CHART INDUSTRIES INC
Form 8-K
May 28, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of

the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 27, 2010

CHART INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-11442**	**34-1712937**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

One Infinity Corporate Centre Drive, Suite 300, Garfield Heights, Ohio	**44125**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (440) 753-1490

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On May 27, 2010, Kenneth J. Webster was elected to the position of Vice President, Chief Accounting Officer and Controller of the Company, which was a promotion from his previous position as Chief Accounting Officer and Controller. In recognition of Mr. Webster s promotion and assumption of additional responsibilities, the Compensation Committee increased Mr. Webster s annual base salary rate from $163,800 to $180,000, effective as of June 1, 2010. The Compensation Committee also increased Mr. Webster s potential bonus payouts from a target of forty-five percent (45%) of annual base salary to a total of sixty-five percent (65%) of his annual base salary, subject to the same terms and conditions as previously approved and disclosed for executive officer cash bonuses for 2010. Less or more than the targeted amount could be earned based on actual performance.

Item 5.07 Submission of Matters to a Vote of Security Holders.

The Chart Industries Inc. annual meeting of stockholders was held on May 27, 2010. At the meeting the following matters were submitted to a vote of stockholders:

the election of seven directors for a term of one year; and

the ratification of the selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the year ending December 31, 2010.

As of the record date of March 30, 2010, there were 28,676,221 shares of common stock outstanding and entitled to vote at the meeting. The holders of 26,528,666 shares were represented in person or by proxy at the meeting, constituting a quorum.

At the annual meeting, all the directors were elected and the selection of Ernst & Young LLP as the Company s independent registered public accounting firm for 2010 was ratified. The vote with respect to the election of directors was as follows:

Election of Directors	**For**	**Withheld**	**Broker Non-Votes**
Samuel F. Thomas	23,803,237	689,172	2,036,257
W. Douglas Brown	24,095,890	396,519	2,036,257
Richard E. Goodrich	24,144,952	347,457	2,036,257
Steven W. Krablin	23,416,674	1,075,735	2,036,257
Michael W. Press	24,094,794	397,615	2,036,257
James M. Tidwell	24,095,529	396,880	2,036,257
Thomas L. Williams	23,676,725	815,684	2,036,257

The vote with respect to the ratification of the selection of Ernst & Young LLP as the Company s independent registered public accounting firm was as follows:

	For	**Against**	**Abstain**	**Broker Non-Votes**
Ratification of Ernst & Young LLP as the Company s Independent Registered Public Accounting Firm	26,249,730	227,911	51,025	

SIGNATURES

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

Chart Industries, Inc.

Date: May 28, 2010

By: /s/ Matthew J. Klaben
Matthew J. Klaben
Vice President, General Counsel and Secretary

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25,720,396

End of period gross finance receivables, loans, and leases held for investment
34,234,143

29,071,698

Average gross individually acquired retail installment contracts
25,355,751

22,313,555

Average gross purchased receivables portfolios
765,653

1,761,056

Average Gross receivables from dealers
102,714

129,943

Average Gross personal loans
2,128,655

1,189,570

Average Gross capital leases
116,264

766

Average Gross finance receivables and loans
28,469,037

25,394,890

Average Gross finance receivables, loans, and leases
34,198,183

28,209,671

Average managed assets
44,782,142

33,285,709

Average total assets
33,336,447

27,869,729

Average debt
28,626,060

24,570,719

Average total equity
3,676,631

2,828,298

Ratios

Yield on individually acquired retail installment contracts
16.6
%

17.1
%
Yield on purchased receivables portfolios
14.7
%

15.6
%
Yield on receivables from dealers
5.1
%

4.1
%
Yield on personal loans (1)
21.0
%

27.6
%
Yield on earning assets (2)
14.7
%

16.0
%
Cost of debt (3)
2.1
%

2.0
%
Net interest margin (4)
13.0
%

14.3
%
Expense ratio (5)
2.2
%

3.8
%
Return on average assets (6)
2.9
%

2.0
%

Return on average equity (7)
26.4
%

19.4
%
Net charge-off ratio on individually acquired retail installment contracts (8)
5.4
%

