if we make capital distributions in 2018, there can be no assurances that we will continue to do so in the future.

LIQUIDITY

Operating Activities

Net cash provided by operations of $555 million for the three months ended March 31, 2018 reflected net income of $124 million, the impact of non-cash items, and favorable change in working capital of $83 million. Net cash provided by operations of $444 million for the three months ended March 31, 2017 reflected net income of $33 million, the impact of non-cash items, and a favorable change in working capital of $38 million.

Investing Activities

Net cash used for investing activities of $381 million for the three months ended March 31, 2018 was primarily due to net principal originations of finance receivables held for investment and held for sale and net purchases of available-for-sale securities, partially offset by calls, and maturities of available-for-sale securities. Net cash provided by investing activities of $59 million for the three months ended March 31, 2017 was primarily due to net principal collections of finance receivables held for investment and held for sale and net sales, calls, and maturities of available-for-sale securities.

Financing Activities

Net cash provided by financing activities of $827 million for the three months ended March 31, 2018 was primarily due to net issuance of long-term debt. Net cash used for financing activities of $305 million at March 31, 2017 was primarily due to net repayments of long-term debt.

Liquidity Risks and Strategies

SFC’s and OMFH’s credit ratings are non-investment grade, which have a significant impact on our cost of, and access to, capital. This, in turn, can negatively affect our ability to manage our liquidity and our ability or cost to refinance our indebtedness.

There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. These risks include, but are not limited, to the following:

- our inability to grow or maintain our personal loan portfolio with adequate profitability;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; and
- the potential for disruptions in the debt and equity markets.

The principal factors that could decrease our liquidity are customer delinquencies and defaults, a decline in customer prepayments, and a prolonged inability to adequately access capital market funding. We intend to support our liquidity position by utilizing some or all the following strategies:

- maintaining disciplined underwriting standards and pricing for loans we originate or purchase and managing purchases of finance receivables;
- pursuing additional debt financings (including new securitizations and new unsecured debt issuances, debt refinancing transactions and revolving conduit facilities), or a combination of the foregoing;
- purchasing portions of our outstanding indebtedness 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 may determine; and

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- obtaining new and extending existing secured revolving facilities to provide committed liquidity in case of prolonged market fluctuations.

However, it is possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of our significant judgments or estimates could prove to be materially incorrect.

OUR INSURANCE SUBSIDIARIES

Our insurance subsidiaries are subject to state regulations that limit their ability to pay dividends. State law restricts the amounts that Merit and Yosemite may pay as dividends without prior notice to the Indiana DOI and the amounts that AHL and Triton may pay as dividends without prior notice to the Texas DOI. The maximum amount of dividends, referred to as “ordinary dividends,” for an Indiana or Texas domiciled life insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders’ surplus as of the prior year-end or (ii) the statutory net gain from operations as of the prior year-end. Any amount greater must be approved by the Indiana DOI or Texas DOI prior to its payment. The maximum ordinary dividends for an Indiana or Texas domiciled property and casualty insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders’ surplus as of the prior year-end or (ii) the statutory net income. Any amount greater must be approved by the Indiana DOI or Texas DOI prior to its payment. These approved dividends are called “extraordinary dividends.” Our insurance subsidiaries did not pay any dividends during the three months ended March 31, 2018 and 2017.

DEBT COVENANTS

SFC Debt Agreements

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. Some or all of these agreements also contain certain restrictions, including (i) restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and (ii) SFC’s ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC’s obligations under the applicable debt agreement. In addition, the OMH guarantees of SFC’s long-term debt discussed above are subject to customary release provisions.

With the exception of SFC’s junior subordinated debenture, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios. However, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty, may constitute an event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of March 31, 2018, SFC was in compliance with all of the covenants under its debt agreements.

Junior Subordinated Debenture

In January of 2007, SFC issued the Junior Subordinated Debenture, consisting of $350 million aggregate principal amount of 60-year junior subordinated debt. The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the Junior Subordinated Debenture at par beginning in

January of 2017. The interest rate on the UPB of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 3.47% as of March 31, 2018.

Pursuant to the terms of the Junior Subordinated Debenture, SFC, upon the occurrence of a mandatory trigger event, is required to defer interest payments to the holders of the Junior Subordinated Debenture (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the Junior Subordinated Debenture otherwise payable on the next interest payment date and pays such amount to the holders of the Junior Subordinated Debenture. A mandatory trigger event occurs if SFC's (i) tangible equity to tangible managed assets is less than 5.5% or (ii) average fixed charge ratio is not more than 1.10x for the trailing four quarters.

Based upon SFC's financial results for the three months ended March 31, 2018, a mandatory trigger event did not occur with respect to the interest payment due in April of 2018, as SFC was in compliance with both required ratios discussed above.

