

WORLD ACCEPTANCE CORP
Form 10-K
June 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended March 31, 2016
OR

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

For the transition period from _____ to _____

Commission file number 0-19599

WORLD ACCEPTANCE CORPORATION
(Exact name of registrant as specified in its charter)

South Carolina 570425114
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

108 Frederick Street
Greenville, South Carolina 29607
(Address of principal executive offices) (Zip Code)

(864) 298-9800
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Edgar Filing: WORLD ACCEPTANCE CORP - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of September 30, 2016, computed by reference to the closing sale price on such date, was \$157,729,340. (For purposes of calculating this amount only, all directors and executive officers are treated as affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.) As of May 31, 2016, 8,813,450 shares of the registrant's Common Stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement pertaining to the 2016 Annual Meeting of Shareholders ("the Proxy Statement") and filed pursuant to Regulation 14A are incorporated herein by reference into Part III hereof.

WORLD ACCEPTANCE CORPORATION
Form 10-K Report

Table of Contents

Item No.	Page
PART I	
1. <u>Business</u>	<u>2</u>
1A. <u>Risk Factors</u>	<u>14</u>
1B. <u>Unresolved Staff Comments</u>	<u>22</u>
2. <u>Properties</u>	<u>23</u>
3. <u>Legal Proceedings</u>	<u>23</u>
4. <u>Mine Safety Disclosures</u>	<u>25</u>
PART II	
5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>25</u>
6. <u>Selected Financial Data</u>	<u>27</u>
7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
8. <u>Financial Statements and Supplementary Data</u>	<u>41</u>
9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>75</u>
9A. <u>Controls and Procedures</u>	<u>75</u>
9B. <u>Other Information</u>	<u>76</u>
PART III	
10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>77</u>
11. <u>Executive Compensation</u>	<u>77</u>
12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>77</u>
13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>77</u>

14. <u>Principal Accountant Fees and Services</u>	<u>77</u>
---	-----------

PART IV

15. <u>Exhibits and Financial Statement Schedules</u>	<u>79</u>
---	-----------

Table of Contents

Introduction

World Acceptance Corporation, a South Carolina corporation, operates a small-loan consumer finance business in fifteen states and Mexico as of March 31, 2016. As used herein, the "Company," "we," "our," "us," or similar formulations include World Acceptance Corporation and each of its subsidiaries, except as the context otherwise requires. All references in this report to "fiscal 2017" are to the Company's fiscal year that will end on March 31, 2017; all references in this report to "fiscal 2016" are to the Company's fiscal year ended March 31, 2016; all references to "fiscal 2015" are to the Company's fiscal year ending March 31, 2015; and all references to "fiscal 2014" are to the Company's fiscal year ending March 31, 2014.

The Company maintains an Internet website, "www.worldacceptance.com," where interested persons will be able to access free of charge, among other information, the Company's annual reports on Form 10-K, its quarterly reports on Form 10-Q, and its current reports on Form 8-K, as well as amendments to these filings, via a link to a third party website. These documents are available for access as soon as reasonably practicable after we electronically file these documents with the Securities and Exchange Commission ("SEC"). The Company files these reports with the SEC via the SEC's EDGAR filing system, and such reports also may be accessed via the SEC's EDGAR database at www.sec.gov. The Company will also provide either electronic or paper copies free of charge upon written request to P.O. Box 6429, Greenville, SC 29606-6429. Information included on or linked to our website is not incorporated by reference into this annual report.

PART I.

Item 1. Description of Business

General. The Company is one of the nation's largest small-loan consumer finance companies, offering short-term small installment loans, medium-term larger installment loans, related credit insurance and ancillary products and services to individuals. The Company offers standardized installment loans generally between \$300 and \$4,000 through 1,339 branches in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Texas, Tennessee, Wisconsin and Mexico as of March 31, 2016. The Company generally serves individuals with limited access to other sources of consumer credit, such as banks, credit unions, other consumer finance businesses and credit card lenders. In our U.S. branches, the Company also offers income tax return preparation services to its loan customers and other individuals.

The small-loan consumer finance industry is a highly fragmented segment of the consumer lending industry. Small-loan consumer finance companies generally make loans to individuals of less than \$2,000 with maturities of 18 months or less. These companies approve loans on the basis of the personal creditworthiness of their customers and maintain close contact with borrowers to encourage the repayment or, when appropriate to meet the borrower's needs, the refinancing of loans. By contrast, commercial banks, credit unions and other consumer finance businesses typically make loans of more than \$5,000 with maturities of more than one year. Those financial institutions generally approve consumer loans on the security of qualifying personal property pledged as collateral or impose more stringent credit requirements than those of small-loan consumer finance companies. As a result of their higher credit standards and specific collateral requirements, commercial banks, savings and loans and other consumer finance businesses typically charge lower interest rates and fees and experience lower delinquency and charge-off rates than do small-loan consumer finance companies. Small-loan consumer finance companies generally charge higher interest rates and fees to compensate for the greater credit risk of delinquencies and charge-offs and increased loan administration and collection costs.

The majority of the participants in the industry are independent operators with generally less than 100 branches. We believe that competition between small-loan consumer finance companies occurs primarily on the basis of the strength

of customer relationships, customer service and reputation in the local community rather than pricing, as participants in this industry generally charge interest rates and fees at, or close to, the maximum permitted by applicable state laws. We believe that our relatively large size affords us a competitive advantage over smaller companies by increasing our access to, and reducing our cost of, capital.

Small-loan consumer finance companies are subject to extensive regulation, supervision and licensing under various federal and state statutes, ordinances and regulations. Consumer loan offices are licensed under state laws, which, in many states, establish maximum loan amounts and interest rates and the types and maximum amounts of fees and other charges. In addition, state laws govern other aspects of the operation of small-loan consumer finance companies. Periodically, constituencies within states seek to enact stricter regulations that would affect our business. Furthermore, the industry is subject to numerous federal laws and regulations that affect lending operations. These federal laws require companies to provide complete disclosure of the principal terms of each loan to the borrower in accordance with specified standards prior to the consummation of the loan transaction. Federal laws also prohibit misleading advertising, protect against discriminatory lending practices and proscribe unfair, deceptive or abusive credit practices.

Table of Contents

Expansion. During fiscal 2016, the Company opened 37 new branches. No branches were purchased and 18 branches were merged into existing branches due to their inability to grow to profitable levels. In fiscal 2017, the Company currently plans to open or acquire at least 15 new branches in the United States by increasing the number of branches in its existing market areas or commencing operations in new states where it believes demographic profiles and state regulations are attractive. In addition, the Company plans to open approximately 10 new branches in Mexico in fiscal 2017. The Company's ability to continue existing operations and expand its operations in existing or new states is dependent upon, among other things, laws and regulations that permit the Company to operate its business profitably and its ability to obtain necessary regulatory approvals and licenses; however, there can be no assurance that such laws and regulations will not change in ways that adversely affect the Company or that the Company will be able to obtain any such approvals or consents. See Part 1, Item 1A, "Risk Factors" for a further discussion of risks to our business and plans for expansion.

The Company's expansion is also dependent upon its ability to identify attractive locations for new branches and to hire suitable personnel to staff, manage and supervise new branches. In evaluating a particular community, the Company examines several factors, including the demographic profile of the community, the existence of an established small-loan consumer finance market and the availability of suitable personnel. The Company generally locates new branches in communities already served by at least one other small-loan consumer finance company.

The following table sets forth the number of branches of the Company at the dates indicated:

State	At March 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
South Carolina	89	92	93	95	97	97	98	101	99	96
Georgia	96	97	100	101	103	105	108	110	113	114
Texas	183	204	223	229	247	262	279	297	300	300
Oklahoma	62	70	80	82	82	82	82	83	83	82
Louisiana	28	34	38	38	40	44	47	48	49	48
Tennessee	72	80	92	95	103	105	105	105	107	106
Illinois	40	58	61	64	68	75	81	82	82	82
Missouri	44	49	57	62	66	72	76	76	78	77
New Mexico	27	32	37	39	44	44	44	44	44	42
Kentucky	45	52	58	61	66	70	71	76	79	79
Alabama	31	35	42	44	51	62	64	68	68	69
Wisconsin ⁽¹⁾	—	—	—	—	5	14	21	26	28	29
Indiana ⁽²⁾	—	—	—	—	—	—	8	17	22	25
Mississippi ⁽³⁾	—	—	—	—	—	—	—	5	12	20
Idaho ⁽⁴⁾	—	—	—	—	—	—	—	—	8	17
Mexico	15	35	63	80	95	105	119	133	148	153
Total	732	838	944	990	1,067	1,137	1,203	1,271	1,320	1,339

(1) The Company commenced operations in Wisconsin in December 2010.

(2) The Company commenced operations in Indiana in September 2012.

(3) The Company commenced operations in Mississippi in September 2013.

(4) The Company commenced operations in Idaho in October 2014.

Table of Contents

Loan and Other Products. In each state in which we operate, as well as in Mexico, we primarily offer pre-computed consumer installment loans that are standardized by amount and maturity. Consumer installment loans are our principal product and accounted for 88.8%, 85.9% and 87.4% of our total revenues in fiscal years 2016, 2015 and 2014, respectively. Our loans are payable in fully-amortizing monthly installments with terms generally from 6 to 36 months, and are prepayable at any time without penalty. In fiscal 2016, the Company's average originated gross loan size and term were approximately \$1,376 and 13 months, respectively. As of March 31, 2016, small loans generated in our U.S. branches averaged \$926, ranged in size from \$200 to \$3,600 and had an average term of 11 months. Large loans originated in the U.S. averaged \$3,438, ranged in size from \$1,500 to \$13,500 and had an average term of 23 months. State laws regulate various aspects of lending terms, including the maximum loan amounts, the types and maximum amounts of fees and other costs that may be charged, and, in most cases, interest rates. In addition to installment loans, we also offer payroll deduct loans in Mexico. Payroll deduct loans are originated through state unions and exhibit lower loss rates than installment loans. As of March 31, 2016, payroll deduct loans originated in our Mexico branches averaged \$1,688, ranged in size from \$290 to \$11,599 and had an average term of 32 months. Installment loans originated in Mexico averaged \$412, ranged in size from \$232 to \$1,160 and had an average term of 12 months.

Specific allowable interest, fees and other charges vary by state and, consistent with industry practice, we generally charge at, or close to, the maximum rates allowable under applicable state law in those states that limit loan rates. The finance charge is a combination of origination or acquisition fees, account maintenance fees, monthly account handling fees, interest and other charges permitted by the relevant state laws. As of March 31, 2016, the annual percentage rates on loans we offer in the U.S., including interest, fees and other charges as calculated in accordance with the Federal Truth in Lending Act, ranged from 25% to 199%, depending on the loan size, maturity and the state in which the loan was made.

As of March 31, 2016, annual percentage rates applicable to our gross loans receivable, as defined by the Truth in Lending Act were as follows:

Low	High	US	Mexico	Total	Percentage of total gross loans receivable
25 %	36 %	\$246,588,750	\$—	\$246,588,750	23.1 %
37 %	50 %	\$234,792,323	\$6,196,400	240,988,723	22.6 %
51 %	60 %	\$124,225,135	\$19,493,358	143,718,493	13.5 %
61 %	70 %	\$55,160,555	\$28,396,445	83,557,000	7.8 %
71 %	80 %	\$41,916,797	\$852,712	42,769,509	4.0 %
81 %	90 %	\$133,624,239	\$1,929,879	135,554,118	12.7 %
91 %	100 %	\$70,331,688	\$3,550,221	73,881,909	6.9 %
101 %	150 %	\$55,360,278	\$41,994,467	97,354,745	9.1 %
151 %	199 %	\$2,551,095	\$—	2,551,095	0.2 %
		\$964,550,860	\$102,413,482	\$1,066,964,342	100 %

The Company, as an agent for an unaffiliated insurance company, markets and sells credit life, credit accident and health, credit property, and unemployment insurance in connection with its loans in selected states where the sale of such insurance is permitted by law. Credit life insurance provides for the payment in full of the borrower's credit obligation to the lender in the event of death. Credit accident and health insurance provides for repayment of loan installments to the lender that come due during the insured's period of income interruption resulting from disability from illness or injury. Credit property insurance insures payment of the borrower's credit obligation to the lender in

the event that the personal property pledged as security by the borrower is damaged or destroyed by a covered event. Unemployment insurance provides for repayment of loan installments to the lender that come due during the insured's period of involuntary unemployment. The Company offers credit insurance for all loans originated in Georgia, South Carolina, Louisiana, Indiana, Kentucky, and Mississippi and on a more limited basis in Alabama, Tennessee, Oklahoma, and Texas. Customers in those states typically obtain such credit insurance through the Company. Charges for such credit insurance are made at filed, authorized rates and are stated separately in the Company's disclosure to customers, as required by the Truth in Lending Act and by various applicable state laws. In the sale of insurance policies, the Company, as an agent, writes policies only within limitations established by its agency contracts with the insurer. The Company does not sell credit insurance to non-borrowers.

Table of Contents

The Company also offers automobile club memberships to its borrowers in Georgia, Tennessee, New Mexico, Louisiana, Alabama, Texas, Kentucky, Indiana, Wisconsin, and Mississippi as an agent for an unaffiliated automobile club. Club memberships entitle members to automobile breakdown, towing reimbursement and related services. The Company is paid a commission on each membership sold, but has no responsibility for administering the club, paying benefits or providing services to club members. The Company does not market automobile club memberships to non-borrowers but occasionally sells memberships to non-borrowers.

The table below shows the insurance types offered by the Company by state as of March 31, 2016:

	Credit Life	Credit Accident and Health	Credit Property and Auto	Unemployment	Automobile Club Membership
Georgia	X	X	X		X
South Carolina	X	X	X	X	
Texas ⁽¹⁾	X	X	X	X	X
Oklahoma ⁽¹⁾	X	X	X	X	
Louisiana	X	X	X		X
Tennessee ⁽¹⁾	X	X	X	X	X
Idaho					
Illinois					
Missouri					
New Mexico ⁽¹⁾	X	X			X
Kentucky	X	X	X	X	X
Alabama ⁽¹⁾	X	X	X		X
Wisconsin					
Mississippi	X	X	X		X
Indiana	X	X	X	X	X

(1) Credit insurance is offered for certain loans.