5.6
%
Net charge-off ratio on purchased receivables portfolios (8)
(1.3
)%

5.3
%
Net charge-off ratio on receivables from dealers (8)
—

—

Net charge-off ratio on personal loans (8)
17.6
%

12.9
%
Net charge-off ratio (8)
6.1
%

5.9
%
Delinquency ratio on individually acquired retail installment contracts held for investment, end of period (9)
2.9
%

2.6
%
Delinquency ratio on personal loans, end of period (9)
6.6
%

7.4
%
Delinquency ratio on loans held for investment, end of period (9)
3.2
%

3.1
%
Equity to assets ratio
10.9
%

10.3
%
Tangible common equity to tangible assets (10)
10.6
%

9.9
%
Common stock dividend payout ratio (11)
—

—

Allowance ratio (12)
11.2
%

9.7
%

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

(1) Includes finance and other interest income; excludes fees
(2) "Yield on earning assets" is defined as the ratio of Total finance and other interest income, net of Leased vehicle expense, to Average gross finance receivables, loans and leases*
(3) "Cost of debt" is defined as the ratio of Interest expense to Average debt*
(4) "Net interest margin" is defined as the ratio of Net finance and other interest income to Average gross finance receivables, loans and leases*

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(5) "Expense ratio" is defined as the ratio of Operating expenses to Average managed assets*
(6) "Return on average assets" is defined as the ratio of Net income to Average total assets*
(7) "Return on average equity" is defined as the ratio of Net income to Average total equity*
(8) "Net charge-off ratio" is defined as the ratio of Charge-offs on a recorded investment basis, net of recoveries, to average unpaid principal balance of the respective portfolio*
(9) "Delinquency ratio" is defined as the ratio of End of period Delinquent principal over 60 days to End of period gross balance of the respective portfolio
(10) "Tangible common equity to tangible assets" is defined as the ratio of Total equity, excluding Goodwill and intangible assets, to Total assets, excluding Goodwill and intangible assets. Our Board utilizes this non-GAAP financial measure to assess and monitor the adequacy of our capitalization. This additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with U.S. GAAP and may not be comparable to similarly-titled measures used by other financial institutions. A reconciliation from GAAP to this non-GAAP measure for the periods ended March 31, 2015 and 2014 is as follows:

	March 31, 2015	March 31, 2014
	(Dollar amounts in thousands)	
	As Restated (a)	As Restated (a)
Total equity	$3,771,543	$2,972,927
Deduct: Goodwill and intangibles	110,846	128,447
Tangible common equity	$3,660,697	$2,844,480
Total assets	$34,581,338	$28,956,477
Deduct: Goodwill and intangibles	110,846	128,447
Tangible assets	$34,470,492	$28,828,030
Equity to assets ratio	10.9 %	10.3 %
Tangible common equity to tangible assets	10.6 %	9.9 %

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

(11) "Common stock dividend payout ratio" is defined as the ratio of Dividends declared per share of common stock to Earnings per share
(12) "Allowance ratio" is defined as the ratio of Allowance for credit losses to End of period assets covered by allowance for credit losses
*Ratio is annualized

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Results of Operations

This MD&A should be read in conjunction with the condensed consolidated financial statements and the accompanying notes included elsewhere in this Report. The following table presents our results of operations for the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31,	
	2015	2014
	(Dollar amounts in thousands)	
	As Restated (a)	As Restated (a)
Interest on finance receivables and loans	$1,193,021	$1,103,523
Leased vehicle income	231,616	109,469
Other finance and interest income	7,341	250
Total finance and other interest income	1,431,978	1,213,242
Interest expense	148,856	124,446
Leased vehicle expense	174,853	81,335
Net finance and other interest income	1,108,269	1,007,461
Provision for credit losses	631,847	566,573
Net finance and other interest income after provision for credit losses	476,422	440,888
Profit sharing	13,516	32,161
Net finance and other interest income after provision for credit losses and profit sharing	462,906	408,727
Total other income	150,194	134,461
Total operating expenses	247,832	320,121
Income before income taxes	365,268	223,067
Income tax expense	122,823	85,624
Net income	$242,445	$137,443
Net income	$242,445	$137,443
Change in unrealized gains (losses) on cash flow hedges, net of tax	(12,843)	2,088
Comprehensive income	$229,602	$139,531