OMFH Debt Agreements

None of OMFH's debt agreements require OMFH or any of its subsidiaries to meet or maintain any specific financial targets or ratios. However, the OMFH Indenture does contain a number of covenants that limit, among other things, OMFH's ability and the ability of most of its subsidiaries to incur additional debt; create liens securing certain debt; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to OMFH or make certain other intercompany transfers; sell certain assets; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates. The OMFH Indenture also contains customary events of default which would permit the trustee or the holders of the OMFH Notes to declare the OMFH Notes to be immediately due and payable if not cured within applicable grace periods, including the nonpayment of principal, interest or premium, if any, when due; violation of covenants and other agreements contained in the OMFH Indenture; payment default after final maturity or cross acceleration of certain material debt; certain bankruptcy and insolvency events; material judgment defaults; and the failure of any guarantee of the notes, other than in accordance with the terms of the OMFH Indenture or such guarantee. On November 8, 2016, OMH agreed to fully, unconditionally, and irrevocably guarantee the OMFH Notes.

As of March 31, 2018, OMFH was in compliance with all of the covenants under its debt agreements.

Structured Financings

We execute private securitizations under Rule 144A of the Securities Act of 1933. See Note 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our structured financings.

In addition to the structured financings, we had access to 10 conduit facilities with a total borrowing capacity of $4.9 billion as of March 31, 2018, as discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements included in this report. At March 31, 2018, no amounts were drawn under these facilities.

See "Liquidity and Capital Resources - Sources of Funds - Securitizations and Borrowings from Revolving Conduit Facilities" above for information on the securitization and conduit transactions completed subsequent to March 31, 2018.

Our overall funding costs are positively impacted by our increased usage of securitizations, as we typically execute these transactions at interest rates below those of our unsecured debt.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated VIEs at March 31, 2018 or December 31, 2017, other than certain representations and warranties associated with the sales of the mortgage-backed retained certificates during 2014. As of March 31, 2018, we had no repurchase activity related to these sales.

Critical Accounting Policies and Estimates

We describe our significant accounting policies used in the preparation of our consolidated financial statements in Note 3 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on

Form 10-K. We consider the following policies to be our most critical accounting policies because they involve critical accounting estimates and a significant degree of management judgment:

- allowance for finance receivable losses;
- purchased credit impaired finance receivables;
- TDR finance receivables;
- fair value measurements; and
- goodwill and other intangible assets.

There have been no material changes to our critical accounting policies or to our methodologies for deriving critical accounting estimates during the three months ended March 31, 2018.

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Recent Accounting Pronouncements

See Note 2 of the Notes to Condensed Consolidated Financial Statements included in this report for discussion of recently issued accounting pronouncements.

Seasonality

Our personal loan volume is generally highest during the second and fourth quarters of the year, primarily due to marketing efforts, seasonality of demand, and increased traffic in branches after the winter months. Demand for our personal loans is usually lower in January and February after the holiday season and as a result of tax refunds. Delinquencies on our personal loans are generally lowest in the first quarter and tend to rise throughout the remainder of the year. These seasonal trends contribute to fluctuations in our operating results and cash needs throughout the year.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk previously disclosed in Part II - Item 7A included in our 2017 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2018, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2018 to provide the reasonable assurance described above.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 14 of the Notes to Condensed Consolidated Financial Statements included in this report.

Item 1A. Risk Factors.

There have been no material changes to our risk factors included in Part I, Item 1A of our 2017 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Share repurchase activity for the three months ended March 31, 2018 was as follows:

Period	Total Number of Shares Purchased *	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2018 - January 31, 2018	—	$ ——		—
February 1, 2018 - February 28, 2018	7,953	33.01	—	—
March 1, 2018 - March 31, 2018	—	—	—	—
Total	7,953			

* Represents the surrender of shares to OMH in an amount equal to the amount of tax withheld in satisfaction of the withholding obligations of certain employees in connection with the vesting of restricted shares. As of the date of this report, OMH has no publicly announced plans or programs to repurchase OMH common stock.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Number	Description
4.1	Fifth Supplemental Indenture, dated as of March 12, 2018, by and among Springleaf Finance Corporation, OneMain Holdings, Inc., as Guarantor, and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on March 12, 2018.
10.1	Share Purchase Agreement, dated as of January 3, 2018, by and among OneMain Holdings, Inc. Springleaf Financial Holdings, LLC, and OMH Holdings, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 4, 2018.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of OneMain Holdings, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certifications of the Executive Vice President and Chief Financial Officer of OneMain Holdings, Inc.
32.1	Section 1350 Certifications.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Shareholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		ONEMAIN HOLDINGS, INC. (Registrant)	
Date:	May 3, 2018	By:	/s/ Scott T. Parker Scott T. Parker Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

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