Another service offered by the Company is income tax return preparation and electronic filing. This program is provided in all but a few of the Company's U.S branches. The Company prepared approximately 63,000, 56,000 and 55,000 returns in each of the fiscal years 2016, 2015 and 2014, respectively. Net revenue generated by the Company from this program during fiscal 2016, 2015 and 2014 amounted to approximately \$11.9 million, \$9.9 million and \$9.1 million, respectively. The Company believes that this is a beneficial service for its existing customer base, as well as non-loan customers, and it plans to continue to promote this program.

The Company's World Class Buying Club program offered certain electronic products and appliances to its borrowers in Texas,

Georgia, Tennessee, New Mexico, and Missouri. Borrowers participating in this program could purchase a product from a limited selection of items maintained in the branches or offered through a catalog available at a branch and could finance the purchase with a retail installment sales contract provided by the Company. Other than the limited product samples maintained in the branches, products sold through this program were shipped directly by the suppliers to the Company's customers and, accordingly, the Company was not required to maintain a large inventory to support the program. The Company decided to wind down the World Class Buying Club program during our fiscal 2015 third quarter. As of March 31, 2015, the Company is no longer financing the purchase of products through the program. We will continue to service the outstanding retail installment sales contracts.

Table of Contents

Loan Receivables. The following table sets forth the composition of the Company's gross loans receivable by state at March 31 of each year from 2007 through 2016:

State	At March 31,																			
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016										
South Carolina	13	%	12	%	11	%	12	%	12	%	11	%	11	%	11	%	10	%	9	%
Georgia	14		15		14		14		13		13		13		12		12		12	
Texas	23		22		21		20		19		19		19		19		18		17	
Oklahoma	5		5		6		6		7		6		6		6		7		7	
Louisiana	3		3		3		2		2		2		2		2		2		2	
Tennessee	15		14		14		14		14		14		13		12		12		12	
Illinois	6		6		6		6		6		7		6		7		6		6	
Missouri	5		6		6		6		6		6		6		6		7		7	
New Mexico	3		3		3		3		2		2		2		2		2		2	
Kentucky	9		9		9		9		9		9		9		8		9		9	
Alabama	3		3		4		4		4		4		4		4		5		5	
Wisconsin ⁽¹⁾	—		—		—		—		—		1		1		1		1		1	
Indiana ⁽²⁾	—		—		—		—		—		—		—		1		1		1	
Mississippi ⁽³⁾	—		—		—		—		—		—		—		—		—		—	
Idaho ⁽⁴⁾	—		—		—		—		—		—		—		—		—		—	
Mexico ⁽⁵⁾	1		2		3		4		6		6		8		9		8		10	
Total	100%		100%		100%		100%		100%		100%		100%		100%		100%		100%	

(1) The Company commenced operations in Wisconsin in December 2010.

(2) The Company commenced operations in Indiana in September 2012.

(3) The Company commenced operations in Mississippi in September 2013.

(4) The Company commenced operations in Idaho in October 2014.

(5) The Company commenced operations in Mexico in September 2005.

Table of Contents

The following table sets forth the total number of loans, the average loan balance and the gross loan balance by state at March 31, 2016:

	Total Number of Loans	Average Gross Loan Balance	Gross Loan Balance (thousands)
South Carolina	66,757	\$ 1,489	\$ 99,373
Georgia	83,194	1,518	126,300
Texas	195,464	943	184,240
Oklahoma	50,418	1,384	69,759
Louisiana	27,103	790	21,423
Tennessee	88,113	1,489	131,222
Illinois	41,336	1,580	65,294
Missouri	38,505	1,733	66,738
New Mexico	23,125	1,017	23,527
Kentucky	60,734	1,591	96,599
Alabama	44,704	1,024	45,778
Wisconsin	10,360	1,345	13,935
Indiana	12,498	1,233	15,415
Mississippi	4,047	643	2,601
Idaho	3,142	747	2,347
Mexico	147,308	695	102,413
Total	896,808	\$ 1,190	\$ 1,066,964

The following table sets forth the amounts and percentages of our total revenues from customers in the United States and from customers in Mexico.

	Year ended March 31,		
	2016	2015	2014
United States	92.4% \$515,300,873	91.4% \$557,818,594	91.6% \$548,694,630
Mexico	7.6% \$42,174,834	8.6% \$52,394,282	8.4% \$50,568,769

For further information regarding potential risks associated with the Company's operations in Mexico, see Part I, Item 1A, "Risk Factors—Our continued expansion into Mexico may increase the risks inherent in conducting operations internationally and in Mexico, contribute materially to increased costs and negatively affect our business, prospects, results of operations and financial condition," and "—Our use of derivatives exposes us to credit and market risk," as well as Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."

Seasonality. The Company's highest loan demand occurs generally from October through December, its third fiscal quarter. Loan demand is generally lowest and loan repayment highest from January to March, its fourth fiscal quarter. Consequently, the Company experiences significant seasonal fluctuations in its operating results and cash needs. Operating results from the Company's third fiscal quarter are generally lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

Lending and Collection Operations. The Company seeks to provide short-term consumer installment loans to the segment of the population that has limited access to other sources of credit. In evaluating the creditworthiness of potential customers, the Company primarily examines the individual's discretionary income, length of current employment and/or sources of income, duration of residence and prior credit experience. Loans are made to

individuals on the basis of their discretionary income and other factors and are limited to amounts we believe that customers can reasonably be expected to repay from that income given our assessment of their stability, ability and willingness to pay. All loan applicants are required to complete standardized credit applications in person or by telephone at local Company branches. Each of the Company's local branches are equipped to perform rapid background, employment and credit checks and approve loan applications promptly, often while the customer waits. The Company's employees verify the applicant's sources of income and credit histories through telephone checks with employers, other employment

7

Table of Contents

references and verification with various credit bureaus. Substantially all new customers are required to submit a listing of personal property that will serve as collateral to secure the loan, but the Company does not rely on the value of such collateral in the loan approval process and generally does not perfect its security interest in that collateral. Accordingly, if the customer were to default in the repayment of the loan, the Company may not be able to recover the outstanding loan balance by resorting to the sale of collateral.

The Company believes that development and continual reinforcement of personal relationships with customers improve the Company's ability to monitor their creditworthiness, reduce credit risk and generate customer loyalty. It is not unusual for the Company to have made a number of loans to the same customer over the course of several years, many of which were refinanced with a new loan after the borrower had reduced the existing loan's outstanding balance by making multiple payments. In determining whether to refinance existing loans, the Company typically requires loans to be current on a recency basis, and repeat customers are generally required to complete a new credit application if they have not completed one within the prior two years.

In fiscal 2016, approximately 81.5% of the Company's loans were generated through refinancings of outstanding loans and the origination of new loans to previous customers. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. The Company markets the opportunity for qualifying customers to refinance existing loans prior to maturity. In many cases the existing customer's past performance and established creditworthiness with the Company qualifies that customer for a larger loan. This, in turn, may increase the fees and other income realized for a particular customer. For fiscal 2016, 2015 and 2014, the percentages of the Company's loan originations that were refinancings of existing loans were 69.4%, 71.5% and 73.5%, respectively.

The Company allows refinancing of delinquent loans on a case-by-case basis for those customers who otherwise satisfy the Company's credit standards. Each such refinancing is carefully examined before approval in an effort to avoid increasing credit risk. A delinquent loan may generally be refinanced only if the customer has made payments which, together with any credits of insurance premiums or other charges to which the customer is entitled in connection with the refinancing, reduce the balance due on the loan to an amount equal to or less than the original cash advance made in connection with the loan. The Company does not allow the amount of the new loan to exceed the original amount of the existing loan. The Company believes that refinancing delinquent loans for certain customers who have made periodic payments allows the Company to increase its average loans outstanding and its interest, fees and other income without experiencing a significant increase in loan losses. These refinancings also provide a resolution to temporary financial setbacks for these borrowers and sustain their credit rating. Because they are allowed on a selective basis only, refinancings of delinquent loans represented 1.4% of the Company's loan volume in fiscal 2016.

To reduce late payment risk, local branch staff encourage customers to inform the Company in advance of expected payment problems. Local branch staff also promptly contact delinquent customers following any payment due date and thereafter remain in close contact with such customers through phone calls or letters until payment is received or some other resolution is reached. Company employees are instructed not to accept payment outside of the Company's branches except in unusual circumstances. In Georgia, Oklahoma, Illinois, Missouri, Tennessee, Alabama, Louisiana, New Mexico, Wisconsin, Kentucky, Indiana and Idaho the Company is permitted under state laws to garnish customers' wages for repayment of loans, but the Company does not otherwise generally resort to litigation for collection purposes, and rarely attempts to foreclose on collateral.

Insurance-related Operations. In certain states, the Company sells credit insurance to customers in connection with its loans as an agent for an unaffiliated insurance company. These insurance policies provide for the payment of the outstanding balance of the Company's loan upon the occurrence of an insured event. The Company earns a commission on the sale of such credit insurance, which, for most products, is directly impacted by the claims

experience of the insurance company on policies sold on its behalf by the Company. In states where commissions on certain products are capped, the commission earned is not directly impacted by the claims experience.

The Company has a wholly-owned, captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company. Certain coverages currently sold by the Company on behalf of the unaffiliated insurance carrier are ceded by the carrier to the captive insurance subsidiary, providing the Company with an additional source of income derived from the earned reinsurance premiums. In fiscal 2016, the captive insurance subsidiary reinsured approximately 7.0% of the credit insurance sold by the Company and contributed approximately \$3.6 million to the Company's total revenue.

Non-Filing Insurance. The Company typically does not perfect its security interest in collateral securing its smaller loans by filing Uniform Commercial Code ("UCC") financing statements. Statutes in Georgia, Louisiana, South Carolina, Kentucky and Alabama permit the Company to charge a non-filing or non-recording insurance premium in connection with certain loans originated in these states. These premiums are equal in aggregate amount to the premiums paid by the Company to purchase non-filing insurance

Table of Contents

coverage from an unaffiliated insurance company. Under its non-filing insurance coverage, the Company is reimbursed for losses on loans resulting from its policy not to perfect its security interest in collateral securing the loans.

Information Technology. ParaData Financial Systems, a wholly-owned subsidiary, is a financial services software company headquartered near St. Louis, Missouri. Using the proprietary data processing software package developed by ParaData, the Company is able to fully automate all of its loan account processing and collection reporting. The system provides thorough management information and control capabilities. ParaData also markets its financial services data processing system to other financial services companies, but experiences significant fluctuations from year to year in the amount of revenues generated from sales of the system to third parties. Such revenues have historically not been material to the Company.

Monitoring and Supervision. The Company's loan operations are organized into Southeastern, Central, and Western Divisions, and Mexico. The Southeastern Division consists of Alabama, Georgia, Kentucky, South Carolina and Tennessee; the Central Division consists of Illinois, Indiana, Missouri, Oklahoma and Wisconsin; and the Western Division consists of Idaho, Louisiana, Mississippi, New Mexico and Texas. Several levels of management monitor and supervise the operations of each of the Company's branches. Branch managers are directly responsible for the performance of their respective branches. District supervisors are responsible for the performance of 8 to 11 branches in their districts, typically communicate with the branch managers of each of their branches at least weekly and visit the branches at least monthly. The Vice Presidents of Operations monitor the performance of all branches within their states (or partial state in the case of Texas), primarily through communication with district supervisors. These Vice Presidents of Operations typically communicate with the district supervisors of each of their districts weekly and regularly visit branches.

Senior management receives daily delinquency, loan volume, charge-off, and other statistical reports consolidated by state and has access to these daily reports for each branch. At least six times per fiscal year, district supervisors examine the operations of each branch in their geographic area and submit standardized reports detailing their findings to the Company's senior management. At least once per year, each branch undergoes an audit by the Company's internal auditors. These audits include an examination of cash balances and compliance with Company loan approval, review and collection procedures and compliance with federal and state laws and regulations.

Staff and Training. Local branches are generally staffed with three to four employees. The branch manager supervises operations of the branch and is responsible for approving all new and former borrower loan applications and requests for increases in the amount of credit extended. Each branch generally has one or two branch service representatives who take loan applications, process loan applications, apply payments, and assist in the preparation of operational reports, in collection efforts, and in marketing activities. Larger branches may employ additional branch service representatives.

New employees are required to review detailed training materials that outline the Company's operating policies and procedures. The Company tests each employee on the training materials during the first year of employment. In addition, each branch provides in-office training sessions once every week and periodic training sessions outside the branch. The Company has also implemented an enhanced training tool known as World University, which provides continuous, real-time, effective, on-line training to all locations. This allows for more training opportunities to be available to all employees throughout the course of their career with the Company.

Advertising. The Company actively advertises through direct mail, targeting both its present and former customers and potential customers who have used other sources of consumer credit. The Company obtains or acquires mailing lists from third party sources. In addition to the general promotion of its loans for vacations, back-to-school needs and other uses, the Company advertises extensively during the October through December holiday season and in

connection with new branch openings. The Company also advertises on-line, by email and to existing customers via SMS/text. The Company believes its advertising contributes significantly to its ability to compete effectively with other providers of small-loan consumer credit. Advertising expenses were approximately 3.0% of total revenues in fiscal 2016, 2.8% in fiscal 2015 and 2.7% in fiscal 2014.

Competition. The small-loan consumer finance industry is highly fragmented, with numerous competitors. The majority of the Company's competitors are independent operators with generally less than 100 branches. Competition from community banks and credit unions is limited because they typically do not make loans of less than \$5,000. While it is hard to surmise exactly what impact our competitors have on our business, we believe that factors such as online lending could be affecting the business market within which we operate. Additionally, although online lenders appear to be marketing to a different customer segment than that of our primary customers, some of our customers may in fact overlap.