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014 (As Restated)
Interest on Finance Receivables and Loans

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Income from individually acquired retail installment contracts	$1,051,549	$951,371	$100,178	11 %
Income from purchased receivables portfolios	28,206	68,814	(40,608)	(59)%
Income from receivables from dealers	1,310	1,330	(20)	(2)%
Income from personal loans	111,956	82,008	29,948	37 %
Total interest on finance receivables and loans	$1,193,021	$1,103,523	$89,498	8 %

Income from individually acquired retail installment contracts increased $100 million, or 11%, from the first quarter of 2014 to the first quarter of 2015, consistent with the growth in the average outstanding balance of our portfolio of these contracts of 14%.

Income from purchased receivables portfolios decreased $41 million, or 59%, from the first quarter of 2014 to the first quarter of 2015, due to the continued runoff of the portfolios, as we have made no portfolio acquisitions since 2012. The average balance of the portfolios decreased from $1.8 billion in the first quarter of 2014 to $0.8 billion in the first quarter of 2015.

Income from personal loans increased $30 million, or 37%, from the first quarter of 2014 to the first quarter of 2015, less than the 79% growth in the average portfolio due to the increasing mix of installment loans, which are higher average credit quality and bear a lower average interest rate than our revolving loans.

Leased Vehicle Income and Expense

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Leased vehicle income	$231,616	$109,469	$122,147	112 %
Leased vehicle expense	174,853	81,335	93,518	115 %
Leased vehicle income, net	$56,763	$28,134	$28,629	102 %

Leased vehicle income and expense increased significantly from prior year due to the continual growth in the portfolio since we
launched Chrysler Capital in 2013.

Interest Expense

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Interest expense on notes payable	$128,226	$115,603	$12,623	11 %
Interest expense on derivatives	20,630	8,843	11,787	133 %
Total interest expense	$148,856	$124,446	$24,410	20 %

Interest expense on notes payable increased $13 million, or 11%, from the first quarter of 2014 to the first quarter of 2015, consistent with the 17% growth in average debt outstanding.

Interest expense on derivatives increased $12 million, or 133%, from the first quarter of 2014 to the first quarter of 2015, primarily due to a favorable mark-to-market based on interest rate changes in the first quarter of 2014 versus an unfavorable mark-to-market in the first quarter of 2015.

Provision for Credit Losses

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Provision for credit losses on individually acquired retail installment contracts	$533,014	$511,829	$21,185	4 %
Increase (decrease) in impairment related to purchased receivables portfolios	(5,102)	(7,330)	2,228	(30)%
Provision for credit losses on receivables from dealers	456	(55)	511	(929)%
Provision for credit losses on personal loans	97,703	62,129	35,574	57 %
Provision for credit losses on capital leases	5,776	—	5,776	
Provision for credit losses	$631,847	$566,573	$65,274	12 %

Provision on personal loans increased $36 million, or 57%, primarily due to the 79% growth in the average outstanding balance of the portfolio.

We began recording provision on capital leases subsequent to the first quarter of 2014 as we established a portfolio of leases classified as capital leases and began recording provision on these assets.

Profit Sharing

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Profit sharing	$13,516	$32,161	$(18,645)	(58)%

Profit sharing consists of revenue sharing related to the Chrysler Agreement and profit sharing on personal loans originated pursuant to our agreements with Bluestem. Profit sharing decreased slightly from prior year, as the amount of payments due to Bluestem decreased as the portfolio seasoned and charge offs were recognized.