The Company believes that competition between small-loan consumer finance companies occurs primarily on the basis of the strength of customer relationships, customer service and reputation in the local community, rather than pricing, as participants in this industry generally charge interest rates and fees at or close to the maximum permitted by applicable laws. The Company

Table of Contents

believes that its relatively larger size affords it a competitive advantage over smaller companies by increasing its access to, and reducing its cost of, capital.

Several of the states in which the Company currently operates limit the size of loans made by small-loan consumer finance companies and prohibit the extension of more than one loan to a customer by any one company. As a result, many customers borrow from more than one finance company, enabling the Company, subject to the limitations of various consumer protection and privacy statutes including, but not limited to, the federal Fair Credit Reporting Act and the Gramm-Leach-Bliley Act, to obtain information on the credit history of specific customers from other consumer finance companies.

Employees. As of March 31, 2016, the Company had 3,345 U.S. employees, none of whom were represented by labor unions and 1,091 employees in Mexico, all of whom were represented by a Mexico-based labor union. The Company considers its relations with its personnel to be good. The Company seeks to hire people who will become long-term employees. The Company experiences a high level of turnover among its entry-level personnel, which the Company believes is typical of the small-loan consumer finance industry.

Executive Officers of the Company. The names and ages, positions, terms of office and periods of service of each of the Company's executive officers (and other business experience for executive officers who have served as such for less than five years) are set forth below. The term of office for each executive officer expires upon the earlier of the appointment and qualification of a successor or such officers' death, resignation, retirement or removal.

Table of Contents

Name and Age	Position	Period of Service as Executive Officer and Pre-Executive Officer Experience (if an Executive Officer for Less Than Five Years)
Janet Lewis Matricciani (48)	Chief Executive Officer	Chief Executive Officer since October 2015; Chief Operating Officer January 2014 to September 2015; Chief Executive Officer of Antenna International (a leading creator of handheld audio, multimedia and virtual tours for museums, cultural and historic sites and, tourist attractions) from 2010 to 2013; Senior Vice President of Corporate Development for K12 Inc. (a technology-based education company) from 2008 to 2010.
John L. Calmes Jr. (36)	Senior Vice President, Chief Financial Officer and Treasurer	Senior Vice President, Chief Financial Officer and Treasurer since November 2015; Vice President, Chief Financial Officer and Treasurer since December 2013; Director of Finance – Corporate and Investment Banking Division of Bank of Tokyo-Mitsubishi UFJ in 2013; Senior Manager of PricewaterhouseCoopers from 2011 to 2013; Manager of PricewaterhouseCoopers from 2008 to 2011.
Tara E. Bullock (44)	Senior Vice President, Secretary and General Counsel	Senior Vice President, Secretary and General Counsel since November 2015; Vice President, Secretary and General Counsel from June 2014 to November 2015; and Vice President, Assistant Secretary and Associate General Counsel January 2013 to June 2014. Assistant Secretary and Assistant General Counsel of Security Finance Corporation of Spartanburg from January 2009 to December 2012. Vice President and Assistant General Counsel of Sherman Financial Group, LLC/Resurgent Capital Services, LP from August 2005 to January 2009.
Jeff L. Tinney (54)	Senior Vice President, Western Division	Senior Vice President, Western Division, since June 2007; Vice President, Operations – Texas and New Mexico from June 2001 to June 2007; Vice President, Operations – Texas and Louisiana from April 1998 to June 2001.
D. Clinton Dyer (42)	Senior Vice President, Southeastern Division	Senior Vice President, Southeastern Division since November 2015; Senior Vice President, Central Division June 2005 to November 2015; Vice President, Operations –Tennessee and Kentucky from April 2002 to June 2005.
Erik T. Brown (43)	Senior Vice President, Central Division	Senior Vice President, Central Division since November 2015; Vice President of Operations, Missouri July 2005 to November 2015; District Supervisor November 2003 to July 2005.
Francisco Javier Sauza Del Pozo (60)	Senior Vice President, Mexico	Senior Vice President, Mexico since May 2008; Vice President of Operations from April 2005 to May 2008.

Government Regulation.

U. S. Operations. Small-loan consumer finance companies are subject to extensive regulation, supervision and licensing under various federal and state statutes, ordinances and regulations. In many cases, these statutes establish maximum loan amounts and interest rates and the types and maximum amounts of fees and other charges. In addition, state laws regulate collection procedures, the keeping of books and records and other aspects of the operation of

small-loan consumer finance companies. Generally, state regulations also establish minimum capital requirements for each local branch. Accordingly, the ability of the Company to expand by acquiring existing branches and opening new branches will depend in part on obtaining the necessary regulatory approvals.

Table of Contents

For example, Texas regulation requires the approval of the Texas Consumer Credit Commissioner for the acquisition, directly or indirectly, of more than 10% of the voting or common stock of a consumer finance company. A Louisiana statute prohibits any person from acquiring control of 50% or more of the shares of stock of a licensed consumer lender, such as the Company, without first obtaining a license as a consumer lender. The overall effect of these laws, and similar laws in other states, is to make it more difficult to acquire a consumer finance company than it might be to acquire control of an unregulated corporation.

All of the Company's branches are licensed under the laws of the state in which the branch is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations. In the states in which the Company currently operates, licenses may be revoked only after an administrative hearing.

The Company and its operations are regulated by several state agencies, including the following:

- The Industrial Loan Division of the Office of the Georgia Insurance Commissioner
- The Consumer Finance Division of the South Carolina Board of Financial Institutions and the South Carolina Department of Consumer Affairs
- The Texas Office of the Consumer Credit Commissioner
- The Oklahoma Department of Consumer Credit
- The Louisiana Office of Financial Institutions
- The Tennessee Department of Financial Institutions
- The Missouri Division of Finance
- The Consumer Credit Division of the Illinois Department of Financial Institutions
- The Financial Institutions Division of the New Mexico Regulation and Licensing Department
- The Kentucky Department of Financial Institutions
- The Alabama State Banking Department
- The Wisconsin Department of Financial Institutions
- The Indiana Department of Financial Institutions
- The Mississippi Department of Banking and Consumer Finance
- The Idaho Department of Finance.

These state regulatory agencies audit the Company's local branches from time to time, and each state agency performs an annual compliance audit of the Company's operations in that state.

Insurance. The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed, govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance. The Company's captive insurance subsidiary is regulated by the insurance authorities of the Turks and Caicos Islands of the British West Indies, where the subsidiary is organized and domiciled.

Consumer finance companies are affected by changes in state and federal statutes and regulations. The Company actively participates in trade associations and in lobbying efforts in the states in which it operates and at the federal level. There have been, and the Company expects that there will continue to be, media attention, initiatives, discussions, proposals and legislation regarding the entire consumer credit industry, as well as our particular business, and possible significant changes to the laws and regulations, or the authority exercised pursuant to those laws and regulations that govern our business. In some cases, proposed or pending legislative or regulatory changes have been introduced that would, if enacted, have a material adverse effect on, or possibly even eliminate, our ability to continue our current business. We can give no assurance that the laws and regulations that govern our business, or the interpretation or administration of those laws and regulations, will remain unchanged or that any such future changes

will not materially and adversely affect or in the worst case, eliminate, the Company's lending practices, operations, profitability or prospects. See "State legislation" and "Federal legislation" below and Part I, Item 1A, "Risk Factors," for a further discussion of the potential impact of regulatory changes on our business.

State legislation. The Company is subject to numerous state laws and regulations that affect our lending activities. Many of these regulations impose detailed and complex constraints on the terms of our loans, lending forms and operations. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil, monetary or other penalties.

Table of Contents

In the past, several state legislative and regulatory proposals have been introduced which, had they become law, would have had a material adverse impact on our operations and ability to continue to conduct business in the relevant state. Although to date none of these state initiatives have been successful, state legislatures continue to receive pressure to adopt similar legislation that would affect our lending operations. For example, in Missouri, following a 2013 failed ballot initiative, the same proponents again commenced ballot initiatives to legislatively cap annual interest rates at 36% and to constitutionally impose other interest rate limitations. The proponents of the rate cap did not obtain sufficient signatures on this initiative to have it placed on the November 2014 election ballot. A similar attempt to introduce rate cap legislation has been initiated in New Mexico, but was tabled in early February 2015 by a legislative subcommittee. There can be no assurance that proponents of these or similar initiatives will not pursue them and be successful in the future.

In addition, any adverse change in existing laws or regulations, or any adverse interpretation or litigation relating to existing laws and regulations in any state in which we operate, could subject us to liability for prior operating activities or could lower or eliminate the profitability of our operations going forward by, among other things, reducing the amount of interest and fees we can charge in connection with our loans. If these or other factors lead us to close our branches in a state, then in addition to the loss of net revenues attributable to that closing, we would also incur closing costs such as lease cancellation payments, and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we may also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

Federal legislation. In addition to state and local laws and regulations, we are subject to numerous federal laws and regulations that affect our lending operations. These laws include the Truth in Lending Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act and the regulations thereunder and the Federal Trade Commission's Credit Practices Rule. These laws require the Company to provide complete disclosure of the principal terms of each loan to the borrower, prior to the consummation of the loan transaction, prohibit misleading advertising, protect against discriminatory lending practices and prohibit unfair, deceptive or abusive credit practices. Among the principal disclosure items under the Truth in Lending Act are the terms of repayment, the final maturity, the total finance charge and the annual percentage rate charged on each loan. The Equal Credit Opportunity Act prohibits creditors from discriminating against loan applicants on, among other things the basis of race, color, sex, age or marital status. Pursuant to Regulation B promulgated under the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection. The Fair Credit Reporting Act also requires the Company to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency and to provide additional information to those borrowers whose loans are approved and consummated if the credit decision was based in whole or in part on the contents of a credit report. The Credit Practices Rule limits the types of property a creditor may accept as collateral to secure a consumer loan. Violations of the statutes and regulations described above may result in actions for damages, claims for refund of payments made, certain fines and penalties, injunctions against certain practices and the potential forfeiture of rights to repayment of loans.

Although these laws and regulations remained substantially unchanged for many years, over the last several years the laws and regulations directly affecting our lending activities have been under review and are subject to change as a result of various developments and changes in economic conditions, the make-up of the executive and legislative branches of government, and the political and media focus on issues of consumer and borrower protection. See Part I, Item 1A, "Risk Factors - Media and public perception of consumer installment loans as being predatory or abusive could materially adversely affect our business, prospects, results of operations and financial condition" below. Any changes in such laws and regulations could force us to modify, suspend or cease part or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to

preempt what has traditionally been state law regulation of our business activities. The enactment of one or more of such regulatory changes could materially and adversely affect our business, results of operations and prospects.

Table of Contents

Various legislative proposals addressing consumer credit transactions have been passed in recent years or are currently pending in the U.S. Congress. Congressional members continue to receive pressure from consumer activists and other industry opposition groups to adopt legislation to address various aspects of consumer credit transactions. As part of a sweeping package of financial industry reform regulations, in July 2010 Congress passed and the President signed into law the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (the “Dodd-Frank Act”). This created, among other things, a new federal regulatory entity, the Consumer Financial Protection Bureau (commonly referred to as the CFPB), with sweeping regulatory and enforcement over consumer financial transactions. The CFPB continues to actively engage in the announcement and implementation of various plans and initiatives in the area of consumer financial transactions generally, including its March 26, 2015 announcement that it was considering proposing rules under its unfair, deceptive and abusive acts and practices rulemaking authority relating to payday, vehicle title, and similar loans. Some of these CFPB announced plans and initiatives, if implemented, would directly affect certain loan products we currently offer and subject us to the CFPB’s supervisory authority. Also, as previously disclosed, the Company is currently under investigation by the CFPB. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters,” for more information regarding the CFPB investigation and its regulatory initiatives, including a discussion of proposed rulemaking announced by the CFPB on March 26, 2015.

Although the Dodd-Frank Act prohibits the CFPB from setting interest rates on consumer loans, efforts to create a federal usury cap, applicable to all consumer credit transactions and substantially below rates at which the Company could continue to operate profitably, are still ongoing. Any federal legislative or regulatory action that severely restricts or prohibits the provision of small-loan consumer credit and similar services on terms substantially similar to those we currently provide would, if enacted, have a material, adverse impact on our business, prospects, results of operations and financial condition. Any federal law that would impose a national 36% or similar annualized credit rate cap on our services would, if enacted, almost certainly eliminate our ability to continue our current operations. See Part I, Item 1A, “Risk Factors - Federal legislative or regulatory proposals, initiatives, actions or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend or cease part or all of our nationwide operations,” for further information regarding the potential impact of adverse legislative and regulatory changes.

Mexico Operations. Effective May 1, 2008, World Acceptance Corporation de Mexico, S. de R.L. de C.V. was converted to WAC de Mexico, S.A. de C.V., SOFOM, E.N.R. (“WAC de Mexico SOFOM”), and due to such conversion, this entity is now organized as a Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (Multiple Purpose Financial Company, Non-Regulated Entity or “SOFOM, ENR”). Mexican law provides for administrative regulation of companies which are organized as SOFOM, ENRs. As such, WAC de Mexico SOFOM is mainly governed by different federal statutes, including the General Law of Auxiliary Credit Activities and Organizations, the Law for the Transparency and Order of Financial Services, the General Law of Credit Instruments and Operations, and the Law of Protection and Defense to the User of Financial Services. SOFOM, ENRs are also subject to regulation by and surveillance of the National Commission for the Protection and Defense of Users of Financial Services (“CONDUSEF”). CONDUSEF, among others, acts as mediator and arbitrator in disputes between financial lenders and customers, and resolves claims filed by loan customers. CONDUSEF also prevents unfair and discriminatory lending practices, and regulates, among others, the form of loan contracts, consumer disclosures, advertisement, and certain operating procedures of SOFOM, ENRs, with such regulations pertaining primarily to consumer protection and adequate disclosure and transparency in the terms of borrowing. Neither CONDUSEF nor federal statutes impose interest rate caps on loans granted by SOFOM, ENRs. Due to anti-money laundering laws, we are now being reviewed by the National Banking and Securities Commission (“CNBV”) for compliance with anti-money laundering regulations. The consumer loan industry, as with most businesses in Mexico, is also subject to other various regulations in the areas of tax compliance and employment matters, among others, by various federal, state and local governmental agencies. Generally, federal regulations control over the state statutes with respect to the consumer loan operations of SOFOM, ENRs.

Available Information. The information regarding our website and availability of our filings with the SEC as described in the second paragraph under “Introduction” above is incorporated by reference into this Item 1 of Part I.

Item 1A. Risk Factors

Forward-Looking Statements

This annual report contains various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on management’s beliefs and assumptions, as well as information currently available to management. Statements other than those of historical fact, as well as those identified by the use of words such as “anticipate,” “estimate,” “intend,” “plan,” “expect,” “believe,” “may,” “will,” “should,” “would,” “could,” and any variations thereof and similar expressions, are forward-looking statements. Although we believe that the expectations reflected in any such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Any such statements

Table of Contents

are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual financial results, performance or financial condition may vary materially from those anticipated, estimated, expected or implied by any forward-looking statements.

Investors should consider the following risk factors, in addition to the other information presented in this annual report and the other reports and registration statements the Company files with or furnishes to the SEC from time to time, in evaluating us, our business and an investment in our securities. Any of the following risks, as well as other risks, uncertainties, and possibly inaccurate assumptions underlying our plans and expectations, could result in harm to our business, results of operations and financial condition and cause the value of our securities to decline, which in turn could cause investors to lose all or part of their investment in our Company. These factors, among others, could also cause actual results to differ materially from those we have experienced in the past or those we may express or imply from time to time in any forward-looking statements we make. Investors are advised that it is impossible to identify or predict all risks, and that risks not currently known to us or that we currently deem immaterial also could affect us in the future. The Company does not undertake any obligation to update any forward-looking statements it may make.

Federal legislative or regulatory proposals, initiatives, actions or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend or cease part or all of our nationwide operations.

We are subject to numerous federal laws and regulations that affect our lending operations. Although these laws and regulations have remained substantially unchanged for many years, the laws and regulations directly affecting our lending activities have been under review and subject to change in recent years as a result of various developments and changes in economic conditions, the make-up of the executive and legislative branches of government, and the political and media focus on issues of consumer and borrower protection. Any changes in such laws and regulations could force us to modify, suspend or cease part, or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities.

In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was enacted. The Dodd-Frank Act restructured and enhanced the regulation and supervision of the financial services industry and created the Consumer Financial Protection Bureau (the “CFPB”), an agency with sweeping regulatory and enforcement authority over consumer financial transactions. Although the Dodd-Frank Act prohibits the CFPB from setting interest rates on consumer loans, efforts to create a federal usury cap, applicable to all consumer credit transactions and substantially below rates at which the Company could continue to operate profitably, are still ongoing. Any federal legislative or regulatory action that severely restricts or prohibits the provision of small-loan consumer credit and similar services on terms substantially similar to those we currently provide would, if enacted, have a material adverse impact on our business, prospects, results of operations and financial condition. Any federal law that would impose a 36% or similar annualized credit rate cap on our services would, if enacted, almost certainly eliminate our ability to continue our current operations.

The CFPB’s rulemaking and enforcement authority extends to certain non-depository institutions, including us. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. The Dodd-Frank Act also authorizes the CFPB, under certain conditions, to issue regulations regarding the use of arbitration agreements in consumer financial markets. On May 3, 2016, the CFPB proposed rules that would eliminate the use of class action waivers in pre-dispute arbitration agreements. If the CFPB adopts a final rule, it would be effective 211 days after publication. The CFPB also has

authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business. Further, the CFPB has authority to designate non-depository “larger participants” in certain markets for consumer financial services and products for purposes of the CFPB’s supervisory authority under the Dodd-Frank Act. Such designated “larger participants” are subject to reporting and on-site compliance examinations by the CFPB, which may result in increased compliance costs and potentially greater enforcement risks based on these supervisory activities. Although the CFPB has not yet developed a “larger participant” rule that directly covers the Company’s installment lending business, in March 2015 in connection with the CFPB’s discussion of a proposed rulemaking initiative described below, the CFPB stated that it expects to conduct separate rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. Though the timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company’s business under the CFPB’s direct supervisory authority.

On March 26, 2015, the CFPB announced that it was considering proposing rules under its unfair, deceptive and abusive acts and practices rulemaking authority relating to payday, vehicle title, and similar loans. The proposal would cover short-term loans with a contractual term of 45 days or less, as well as “longer-term loans” with a term of longer than 45 days with an all-in annualized

Table of Contents

percentage rate of interest (“APR”) in excess of 36% in which the lender has either a non-purchase money security interest in the consumer’s vehicle or the right to collect repayment from the consumer’s bank account or paycheck. Although the Company does not make loans with terms of 45 days or less or obtain access to a customer’s bank account or paycheck for repayment of any of its loans, it does make some vehicle-secured loans with an APR within the scope of the proposal. The Company currently estimates that the amount of such vehicle-secured loans in its loan portfolio as of March 31, 2016 are approximately 13% of its total number of loans and approximately 20% of its portfolio by gross loan balance. The proposals would require a lender, as a condition of making a covered longer-term loan, to first make a good-faith reasonable determination that the consumer has the ability to repay the covered longer-term loan without reborrowing or defaulting. The proposals would require lenders to verify income, “major financial obligations” and borrowing history. Lenders would also be required to determine that a consumer is able to make all projected payments under the covered longer-term loan as those payments are due, while still fulfilling other major financial obligations and meeting living expenses. This ability to repay assessment would apply to both the initial longer-term loan and to any subsequent refinancing. In addition, the proposals would include a rebuttable presumption that customers seeking to refinance a covered longer-term loan lack an “ability to repay” if certain conditions exist at the time of the proposed refinancing. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters,” for more information regarding these proposals. The proposals are subject to several procedural requirements and to possible change before any final rules would be issued and implemented, and we cannot predict what the ultimate rulemaking will provide. Although the Company currently underwrites all its loans (including those secured by a vehicle title that would fall within the scope of these proposals) by reviewing the customer’s ability to repay based on the Company’s standards, there can be no assurance that these proposals, if and when implemented in final rulemaking, would not require changes to the Company’s practices and procedures regarding such loans that could materially and adversely affect the Company’s ability to make such loans, the cost of making such loans, the Company’s ability to, or frequency with which it could, refinance any such covered loans, or the profitability of such loans. Any final rulemaking also could have effects beyond those contemplated in the initial proposal that could further materially and adversely impact our business and operations.

In addition to the specific matters described above, other aspects of our business may be the subject of future CFPB rulemaking. The enactment of one or more of such regulatory changes, or the exercise of broad regulatory authority by regulators, including but not limited to, the CFPB, having jurisdiction over the Company’s business or discretionary consumer financial transactions generically, could materially and adversely affect our business, results of operations and prospects.

In July 2015, the Department of Defense (the “DoD”) amended its existing regulation that implements the Military Lending Act (the “MLA”). The final rule prohibits creditors from extending consumer credit if the Military Annual Percentage Rate or MAPR exceeds 36%. The rule covers both members of the armed forces and their dependents (“covered borrowers”). In addition, creditors must check a database maintained by the DoD before entering into an agreement with a covered borrower, provide both oral and written disclosures, including the MAPR, and must not require arbitration in agreements with covered borrowers.

We are currently under investigation by the CFPB, and any adverse finding, allegation, or exercise of enforcement or regulatory discretion by the CFPB could materially and adversely affect our business, financial condition, results of operations or ability to operate our business as we currently do.

As previously disclosed, on March 12, 2014, we received a Civil Investigative Demand (“CID”) from the Consumer Financial Protection Bureau (the “CFPB”). The stated purpose of the CID is to determine whether the Company has been or is “engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law” and “also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest.” The

Company responded, within the deadlines specified in the CID, to broad requests for production of documents, answers to interrogatories to and written reports related to loans made by the Company and numerous other aspects of the Company's business.

Also as previously disclosed, on August 7, 2015, the Company received a letter from the CFPB's Enforcement Office notifying the Company that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the staff of CFPB's Enforcement Office is considering recommending that the CFPB take legal action against the Company (the "NORA Letter"). The NORA Letter states that the staff of the CFPB's Enforcement Office expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it. The Company understands that a NORA Letter is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced.

Table of Contents

The Company has made NORA submissions to the CFPB's Enforcement Office. The Company expects that there will continue to be additional requests or demands for information from the CFPB and ongoing interactions between the CFPB, the Company and Company counsel as part of the investigation. We are currently unable to predict the ultimate timing or outcome of the CFPB investigation. While the Company believes its marketing and lending practices are lawful, there can be no assurance that the CFPB's ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal consumer financial protection laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to the Company's business practices or operations that could have a material adverse effect on the Company's business, financial condition or results of operations or eliminate altogether the Company's ability to operate its business profitably or on terms substantially similar to those on which it currently operates.

Litigation and regulatory actions, including challenges to the arbitration clauses in our customer agreements, could subject us to significant class actions, fines, penalties, judgments and requirements resulting in increased expenses and potential material adverse effects on our business, results of operations and financial condition.

In the normal course of business, from time to time, we have been named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities. Certain of the legal actions include claims for substantial compensatory and punitive damages, or claims for indeterminate amounts of damages. While the arbitration provisions in our customer agreements historically have limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. There may also be legislative, administrative or regulatory efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses, including by the CFPB, or we may be compelled as a result of competitive pressure or reputational concerns to voluntarily eliminate pre-dispute arbitration clauses.

Unfavorable state legislative or regulatory actions or changes, adverse outcomes in litigation or regulatory proceedings or failure to comply with existing laws and regulations could force us to cease, suspend or modify our operations in a state, potentially resulting in a material adverse effect on our business, results of operations and financial condition.

In addition to federal laws and regulations, we are subject to numerous state laws and regulations that affect our lending activities. Many of these regulations impose detailed and complex constraints on the terms of our loans, lending forms and operations. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil, monetary or other penalties, including the suspension or revocation of our licenses to lend in one or more jurisdictions.

Changes in the state laws under which we currently operate or the enactment of new laws governing our operations resulting from state political activities and legislative or regulatory initiatives could have a material adverse effect on all aspects of our business in a particular state. For example, proponents of rate cap legislation in New Mexico have recently attempted to advance bills that would place a 36% rate cap on all financial lending products. In February 2015, these measures were tabled by The New Mexico Regulatory and public affairs subcommittee.

The Company, through state and federal trade associations of which it is a member, is working in opposition to this pending legislation; however, it is uncertain whether these efforts will be successful in preventing the passage of the legislation. Passage of such proposed legislation or similar initiatives in other states could have a material adverse effect on the Company's business, results of operations, prospects or ability to continue operations in the jurisdictions affected by such changes. We can give no assurance that the laws and regulations that govern our business, or the interpretation or administration of those laws and regulations, will remain unchanged or that any such future changes will not materially and adversely affect or in the worst case, eliminate the Company's lending practices, operations,

profitability or prospects.

In addition, any adverse change in existing laws or regulations, or any adverse interpretation or litigation relating to existing laws and regulations in any state in which we operate, could subject us to liability for prior operating activities or could lower or eliminate the profitability of our operations going forward by, among other things, reducing the amount of interest and fees we can charge in connection with our loans. If these or other factors lead us to close our branches in a state, then in addition to the loss of net revenues attributable to that closing, we would also incur closing costs such as lease cancellation payments and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we may also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

Media and public perception of consumer installment loans as being predatory or abusive could have a materially adverse effect on our business, prospects, results of operations and financial condition.

Table of Contents

Consumer activist groups and various other media sources continue to advocate for governmental and regulatory action to prohibit or severely restrict our products and services. These critics frequently characterize our products and services as predatory or abusive toward consumers. If this negative characterization of the consumer installment loans we make and/or ancillary services we provide becomes widely accepted by government policy makers or is embodied in legislative, regulatory, policy or litigation developments that adversely affect our ability to continue offering our products and services or the profitability of these products and services, our business, results of operations and financial condition would be materially and adversely affected.

Employee misconduct or misconduct by third parties acting on our behalf could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees or third party contractors could engage in misconduct that adversely affects our business. For example, if an employee or a third party contractor were to engage in, or be accused of engaging in, illegal or suspicious activities including fraud or theft, we could suffer direct losses from the activity and, in addition, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships and ability to attract future customers. Employee or third-party misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect violations of such rules. Our branches have experienced employee fraud from time to time, and it is not always possible to deter employee or third-party misconduct. The precautions that we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees or third party contractors, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Our continued expansion into Mexico may increase the risks inherent in conducting operations internationally and in Mexico, contribute materially to increased costs and negatively affect our business, prospects, results of operations and financial condition.

Although our operations in Mexico accounted for only 7.6% of our revenues during fiscal 2016 and 9.6% of our gross loans receivable at March 31, 2016, we intend to continue opening branches and expanding our presence in Mexico. In addition, if and to the extent that the state and federal regulatory climate in the U.S. changes in ways that adversely affect our ability to continue profitable operations in one or more U.S. states, we could become increasingly dependent on our operations in Mexico as our only viable expansion or growth strategy. In pursuing such an expansion or growth strategy, we may expose an increasing portion of our business to risks inherent in conducting international operations, including currency fluctuations and devaluations, unsettled political and social conditions, communication and translation errors due to language barriers, compliance with differing legal and regulatory regimes and differing cultural attitudes toward regulation and compliance. In particular, political and social unrest in Mexico, coupled with a unionized labor structure that effectively gives labor unions control over repayment of funds remitted from our customers who borrow under our payroll deduction loan product in Mexico, create risks of non-payment or delinquent payment of these funds collected through the labor unions. If we are unable to resolve any such possible issues and persuade the unions to remit these type of payments, our revenues, delinquencies and charge-off rates from our Mexican operations could be materially and adversely affected.

Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.

Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors, that affect our borrowing costs. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in

interest rates, could influence the amount of interest we pay on our revolving credit facility or any other floating interest rate obligations we may incur. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. See Part II, Item 7A, “Quantitative and Qualitative Disclosure About Market Risk” for additional information regarding our interest rate risk.

We depend to a substantial extent on borrowings under our revolving credit agreement to fund our liquidity needs.

We have an existing revolving credit agreement that allows us to borrow up to \$500.0 million through March 30, 2017 and up to \$400.0 million through June 15, 2017, assuming we are in compliance with a number of covenants and conditions, including a minimum borrowing base calculation. If our existing sources of liquidity become insufficient to satisfy our financial needs or our access to these sources becomes unexpectedly restricted, we may need to try to raise additional debt or equity in the future. If such an event were to occur, we can give no assurance that such alternate sources of liquidity would be available to us at all or on favorable terms. Additional information regarding our liquidity risk is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources.”

Table of Contents

Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.

We have a substantial amount of debt. As of March 31, 2016, we had approximately \$374.7 million of total debt outstanding and a total debt to shareholders equity ratio of approximately 1 to 1. The substantial amount of our debt could have important consequences, including the following:

- our ability to obtain additional financing for working capital, debt refinancing, share repurchases or other purposes could be impaired;
- a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes;
- we may be vulnerable to interest rate increases, as borrowings under our revolving credit agreement bear interest at variable rates, as may any future debt that we incur;
- we could be more vulnerable to adverse developments in our industry or in general economic conditions;
- we may be restricted from taking advantage of business opportunities or making strategic acquisitions; and
- we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.

We may be able to incur substantial additional debt in the future. Although the terms of our revolving credit agreement contain restrictions on our ability to incur additional debt, as may any future debt that we incur, these restrictions are subject, or likely to be subject, in the case of any future debt, to exceptions that could permit us to incur a substantial amount of additional debt. In addition, our existing and future debt agreements will not prevent us from incurring certain liabilities that do not constitute indebtedness as defined for purposes of those debt agreements. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify. As of March 31, 2016, we had \$123.8 million available for borrowing under our revolving credit agreement, subject to borrowing base limitations and other specified terms and conditions.

We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness will depend in part on our cash flows from operations, which are subject to regulatory, economic, financial, competitive and other factors beyond our control. We cannot assure you that we will continue to generate a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell assets, refinance all or a portion of our existing debt, obtain additional financing or obtain additional equity capital on terms that may be onerous or highly dilutive. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all.

The terms of our debt limit how we conduct our business.

Our revolving credit agreement contains covenants that restrict our ability to, among other things:

- incur and guarantee debt;
- pay dividends or make other distributions on or redeem or repurchase our stock;

- make investments or acquisitions;
- create liens on our assets;
- sell assets;
- merge with or into other companies;
- enter into transactions with shareholders and other affiliates; and
- make capital expenditures.

Our revolving credit agreement also imposes requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit agreement requires, among other things, that we maintain (i) at all times a specified minimum consolidated net worth, (ii) as of the end of each fiscal quarter, a minimum ratio of consolidated net income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges for that period of not less than a specified minimum, (iii) at all times a specified maximum ratio of total debt to consolidated adjusted

Table of Contents

net worth and (iv) at all times a specified ratio of subordinated debt to consolidated adjusted net worth. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business.

A breach of any of the covenants in our revolving credit agreement would result in an event of default thereunder. Any event of default would permit the creditors to accelerate the related debt, which could also result in the acceleration of any other or future debt containing a cross-acceleration or cross-default provision. In addition, an event of default under our revolving credit agreement would permit the lenders thereunder to terminate all commitments to extend further credit under the revolving credit agreement. Furthermore, if we were unable to repay the amounts due and payable under the revolving credit agreement or any other secured debt we may incur, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity and results of operations would suffer. Additional information regarding our revolving credit facility is included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.

Turbulence in the global capital markets can result in disruptions in the financial sector and affect lenders with which we have relationships, including members of the syndicate of banks that are lenders under our revolving credit agreement. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition and results of operations. While overall market conditions have improved, there can be no assurance that future disruptions in the financial sector will not occur that could have similar adverse effects on our business. Additional information regarding our liquidity and related risks is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

We are exposed to credit risk in our lending activities.

Our ability to collect on loans to individuals, our single largest asset group, depends on the ability and willingness of our borrowers to repay such loans. Any material adverse change in the ability or willingness of a significant portion of our borrowers to meet their obligations to us, whether due to changes in economic conditions, unemployment rates, the cost of consumer goods (particularly, but not limited to, food and energy costs), disposable income, interest rates, natural disasters, acts of war or terrorism, or other causes over which we have no control, would have a material adverse impact on our earnings and financial condition. Although new customers are required to submit a listing of personal property that will serve as collateral to secure their loans, the Company does not rely on the value of such collateral in the loan approval process and generally does not perfect its security interest in that collateral. Additional information regarding our credit risk is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation–Credit Quality.”

If our estimates of loan losses are not adequate to absorb actual losses, our provision for loan losses would increase. This would result in a decline in our future revenues and earnings.

We maintain an allowance for loan losses for loans we make directly to consumers. This allowance is an estimate. If our actual loan losses exceed the assumption used to establish the allowance, our provision for loan losses would

increase, which would result in a decline in our future earnings. Additional information regarding our allowance for loan losses is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Quality."

The concentration of our revenues in certain states could adversely affect us.

We currently operate consumer installment loan branches in fifteen states in the United States. Any adverse legislative or regulatory change in any one of our states, but particularly in any of our larger states could have a material adverse effect on our business, prospects, and results of operation or financial condition. See Part I, Item 1, "Description of Business" for information regarding the size of our business in the various states in which we operate.

We have goodwill, which is subject to periodic review and testing for impairment.

Table of Contents

A portion of our total assets at March 31, 2016 is comprised of goodwill. Under generally accepted accounting principles, goodwill is subject to periodic review and testing to determine if it is impaired. Unfavorable trends in our industry and unfavorable events or disruptions to our operations resulting from adverse legislative or regulatory actions or from other unpredictable causes could result in significant goodwill impairment charges.

Controls and procedures may fail or be circumvented.

Controls and procedures are particularly important for small-loan consumer finance companies. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurance that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

Regular turnover among our managers and other employees at our branches makes it more difficult for us to operate our branches and increases our costs of operations, which could have an adverse effect on our business, results of operations and financial condition.

The annual turnover as of March 31, 2016 among our branch employees was approximately 33.9%. This turnover increases our cost of operations and makes it more difficult to operate our branches. If we are unable to keep our employee turnover rates consistent with historical levels or if unanticipated problems arise from our high employee turnover, our business, results of operations and financial condition could be adversely affected.

Our ability to execute our growth strategy may be adversely affected.

Our growth strategy, includes opening and acquiring branches in existing and new markets, is subject to significant risks, some of which are beyond our control, including:

- the prevailing laws and regulatory environment of each state in which we operate or seek to operate, and, to the extent applicable, federal laws and regulations, which are subject to change at any time;
- our ability to obtain and maintain any regulatory approvals, government permits or licenses that may be required;
- the degree of competition in new markets and its effect on our ability to attract new customers;
- our ability to obtain adequate financing for our expansion plans; and
- our ability to attract, train and retain qualified personnel to staff our new operations.

We currently lack product and business diversification; as a result, our revenues and earnings may be disproportionately negatively impacted by external factors and may be more susceptible to fluctuations than more diversified companies.

Our primary business activity is offering small consumer installment loans together with, in some states in which we operate, related ancillary products. Thus, any developments, whether regulatory, economic or otherwise, that would hinder, reduce the profitability of or limit our ability to operate our small consumer installment loan business on the terms currently conducted would have a direct and adverse impact on our business, profitability and perhaps even our viability. Our current lack of product and business diversification could inhibit our opportunities for growth, reduce our revenues and profits and make us more susceptible to earnings fluctuations than many other financial institutions whose operations are more diversified.

Interruption of, or a breach in security relating to, our information systems could adversely affect us.

We rely heavily on communications and information systems to conduct our business. Each branch is part of an information network that is designed to permit us to maintain adequate cash inventory, reconcile cash balances on a daily basis and report revenues and expenses to our headquarters. Any failure, interruption or breach in security of these systems, including any failure of our back-up systems, cyber attacks, data theft, computer viruses or similar problems could result in failures or disruptions in our customer relationship management, general ledger, loan and other systems, loss of confidential Company, customer or vendor information and could result in a loss of customer confidence and business, subject us to additional regulatory scrutiny or negative publicity, or expose us to civil litigation, financial liability, and increased costs to remediate such problems, any of which could have a material adverse effect on our financial condition and results of operations.

Our centralized headquarters functions are susceptible to disruption by catastrophic events, which could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

Our headquarters building is located in Greenville, South Carolina. Our information systems and administrative and management processes are primarily provided to our branches from this centralized location, and they could be disrupted if a catastrophic event, such as severe weather, natural disaster, power outage, act of terror or similar event, destroyed or severely damaged our headquarters. Any such catastrophic event or other unexpected disruption of our headquarters functions could have a material adverse effect on our business, results of operations and financial condition.

Absence of dividends could reduce our attractiveness to investors.

Since 1989, we have not declared or paid cash dividends on our common stock and may not pay cash dividends in the foreseeable future. As a result, our common stock may be less attractive to certain investors than the stock of dividend-paying companies.

Various provisions of our charter documents and applicable laws could delay or prevent a change of control that shareholders may favor.

Provisions of our articles of incorporation, South Carolina law, and the laws in several of the states in which our operating subsidiaries are incorporated could delay or prevent a change of control that the holders of our common stock may favor or may impede the ability of our shareholders to change our management. In particular, our articles of incorporation and South Carolina law, among other things, authorize our board of directors to issue preferred stock in one or more series, without shareholder approval, and will require the affirmative vote of holders of two-thirds of our outstanding shares of voting stock, to approve our merger or consolidation with another corporation. Additional information regarding the similar effect of laws in certain states in which we operate is described in Part 1, Item 1, "Description of Business – Government Regulation."

Overall stock market volatility may materially and adversely affect the market price of our common stock.

The Company's common stock price has been and is likely to continue to be subject to significant volatility. A variety of factors could cause the price of the common stock to fluctuate, perhaps substantially, including: general market fluctuations resulting from factors not directly related to the Company's operations or the inherent value of its common stock; state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations or the broader consumer finance industry in general; announcements of developments related to our business; fluctuations in our operating results and the provision for loan losses; low trading volume in our common stock; decreased availability of our common stock resulting from stock repurchases and concentrations of ownership by large or institutional investors; general conditions in the financial service industry, the domestic or global economy or the domestic or global credit or capital markets; changes in financial estimates by securities analysts; our failure to meet the expectations of securities analysts or investors; negative commentary regarding our Company and corresponding short-selling market behavior; adverse developments in our relationships with our customers; investigations or legal proceedings brought against the Company or its officers; or significant changes in our senior management team.

Changes to accounting rules, regulations or interpretations could significantly affect our financial results.

New accounting rules or regulations, changes to existing accounting rules or regulations and changing interpretations of existing rules and regulations have been issued or occurred and may continue to be issued or occur in the future. Any such changes to accounting rules, regulations or interpretations could negatively affect our reported results of operations and could negatively affect our financial condition through increased cost of compliance.

A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

As of March 31, 2016, based on filings made with the SEC and other information made available to us, Prescott General Partners, LLC and its affiliates beneficially owned approximately 23.0% of our common stock. As a result, these few shareholders are able to significantly influence matters presented to shareholders, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets, and the control of our management and affairs, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders.

Item 1B. Unresolved Staff Comments

None.

Table of Contents

Item 2. Properties

The Company owns its headquarters facilities of approximately 42,000 square feet in Greenville, South Carolina, and all of the furniture, fixtures and computer terminals located in each branch. As of March 31, 2016, the Company had 1,339 branches, most of which are leased pursuant to short-term operating leases. During the fiscal year ended March 31, 2016, total lease expense was approximately \$27.1 million, or an average of approximately \$20,200 per branch. The Company's leases generally provide for an initial three- to five-year term with renewal options. The Company's branches are typically located in shopping centers, malls and the first floors of downtown buildings. Branches in the U.S. generally have a uniform physical layout with an average size of 1,580 square feet and in Mexico with an average size of 1,610 square feet.

Item 3. Legal Proceedings

As previously disclosed, on March 12, 2014, the Company received a Civil Investigative Demand ("CID") from the Consumer Financial Protection Bureau (the "CFPB"). The stated purpose of the CID is to determine whether the Company has been or is "engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law" and "also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest." The Company responded, within the deadlines specified in the CID, to broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company's business.

Also as previously disclosed, on August 7, 2015, the Company received a letter from the CFPB's Enforcement Office notifying the Company that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the staff of CFPB's Enforcement Office is considering recommending that the CFPB take legal action against the Company (the "NORA Letter"). The NORA Letter states that the staff of the CFPB's Enforcement Office expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it. The Company understands that a NORA Letter is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced.

The Company has made NORA submissions to the CFPB's Enforcement Office. The Company expects that there will continue to be additional requests or demands for information from the CFPB and ongoing interactions between the CFPB, the Company and Company counsel as part of the investigation. We are currently unable to predict the ultimate timing or outcome of the CFPB investigation. While the Company believes its marketing and lending practices are lawful, there can be no assurance that the CFPB's ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal consumer financial protection laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to the Company's business practices or operations that could have a material adverse effect on the Company's business, financial condition or results of operations or eliminate altogether the Company's ability to operate its business profitably or on terms substantially similar to those on which it currently operates. See Part I, Item 1, "Business-Government Regulation-Federal legislation," for a further discussion of these matters and the federal regulations to which the Company's operations are subject and Part I, Item 1A, "Risk Factors," for more information regarding these regulations and related risks.

As previously disclosed, on April 22, 2014, a shareholder filed a putative class action complaint, Edna Selan Epstein v. World Acceptance Corporation et al., in the United States District Court for the District of South Carolina (case number 6:14-cv-01606) (the "Edna Epstein Putative Class Action"), against the Company and certain of its current and former officers on behalf of all persons who purchased or otherwise acquired the Company's common stock between April 25, 2013 and March 12, 2014. Two amended complaints have been filed by the plaintiffs, and several other motions have been filed in the proceedings. The complaint, as currently amended, alleges that (i) the Company made false and misleading statements in various SEC reports and other public statements in violation of federal securities laws preceding the Company's disclosure in a Form 8-K filed March 13, 2014 that it had received above-referenced CID from the CFPB (ii) the Company's loan growth and volume figures were inflated because of a weakness in the Company's internal controls relating to its accounting treatment of certain small-dollar loan re-financings and (iii) additional allegations regarding, among other things, the Company's receipt of a Notice and Opportunity to Respond and Advise letter from the CFPB on August 7, 2015. The complaint seeks class certification for a class consisting of all persons who purchased or otherwise acquired the Company's common stock between January 30, 2013 and August 10, 2015, unspecified monetary damages, costs and attorneys' fees. The Company believes the complaint is without merit. On January 29, 2016,

Table of Contents

defendants moved to dismiss the second amended complaint. The Lead Plaintiff has filed a response in opposition, the Company filed a reply in further support of its motion to dismiss, and the Company's motion to dismiss is currently pending before the Court. The time for the Company to respond to the Lead Plaintiff's motion for class certification has not yet expired.

As previously disclosed, on July 15, 2015, a shareholder filed a putative derivative complaint, Irwin J. Lipton, et al. v. McLean, et al., in the United States District Court for the District of South Carolina (case number 6:15-cv-02796-MGL) (the "Lipton Derivative Action"), on behalf of the Company against certain of our current and former officers and directors. On September 21, 2015, another shareholder filed a putative derivative complaint, Paul Parshall, et al. v. McLean, et al., in the United States District Court for the District of South Carolina (case number 6:15-cv-03779-MGL) (the "Parshall Derivative Action"), asserting substantially similar claims on behalf of the Company against certain of our current and former officers and directors. On October 14, 2015, the Court entered an order consolidating the Lipton Derivative Action and the Parshall Derivative Action as In re World Acceptance Corp. Derivative Litigation (Lead Case No. 6:15-cv-02796-MGL). The plaintiffs subsequently filed an amended complaint, and the amended consolidated complaint alleges, among other things:

- (i) that the defendants breached their fiduciary duties by disseminating false and misleading information to the Company's shareholders regarding the Company's loan growth, loan renewals, allowances for loan losses, revenue sources, revenue growth, compliance with GAAP, and the sufficiency of the Company's internal controls and accounting procedures;
- (ii) that the defendants breached their fiduciary duties by failing to ensure that the Company maintained adequate internal controls;
- (iii) that the defendants breached their fiduciary duties by failing to exercise prudent oversight and supervision of the Company's officers and other employees to ensure conformity with all applicable laws and regulations;
- (iv) that the defendants were unjustly enriched as a result of the compensation they received while allegedly breaching their fiduciary duties owed to the Company;
- (v) that the defendants wasted corporate assets by paying excessive compensation to certain of the Company's executive officers, awarding self-interested stock options to certain of the Company's officers and directors, incurring legal liability and legal costs to defend the defendants' unlawful actions, and authorizing the repurchase of Company stock at artificially inflated prices;
- (vi) that certain of the defendants breached their fiduciary duty to the Company by selling shares of the Company's stock at artificially inflated prices while in the possession of material, nonpublic information regarding the Company's financial condition;
- (vii) that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 by making false and misleading statements regarding the Company's practices regarding loan renewals, loan modifications, and accounting for loans;
- (viii) that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by failing to disclose alleged material facts in the Company's 2014 and 2015 proxy statements; and
- (ix) allegations similar to those made in connection with the Edna Epstein Putative Class Action described above.

The consolidated complaint seeks, among other things, unspecified monetary damages and an order directing the Company to take steps to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect the Company and its shareholders from future wrongdoing such as that described in the consolidated complaint. The defendants filed motions to dismiss the amended consolidated complaint on April 13, 2016. The time for the plaintiffs to respond to the defendants' motions to dismiss has not yet expired.

In addition, from time to time the Company is involved in routine litigation matters relating to claims arising out of its operations in the normal course of business, including matters in which damages in various amounts are claimed.

Estimating an amount or range of possible losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, may involve fines, penalties or damages that are discretionary in amount, involve a large number of claimants or significant discretion by regulatory authorities, represent a change in regulatory policy or interpretation, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in a change in business practices. In addition, because most legal proceedings are resolved over extended periods of time, potential losses are subject to change due to, among other things, new developments, changes in legal strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from, the matters described above. Based on information currently available, the Company does not believe that any reasonably possible losses arising from currently pending legal matters will be material to the Company's results of operations or financial conditions. However, in light of the inherent uncertainties involved in such matters, an adverse outcome in one or

Table of Contents

more of these matters could materially and adversely affect the Company's financial condition, results of operations or cash flows in any particular reporting period.

Item 4. Mine Safety Disclosures

None.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Since November 26, 1991, the Company's common stock has traded on NASDAQ, currently on the NASDAQ Global Select Market ("NASDAQ"), under the symbol WRLD. As of May 31, 2016, there were 58 holders of record of our common stock and a significant number of persons or entities who hold their stock in nominee or "street" names through various brokerage firms.

Since April 1989, the Company has not declared or paid any cash dividends on its common stock. Its policy has been to retain earnings for use in its business and selectively use cash to repurchase its common stock on the open market. In the future, the Company's Board of Directors may determine whether or not to pay cash dividends based on conditions then existing, including the Company's earnings, financial condition, capital requirements and other relevant factors. In addition, the Company's credit agreements contain certain restrictions on the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

On March 10, 2015, the Board of Directors authorized the Company to repurchase up to \$25.0 million of the Company's common stock. As of March 31, 2016, the Company had \$11.5 million in aggregate remaining repurchase capacity under the March 10, 2015 repurchase authorization. The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. Although the repurchase authorizations above have no stated expiration date, the Company's stock repurchase program may be suspended or discontinued at any time.

The Company did not purchase any shares of the Company's common stock during the three month period ended March 31, 2016.

The table below reflects the stock prices published by NASDAQ by quarter for the last two fiscal years. The last reported sale price on May 31, 2016 was \$43.68.

Market Price of
Common Stock
Fiscal 2016

Quarter	High	Low
First	\$96.23	\$60.33
Second	62.67	25.30
Third	47.81	25.58
Fourth	41.13	26.87

Market Price of
Common Stock

Fiscal 2015

Quarter	High	Low
First	\$83.22	\$71.63
Second	86.58	67.45
Third	81.33	63.25
Fourth	94.96	70.50

Table of Contents

26

Table of Contents

Item 6. Selected Financial Data

Selected Consolidated Financial and Other Data

(Amounts in thousands, except number of branches and per share information)

	Years Ended March 31,					
	2016	2015	2014	2013	2012	
Statement of Operations Data:						
Interest and fee income	\$495,133	\$524,277	\$523,770	\$485,414	\$447,189	
Insurance commissions and other income ⁽¹⁾	62,342	85,936	75,493	78,222	73,681	
Total revenues	557,475	610,213	599,263	563,636	520,870	
Provision for loan losses	123,598	118,830	126,575	114,323	105,706	
General and administrative expenses	269,140	292,052	281,248	265,629	241,392	
Interest expense	26,849	23,301	21,195	17,394	13,899	
Total expenses	419,587	434,183	429,018	397,346	360,997	
Income before income taxes	137,888	176,030	170,245	166,290	159,873	
Income taxes ⁽¹⁾	50,493	65,197	63,636	62,201	59,179	
Net income ⁽¹⁾	\$87,395	\$110,833	\$106,609	\$104,089	\$100,694	
Net income per common share (diluted) ⁽¹⁾	\$10.05	\$11.90	\$9.60	\$8.00	\$6.59	
Diluted weighted average shares	8,692	9,317	11,106	13,003	15,289	
Balance Sheet Data (end of period):						
Loans receivable, net of unearned interest, insurance and fees	\$776,305	\$812,743	\$813,920	\$782,096	\$715,085	
Allowance for loan losses	(69,566)	(70,438)	(63,255)	(59,981)	(54,507)	
Loans receivable, net	706,739	742,305	750,665	722,115	660,578	
Total assets	806,219	866,131	850,028	809,325	735,003	
Total debt	374,685	501,150	505,500	400,250	279,250	
Shareholders' equity ⁽¹⁾	391,902	315,568	307,355	366,396	418,875	
Other Operating Data:						
As a percentage of average loans receivable, net:						
Provision for loan losses	14.8	% 13.9	% 15.1	% 14.6	% 14.9	%
Net charge-offs	14.8	% 12.9	% 14.7	% 13.9	% 14.0	%
Number of branches open at year-end	1,339	1,320	1,271	1,203	1,137	

⁽¹⁾ We identified an immaterial error impacting fiscal 2016 net insurance income in our financial statements previously furnished as Exhibit 99.1 to our Form 8-K dated May 5, 2016. Fiscal 2016 net insurance income and total revenues in our previously furnished financial statements were understated by \$1,888,493, causing net income to be understated by \$1,209,698, and diluted weighted average shares outstanding to be understated by \$0.13. Amounts in the Consolidated Statement of Operations above have been revised to reflect the correct amounts.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company's financial performance continues to be dependent in large part upon the growth in its outstanding loans receivable, the maintenance of loan quality and acceptable levels of operating expenses. Since March 31, 2015, gross loans receivable have decreased at a 0.8% annual compounded rate from \$1.11 billion to \$1.07 billion at March 31, 2016. The decrease over this period reflects the lower volume of loans generated through the Company's existing branches partially offset by the contribution of loans generated from new branches opened over the period. We

believe that the lower volume of loans generated through the Company's existing branches is the result of increased competition in the small-loan consumer finance industry as well as the improving financial situation of our average customer's household due to lower gasoline prices and lower unemployment. During the five-

27

Table of Contents

year period beginning March 31, 2011, the Company has grown from 1,067 branches to 1,339 branches as of March 31, 2016. During fiscal 2017, the Company currently plans to open approximately 15 new branches in the United States, open 10 new branches in Mexico and also evaluate acquisitions as opportunities arise.

The Company offers an income tax return preparation and electronic filing program in all but a few of its U.S. branches. The Company prepared approximately 63,000, 56,000 and 55,000 returns in each of the fiscal years 2016, 2015 and 2014, respectively. Revenues from the Company's tax preparation business amounted to approximately \$11.9 million, a 20.5% increase over the \$9.9 million earned during fiscal 2015.

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated:

	Years Ended March 31,			
	2016	2015	2014	
	(Dollars in thousands)			
Average gross loans receivable ⁽¹⁾	\$ 1,147,956	\$ 1,174,391	\$ 1,151,713	
Average net loans receivable ⁽²⁾	\$ 834,964	\$ 856,712	\$ 836,961	
Expenses as a percentage of total revenues:				
Provision for loan losses	22.2	% 19.5	% 21.2	%
General and administrative	48.3	% 47.9	% 46.9	%
Total interest expense	4.8	% 3.8	% 3.5	%
Operating margin ⁽³⁾	29.6	% 32.7	% 31.9	%
Return on average assets	10.1	% 12.5	% 12.3	%
Branches opened and acquired, net	19	49	68	
Total branches (at period end)	1,339	1,320	1,271	

- (1) Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period.
- (2) Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.
- (3) Operating margin is computed as total revenues less provision for loan losses and general and administrative expenses as a percentage of total revenues.

Comparison of Fiscal 2016 Versus Fiscal 2015

Net income was \$87.4 million during fiscal 2016, a 21.1% decrease from the \$110.8 million earned during fiscal 2015. The decrease in net income was significantly impacted by a \$10.0 million after-tax gain realized during the prior year from the sale of previously charged-off accounts that was not repeated in the current year. Operating income (revenues less provision for loan losses and general and administrative expenses) excluding the impact of the charge-off sale decreased \$18.6 million due to a \$29.1 million decrease in interest and fee income and a \$4.8 million increase in provision expense offset by a \$22.9 million decrease in general and administrative expenses. Net income was also impacted by a \$14.7 million decrease in income tax expense and a \$3.5 million increase in interest expense.

Total revenues decreased to \$557.5 million in fiscal 2016, a \$52.7 million, or 8.6%, decrease from the \$610.2 million in fiscal 2015. Revenues from the 1,233 branches open throughout both fiscal years decreased by 6.9%. At March 31, 2016, the Company had 1,339 branches in operation, an increase of 19 branches from March 31, 2015.

Interest and fee income during fiscal 2016 decreased by \$29.1 million, or 5.6%, from fiscal 2015. We experienced a 3.3% decrease in our average net loans receivable less loans that are 60 days or more contractually past due when comparing two corresponding periods for our US and traditional Mexican loans. The accrual of interest is discontinued when a loan becomes 60 days or more past the contractual due date and all unpaid accrued interest is reversed against interest income. Interest and fee income for the year was also negatively impacted by a continued decrease in volumes. Revenues from our Mexican operations were negatively impacted by a move in the exchange rate year over year. The move in the exchange rate had a negative impact of approximately \$8.9 million on the current year's revenue compared to the prior year. The percentage of loans outstanding that represent larger loans including sales finance loans has decreased from 40.5% at March 31, 2015 to 40.2% at March 31, 2016.

Table of Contents

Insurance commissions and other income decreased by \$23.6 million, or 27.5%, over the two fiscal years. Insurance commissions decreased by \$4.5 million, or 9.4%, when comparing the two fiscal years due to the decrease in loan volume in states where our insurance product is available to our customers. Other income decreased by \$19.1 million, or 50.2%, when comparing the two fiscal years. This decrease resulted primarily from the inclusion of income from the sale of approximately \$16.0 million of charged off accounts that were sold in Fiscal 2015. The Company also repurchased a portion of the accounts sold in fiscal 2015 during fiscal 2016, resulting in a \$1.6 million loss from the repurchase in fiscal 2016. Other income was also impacted by a decrease in World Class Buying Club ("WCBC") sales revenue of \$2.4 million and a decrease in revenue from our motor club product of \$1.2 million. The decreases were partially offset by an increase in tax preparation revenue of \$2.0 million and an increase in revenue from Paradata of \$1.0 million.

The provision for loan losses during fiscal 2016 increased by \$4.8 million, or 4.0%, from the previous year. This increase resulted from an increase in the amount of loans charged off offset by a decrease in the general reserve associated with slower growth during the current fiscal year. Net charge-offs for fiscal 2016 amounted to \$123.6 million, an 11.7% increase over the \$110.6 million charged off during fiscal 2015. We believe that the increase in charge-offs is the result of ceasing all in-person visits to delinquent borrowers in December 2015. Accounts that were 60 days or more past due were 4.7% and 4.3% on a recency basis, and were 7.1% and 7.0% on a contractual basis at March 31, 2016 and March 31, 2015. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more past due were 6.4% at March 31, 2016 compared to 6.1% at March 31, 2015. During the current fiscal year, the Company has also had an increase in year-over-year loan loss ratios. Net charge-offs as a percentage of average net loans increased from 12.9% during fiscal 2015 to 14.8% during fiscal 2016. The net charge-off ratio for fiscal 2015 benefited from a change in branch level incentives during the year. The change allows managers to continue collection efforts on accounts that are 91 days or more past due, without having their monthly bonus negatively impacted. As expected, this resulted in an increase in accounts 91 days or more past due and lower charge-offs during fiscal 2015. We estimate the net charge-off ratio would have been approximately 14.1% for fiscal 2015 excluding the impact of the change. The current year charge-off ratio of 14.8% and the estimated fiscal 2015 charge-off ratio of 14.1% are in line with historical levels. From fiscal 2002 to fiscal 2006, the charge-offs as a percent of average loans ranged from 14.6% to 14.8%. In fiscal 2007, the Company experienced a temporary decline to 13.3%, which was attributed to a change in the bankruptcy law but returned to 14.5% in fiscal 2008. In fiscal 2009 the ratio increased to 16.7%, the highest in the Company's history as a result of the difficult economic environment and higher energy costs that our customers faced. The ratio steadily declined from 15.5% in fiscal 2010 to 13.9% in fiscal 2013 and increased to 14.7% in fiscal 2014. The current year charge-off rate did benefit from the sale of \$3.2 million of previously charged off accounts. We do not currently plan to continue the sale of charged-off accounts; however, we may consider selling charged off accounts again at some point in the future.

General and administrative expenses during fiscal 2016 decreased by \$22.9 million, or 7.8%, over the previous fiscal year.

General and administrative expenses were impacted in the current period by the overall decrease in share based compensation as well as the release of expense previously accrued under the Group B performance based restricted stock awards. The Company determined that the earnings per share targets associated with the Group B stock awards were not achievable during the measurement period which ends on March 31, 2017. During the fourth quarter, the Compensation Committee of the Board of Directors amended the awards allowing 25% of the Group B awards to vest for certain officers. The officers were required to forfeit their remaining Group B shares as a part of the amendment. The net release resulted in a decrease in personnel expense of approximately \$7.7 million. G&A also decreased approximately \$1.2 million due to the reversal of long-term equity incentive accruals resulting from the resignation of a former Senior Vice President during the year. This was partially offset by the accrual of approximately \$400,000 of severance-related expenses. The Company also reversed approximately \$2.5 million for certain long-term equity incentive accruals related to the retirement of the former CEO on September 30, 2015. The Company recorded an

additional \$1.2 million of expense related to a planned bond offering that was not completed and a \$1.3 million loss taken as a result of the sale of the corporate jet. General and administrative expenses, when divided by average open branches, decreased 11.0% when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues increased to 48.3% in fiscal 2016 from 47.9% in fiscal 2015.

Interest expense increased by \$3.5 million, or 15.2%, during fiscal 2016, as compared to the previous fiscal year as a result of a 31.6% increase in the effective rate, which was partially offset by a decrease in average debt outstanding of 12.0%.

Income tax expense decreased \$14.7 million, or 22.6%, primarily from a decrease in pre-tax income. The effective tax rate decreased to 36.6% for fiscal 2016 compared to 37.0% for fiscal 2015. The decrease was primarily due to a cumulative adjustment in deferred state tax expense related to the Company's change to an automated tax provision system in the current year.

Comparison of Fiscal 2015 Versus Fiscal 2014

Table of Contents

Net income was \$110.8 million during fiscal 2015, a 4.0% increase over the \$106.6 million million earned during fiscal 2014. The increase in net income was largely due to a \$10.0 million after-tax gain realized during the year from the sale of previously charged-off accounts. Operating income (revenues less provision for loan losses and general and administrative expenses) excluding the impact of the charge-off sale decreased \$7.6 million. Net income was also negatively impacted by a \$2.1 million and \$1.6 million increase in interest expense and income tax expense, respectively.

Total revenues increased to \$610.2 million in fiscal 2015, a \$10.9 million, or 1.8%, increase over the \$599.3 million in fiscal 2014. Revenues from the 1,179 branches open throughout both fiscal years increased by 0.8%. At March 31, 2015, the Company had 1,320 branches in operation, an increase of 49 branches from March 31, 2014.

Interest and fee income during fiscal 2015 increased by \$0.5 million, or 0.1%, over fiscal 2014. This increase resulted from an increase of \$19.8 million, or 2.4%, in average net loans receivable between the two fiscal years. The revenue increase was partially offset by a reduction in loan volume in the year, which resulted from the implementation of a system change that ensured customers were not encouraged to refinance existing loans where the proceeds from the transaction were less than 10% of the loan being refinanced. The increase was also partially offset by a shift in the portfolio mix to larger loans and an increase in the amount of accounts 60 days or more past due, which are no longer accruing revenue. The percentage of loans outstanding that represent larger loans including sales finance loans increased from 39.2% at March 31, 2014 to 40.5% at March 31, 2015.

Insurance commissions and other income increased by \$10.4 million, or 13.8%, over the two fiscal years. Insurance commissions decreased by \$2.6 million, or 5.1%, when comparing the two fiscal periods due to the decrease in loan volume mentioned above. Other income increased by \$13.0 million, or 51.8%, when comparing the two fiscal periods. This increase resulted primarily from the sale of approximately \$16.0 million of charged off accounts, partially offset by a decrease in the sales of WCBC of \$1.4 million, a decrease in the sales of motor club of \$915,000, and decreased revenue from Paradata of \$309,000. The Company decided in the second quarter of fiscal 2015 to wind down the WCBC product. As of March 31, 2015, the Company is no longer financing the purchase of products through the program. The Company will continue to service all outstanding retail installment sales contracts. The WCBC product contributed \$2.4 million to other income during fiscal 2015 and \$3.9 million for fiscal 2014. The WCBC loans contributed \$2.0 million to interest and fees and resulted in net charge-offs of \$3.2 million for the year ended March 31, 2015 and \$2.3 million and \$4.1 million, respectively, for the year ended March 31, 2014.

The provision for loan losses during fiscal 2015 decreased by \$7.7 million, or 6.1%, from the previous year. This decrease resulted from a decrease in the amount of loans charged off and a decrease in the general reserve associated with slower growth during fiscal 2015 partially offset by an increase in accounts 91 days or more past due. Net charge-offs for fiscal 2015 amounted to \$110.6 million, a 10.1% decrease from the \$123.0 million charged off during fiscal 2014. Accounts that were 60 days or more past due were 4.3% and 3.0% on a recency basis, and were 7.0% and 5.3% on a contractual basis at March 31, 2015 and March 31, 2014. The increase in accounts contractually delinquent was primarily due to the change in branch level incentives discussed in the second quarter of fiscal 2015. When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more past due were 6.1% at March 31, 2015. During fiscal 2015, the Company has also had a decrease in year-over-year loan loss ratios. Net charge-offs as a percentage of average net loans decreased from 14.7% during fiscal 2014 to 12.9% during fiscal 2015. The net charge-off ratio benefited from the change in branch level incentives mentioned above. We estimate the net charge-off ratio would have been approximately 14.1% for 2015 excluding the impact of the change. Fiscal 2014 charge-off ratio of 14.7% and the estimated fiscal 2015 charge-off ratio of 14.1% are in line with historical levels.

General and administrative expenses during fiscal 2015 increased by \$10.8 million, or 3.8%, over fiscal 2014. Of the total increase, approximately \$5.0 million related to personnel expense, the majority of which was attributable to the

year-over-year increase in our branch network, normal merit increases to employees, increased health insurance costs, and incentive costs. General and administrative expenses, when divided by average open branches, decreased slightly when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues increased to 47.9% in fiscal 2015 from 46.9% in fiscal 2014, respectively.

Interest expense increased by \$2.1 million, or 9.9%, during fiscal 2015, as compared to the previous fiscal year as a result of an increase in average debt outstanding of 12.0%.

Income tax expense increased \$1.6 million, or 2.5%, primarily from an increase in pre-tax income. The effective tax rate decreased to 37.0% for fiscal 2015 compared to 37.4% for fiscal 2014. The decrease was primarily due the reduction of state taxes resulting from a change in the corporate structure.

Table of Contents

Regulatory Matters

CFPB Investigation

As previously disclosed, on March 12, 2014, the Company received a Civil Investigative Demand (“CID”) from the Consumer Financial Protection Bureau (the “CFPB”). The stated purpose of the CID is to determine whether the Company has been or is “engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law” and “also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest.” The Company responded, within the deadlines specified in the CID, to broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company’s business.

Also as previously disclosed, on August 7, 2015, the Company received a letter from the CFPB’s Enforcement Office notifying the Company that, in accordance with the CFPB’s discretionary Notice and Opportunity to Respond and Advise (“NORA”) process, the staff of CFPB’s Enforcement Office is considering recommending that the CFPB take legal action against the Company (the “NORA Letter”). The NORA Letter states that the staff of the CFPB’s Enforcement Office expects to allege that the Company violated the Consumer Financial Protection Act of 2010, 12 U.S.C. §5536. The NORA Letter confirms that the Company has the opportunity to make a NORA submission, which is a written statement setting forth any reasons of law or policy why the Company believes the CFPB should not take legal action against it. The Company understands that a NORA Letter is intended to ensure that potential subjects of enforcement actions have the opportunity to present their positions to the CFPB before an enforcement action is recommended or commenced.

The Company has made NORA submissions to the CFPB’s Enforcement Office. The Company expects that there will continue to be additional requests or demands for information from the CFPB and ongoing interactions between the CFPB, the Company and Company counsel as part of the investigation. We are currently unable to predict the ultimate timing or outcome of the CFPB investigation. While the Company believes its marketing and lending practices are lawful, there can be no assurance that the CFPB’s ongoing investigation or future exercise of its enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal consumer financial protection laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to the Company’s business practices or operations that could have a material adverse effect on the Company’s business, financial condition or results of operations or eliminate altogether the Company’s ability to operate its business profitably or on terms substantially similar to those on which it currently operates. See “Business - Government Regulation - Federal legislation” for a further discussion of these matters and the federal regulations to which the Company’s operations are subject and “Risk Factors” for more information regarding these regulations and related risks.

CFPB Proposed Rulemaking Initiative

On March 26, 2015, the CFPB announced that it was considering proposing rules under its unfair, deceptive and abusive acts and practices rulemaking authority relating to payday, vehicle title, and similar loans. The proposal would cover short-term loans with a contractual term of 45 days or less, as well as “longer-term loans” with a term of longer than 45 days with an all-in annualized percentage rate of interest (“APR”) in excess of 36% in which the lender has either a non-purchase money security interest in the consumer’s vehicle or the right to collect repayment from the consumer’s bank account or paycheck. We believe the CFPB’s “longer-term” credit proposals seek to address a concern that consumers suffer harm if lenders fail to underwrite loans but take a security interest in the consumer’s vehicle or access to repayment from a consumer’s account or wages. Although the Company does not make loans with terms of

45 days or less or obtain access to a customer's bank account or paycheck for repayment of any of its loans, it does make some vehicle-secured loans with an APR within the scope of the proposal. The Company currently estimates that the amount of such vehicle-secured loans in its loan portfolio as of March 31, 2016 are approximately 13% of its total number of loans and approximately 20% of its portfolio by gross loan balance. The proposals would require a lender, as a condition of making a covered longer-term loan, to first make a good-faith reasonable determination that the consumer has the ability to repay the covered longer-term loan without reborrowing or defaulting. The proposals would require lenders to verify income, "major financial obligations" and borrowing history. Lenders would also be required determine that a consumer is able to make all projected payments under the covered longer-term loan as those payments are due, while still fulfilling other major financial obligations and meeting living expenses. This ability to repay assessment would apply to both the initial longer-term loan and to any subsequent refinancing. In addition, the proposals would include a rebuttable presumption that customers seeking to refinance a covered longer-term loan lack an "ability to repay" if at the time of refinancing the borrower: (i) was delinquent or had recently been delinquent on an outstanding loan; (ii) stated or indicated an inability to make a scheduled payment or that the loan was causing financial distress; (iii) is allowed to skip a payment or pays a smaller amount than a payment that would have been due on the loan, unless the refinancing provides a substantial amount of cash to the consumer; or (iv) is in default on the

Table of Contents

outstanding loan. To overcome this presumption of inability to repay, the lender would have to verify a change in the borrower's circumstances to indicate an ability to repay the additional extension of credit. These proposals are subject to several procedural requirements and to possible change before any final rules would be issued and implemented and we cannot predict what the ultimate rulemaking will provide. The Company does not believe that these proposals as currently described by the CFPB would have a material impact on the Company's existing lending procedures, because the Company currently underwrites all its loans (including those secured by a vehicle title that would fall within the scope of these proposals) by reviewing the customer's ability to repay based on the Company's standards. However, there can be no assurance that these proposals for longer-term loans, if and when implemented in final rulemaking, would not require changes to the Company's practices and procedures for such loans that could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans. Any final rulemaking also could have effects beyond those contemplated in the initial proposal that could further materially and adversely impact our business and operations.

As part of the CFPB's outline of the proposed rulemaking initiative described above, the CFPB also stated that it expects to conduct separate rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. Though the timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. See Part I, Item 1, "Business - Government Regulation - Federal legislation," for a further discussion of these matters and the federal regulations to which the Company's operations are subject and Part I, Item 1A, "Risk Factors," for more information regarding these regulatory and related risks.

Military Lending Act

In July 2015, the Department of Defense (the "DoD") amended its existing regulation that implements the Military Lending Act (the "MLA"). The final rule prohibits creditors from extending consumer credit if the Military Annual Percentage Rate or MAPR exceeds 36%. The rule covers both members of the armed forces and their dependents ("covered borrowers"). In addition, creditors must check a database maintained by the DoD before entering into an agreement with a covered borrower, provide both oral and written disclosures, including the MAPR, and must not require arbitration in agreements with covered borrowers. See Part I, Item 1A, "Risk Factors," for more information regarding this regulatory and related risks. The Company is considering the impact of the MLA requirements to decide if military lending is feasible and profitable to continue in the future.

New Mexico Rate Cap Bills

On February 4, 2015, Members of the New Mexico House Regulatory and Public Affairs subcommittee tabled measures that would have led to the introduction of House Bill 36 and House Bill 24, which were to propose a 36% rate cap on all financial lending products. The Company, through its state and federal trade associations, is working in opposition to this pending legislation; however, it is uncertain whether these efforts will be successful in preventing the passage of the legislation. As discussed elsewhere in this report, the Company's operations are subject to extensive state and federal laws and regulations, and changes in those laws or regulations or their application could have a material adverse effect on the Company's business, results of operations, prospects or ability to continue operations in the jurisdictions affected by these changes. See Part I, Item 1, "Business - Government Regulation - State Legislation" and "- Federal Legislation," and Part I, Item 1A, "Risk Factors," for more information regarding this legislation and related risks.

Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles and conform to general practices within the finance company industry. The significant accounting policies used in the preparation of the Consolidated Financial Statements are discussed in Note 1 to the Consolidated Financial Statements. Certain critical accounting policies involve significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses, share-based compensation, and income taxes to be its most critical accounting policies due to the significant degree of management judgment involved.

Table of Contents

Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to the loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. For additional discussion concerning the allowance for loan losses, see "Credit Quality" below.

Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of our common stock at the time of grant, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period that the estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results, and future changes in estimates, may differ substantially from our current estimates.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable, deferred income tax liabilities and assets for events recognized differently in its financial statements and income tax returns, and income tax expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a periodic basis as regulatory and business factors change.

No assurance can be given that either the tax returns submitted by management or the income tax reported on the Consolidated Financial Statements will not be adjusted by either adverse rulings, changes in the tax code, or assessments made by the Internal Revenue Service or by state or foreign taxing authorities. The Company is subject to potential adverse adjustments, including but not limited to: an increase in the statutory federal or state income tax rates, the permanent non-deductibility of amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income in order to ultimately realize deferred income tax assets.

Under FASB ASC 740, the Company includes the current and deferred tax impact of its tax positions in the financial statements when it is more likely than not (likelihood of greater than 50%) that such positions will be sustained by taxing authorities, with full knowledge of relevant information, based on the technical merits of the tax position. While the Company supports its tax positions by unambiguous tax law, prior experience with the taxing authority, and analysis that considers all relevant facts, circumstances and regulations, management must still rely on assumptions and estimates to determine the overall likelihood of success and proper quantification of a given tax position.

Credit Quality

The Company's delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in the portfolio, the quality of receivables, the success of collection efforts, bankruptcy trends and general economic conditions.

Delinquency is computed on the basis of the date of the last full contractual payment on a loan (known as the recency method) and on the basis of the amount past due in accordance with original payment terms of a loan (known as the contractual method). Upon refinancings, the contractual delinquency of a loan is measured based upon the terms of the new agreement, and is not impacted by the refinanced loan's classification as a new loan or modification of the existing loan. Management closely monitors portfolio delinquency using both methods to measure the quality of the Company's loan portfolio and the probability of credit losses.

Table of Contents

The following table classifies the gross loans receivable of the Company that were delinquent on a contractual basis for at least 61 days at March 31, 2016, 2015, and 2014:

	At March 31,		
	2016	2015	2014
	(Dollars in thousands)		
Contractual basis:			
61-90 days past due	\$27,082	\$26,028	\$30,607
91 days or more past due	48,495	51,133	28,663
Total	\$75,577	\$77,161	\$59,270
Percentage of period-end gross loans receivable	7.1	% 7.0	% 5.3

When excluding the impact of payroll deduct loans in Mexico, the accounts contractually delinquent 60 days or more were 6.4% at March 31, 2016. Our payroll deduct loans in Mexico are installment loans to union members where we have an agreement with the union to deduct the loan payment from the member's payroll and remit it on the members behalf to the Company. The additional administrative process, which is unique to the payroll deduct product, often results in a higher level of contractual delinquencies. However, the historical net charge-offs to average net loans are lower than the overall Company ratio. The payroll deduct loans have increased from 44.8% of our Mexican portfolio at March 31, 2015 to 54.0% at March 31, 2016.

In fiscal 2016 approximately 81.5% of the Company's loans, based on accounts, were generated through refinancings of outstanding loans and the origination of new loans to previous customers. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. For fiscal 2016, 2015, and 2014, the percentages of the Company's loan originations that were refinancings of existing loans were 69.4%, 71.5%, and 73.5%, respectively. The Company's refinancing policies, while limited by state regulations, in all cases consider the customer's payment history and require that the customer has made multiple payments on the loan being considered for refinancing. A refinancing is considered a current refinancing if the customer is no more than 45 days delinquent on a contractual basis. Delinquent refinancings may be extended to customers who are more than 45 days past due on a contractual basis if the customer completes a new application and the manager believes that the customer's ability and intent to repay has improved. It is the Company's policy to not refinance delinquent loans in amounts greater than the original amounts financed. In all cases, a customer must complete a new application every two years. During fiscal 2016 and 2015, delinquent refinancings represented 1.4% and 1.6%, respectively, of the Company's total loan volume.

Charge-offs, as a percentage of loans made by category, are greatest on loans made to new borrowers and less on loans made to former borrowers and refinancings. As a percentage of total loans charged off, refinancings represent the greatest percentage due to the volume of loans made in this category. The following table depicts the charge-offs as a percent of loans made by category and as a percent of total charge-offs during fiscal 2016:

	Loan Volume by Category (by No. of Accounts)	Percent of Total Charge-offs (by No. of Accounts)	Charge-off as a	
			Percent of Total Loans Made by Category (by No. of Accounts)	Percent of Total Charge-offs
Refinancing	69.4	% 69.3	% 6.5	%

Former borrowers	12.1	%	8.2	%	5.4	%
New borrowers	18.5	%	22.5	%	13.7	%
	100.0	%	100.0	%		

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to provide for losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors.

Table of Contents

The Company uses a mathematical calculation to determine the initial allowance at the end of each reporting period. The calculation originated as management's estimate of future charge-offs and is used to allocate expenses to the branch level. There are two components when calculating the allowance for loan losses, which the Company refers to as the general reserve and the specific reserve. This calculation is a starting point and over time, and as needed, additional provisions have been added as determined by management to ensure the allowance is adequate.

The general reserve is 4.25% of the gross loan portfolio. The specific reserve generally represents 100% of all loans 91 days or more past due on a recency basis, including bankrupt accounts in that category. This methodology is based on historical data showing that the collection of loans 91 days or more past due and bankrupt loans is remote.

A process is then performed to determine the adequacy of the allowance for loan losses, as well as considering trends in current levels of delinquencies, charge-off levels, and economic trends (such as energy and food prices). The primary tool used is the movement model (on a contractual and recency basis) which considers the rolling twelve months of delinquency to determine expected charge-offs. The sum of expected charge-offs, determined from the movement model (on a contractual and recency basis) plus an amount related to delinquent refinancings are compared to the allowance resulting from the mathematical calculation to determine if any adjustments are required to make the allowance adequate. Management would also determine if any adjustments are needed if the consolidated annual provision for loan losses is less than total charge-offs. Management uses a precision level of 5% of the allowance for loan losses compared to the aforementioned movement model, when determining if any adjustments are needed.

The Company's policy is to charge off at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no changes have been made during the periods reported. The Company's delinquencies and net charge-off ratios were significantly impacted during fiscal 2015 by a change to the branch level incentive plan that became effective July 1, 2014. The change allows managers to continue collection efforts on accounts that are 91 days or more past due, without having their monthly bonus negatively impacted. As expected, this resulted in an increase in accounts 91 days or more past due and lower charge-offs during fiscal 2016. Also, we believe charge-offs during fiscal 2016 were negatively impacted by ceasing all in-person visits to delinquent borrowers in December 2015. The Company's historical annual charge-off rate for the past 10 years has ranged from 12.9% to 16.7% of net loans.

Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses. To estimate the losses, the Company uses historical information for net charge-offs and average loan life. This method is based on the fact that many customers refinance their loans prior to the contractual maturity. Average contractual loan terms are approximately 13 months and the average loan life is approximately 8 months. The Company had an allowance for loan losses that approximated 8 months of average net charge-offs at March 31, 2016. Management believes that the allowance is sufficient to cover estimated losses for its existing loans based on historical charge-offs and average loan life.

A large percentage of loans that are charged off during any fiscal year are not on the Company's books at the beginning of the fiscal year. The Company believes that it is not appropriate to provide for losses on loans that have not been originated, that twelve months of net charge-offs are not needed in the allowance due to the average life of the loan portfolio being less than twelve months, and that the method employed is in accordance with generally accepted accounting principles.

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2016, 2015, and 2014:

	2016	2015	2014
Balance at beginning of period	\$70,437,988	\$63,254,940	59,980,842
Provision for loan losses	123,598,318	118,829,863	126,575,392
Loan losses	(141,758,366)	(126,093,332)	(137,307,358)
Recoveries	18,196,110	15,467,059	14,287,889
Translation adjustment	(908,246)	(1,020,542)	(281,825)
Balance at end of period	\$69,565,804	\$70,437,988	63,254,940

Edgar Filing: WORLD ACCEPTANCE CORP - Form 10-K

Allowance as a percentage of loans receivable, net of unearned and deferred fees	9.0	% 8.7	% 7.8	%
Net charge-offs as a percentage of average loans receivable ⁽¹⁾	14.8	% 12.9	% 14.7	%

(1) Average loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.

Table of Contents

Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand typically occurs from October through December, its third fiscal quarter. Loan demand has generally been the lowest and loan repayment highest from January to March, its fourth fiscal quarter. Loan volume and average balances typically remain relatively level during the remainder of the year. This seasonal trend affects quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned and the provision for loan losses recorded, as well as fluctuations in the Company's cash needs. Consequently, operating results for the Company's third fiscal quarter generally are significantly lower than in other quarters and operating results for its fourth fiscal quarter are significantly higher than in other quarters.

The following table sets forth, on a quarterly basis, certain items included in the Company's unaudited Consolidated Financial Statements and shows the number of branches open during fiscal years 2016 and 2015.

	At or for the Three Months Ended							
	2016				2015			
	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,
	(Dollars in thousands)							
Total revenues	\$137,225	\$136,412	\$139,696	\$144,143	\$145,926	\$148,185	\$148,704	\$167,398
Provision for loan losses	\$26,228	\$37,557	\$35,441	\$24,373	\$30,893	\$36,161	\$38,293	\$13,483
General and administrative expenses	\$67,568	\$63,436	\$71,580	\$66,555	\$73,325	\$71,677	\$75,639	\$71,410
Net income	\$23,632	\$19,187	\$14,751	\$29,826	\$22,556	\$21,274	\$18,489	\$48,515
Gross loans receivable	\$1,150,669	\$1,162,836	\$1,219,209	\$1,066,964	\$1,164,368	\$1,194,040	\$1,262,618	\$1,110,145
Number of branches open	1,331	1,346	1,350	1,339	1,271	1,293	1,314	1,320

Recently Issued Accounting Pronouncements

See Part II, Item 8, Financial Statements and Supplementary Data. Note 1- Summary of Significant Accounting Policies in the Consolidated Financial Statements for the impact of new accounting pronouncements.

Liquidity and Capital Resources

The Company has financed and continues to finance its operations, acquisitions and branch expansion through a combination of cash flows from operations and borrowings from its institutional lenders. The Company has generally applied its cash flows from operations to fund its loan volume, fund acquisitions, repay long-term indebtedness and repurchase its common stock. As the Company's gross loans receivable increased from \$875.0 million at March 31, 2011 to \$1,067.0 million at March 31, 2016, net cash provided by operating activities for fiscal years 2016, 2015 and 2014 was \$206.1 million, \$241.9 million and \$246.0 million, respectively.

The Company continues to believe stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our amended credit facility now requires the Company to obtain prior written consent from our lenders holding at least 66-2/3% of the aggregate

commitments before repurchasing additional shares.

The Company plans to open or acquire at least 15 branches in the United States and 10 branches in Mexico during fiscal 2017. Expenditures by the Company to open and furnish new branches averaged approximately \$27,000 per branch during fiscal 2016. New branches have also required from \$100,000 to \$400,000 to fund outstanding loans receivable originated during their first 12 months of operation. During fiscal 2016 the Company opened 37 new branches and merged 18 branches into existing ones.

36

Table of Contents

The Company completed one acquisition of receivables during fiscal 2016. The Company believes that attractive opportunities to acquire new branches or receivables from its competitors or to acquire branches in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