Other Income

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Investment gains, net	$21,593	$34,752	$(13,159)	(38)%
Servicing fee income	24,803	10,405	14,398	138 %
Fees, commissions, and other	103,798	89,304	14,494	16 %
Total other income	$150,194	$134,461	$15,733	12 %
Average serviced for others portfolio	$10,576,085	$5,070,582	$5,505,503	109 %

Investment gains decreased, primarily due to the execution of a Chrysler Capital off-balance sheet transaction in the first quarter of 2014 that generated a large gain but no such transaction in the first quarter of 2015.

We record servicing fee income on loans that we service but do not own and do not report on our balance sheet. Servicing fee income increased from $10 million in the first quarter of 2014 to $25 million in the first quarter of 2015, as we continued to grow our serviced portfolio through asset sales. Our serviced for others portfolio as of each period-end was as follows:

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	March 31,	
	2015	2014
	(Dollar amounts in thousands)	
SBNA dealer loans	$—	$676,856
SBNA retail installment contracts	843,476	1,096,905
SBNA leases	2,328,240	241,878
Total serviced for related parties	3,171,716	2,015,639
Off-balance sheet securitizations	1,936,169	1,681,856
Other third parties	6,112,727	2,533,655
Total serviced for third parties	8,048,896	4,215,511
Total serviced for others	$11,220,612	$6,231,150

Fees, commissions, and other increased $14 million, or 16%, from the first quarter of 2014 to the first quarter of 2015, primarily due to additional fee income as our revolving personal loan portfolio grew. Additionally, we recorded $4 million in deficiency income from the sale of charged off assets in the first quarter of 2015.

Total Operating Expenses

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Compensation expense	$100,540	$201,915	$(101,375)	(50)%
Repossession expense	58,826	48,431	10,395	21 %
Other operating costs	88,466	69,775	18,691	27 %
Total operating expenses	$247,832	$320,121	$(72,289)	(23)%

Total operating expenses decreased $72 million, or 23%, from the first quarter of 2014 to the first quarter of 2015, primarily due to the nonrecurrence of $120 million in stock compensation and other IPO-related expenses recorded upon and in connection with our IPO in January 2014, partly offset by increased headcount and repossession expense as a result of portfolio growth. Even after adjusting for the IPO-related expenses, our expense ratio decreased to 2.2% in the first quarter of 2015 from 2.4% in the first quarter of 2014.

Income Tax Expense

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Income tax expense	$122,823	$85,624	$37,199	43 %
Income before income taxes	365,268	223,067	142,201	64 %
Effective tax rate	33.6 %	38.4 %		

Our effective tax rate decreased from 38.4% in the first quarter of 2014 to 33.6% in the first quarter of 2015 primarily due to state rate changes due to our geographic earnings mix, and laws guiding state apportionment.

Other Comprehensive Income (Loss)

	Three Months Ended March 31,		Increase (Decrease)	
	2015	2014	Amount	Percent
	(Dollar amounts in thousands)			
Change in unrealized gains (losses) on cash flow hedges, net of tax	$(12,843)	$2,088	$(14,931)	(715)%

The change in unrealized gain on cash flow hedges was primarily driven by unfavorable interest rate movements in the first quarter of 2015 as compared to favorable interest rate movements in the first quarter of 2014.

Credit Quality
Finance Receivables
Nonprime loans comprise 80% of our portfolio as of March 31, 2015. We record an allowance for credit losses to cover our estimate of inherent losses on our individually acquired retail installment contracts and other loans and receivables.

	March 31, 2015		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Personal Loans
	(Dollar amounts in thousands)		
	As Restated (a)		
Unpaid principal balance	$25,506,977	$102,410	$2,115,496
Credit loss allowance	(2,748,526)	(1,130)	(352,878)
Discount	(791,354)	—	(1,972)
Capitalized origination costs and fees	57,831	—	1,291
Net carrying balance	$22,024,928	$101,280	$1,761,937
Allowance as a percentage of unpaid principal balance	10.8%	1.1%	16.7%
Allowance and discount as a percentage of unpaid principal balance	13.9%	1.1%	16.8%

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

	December 31, 2014		
	Retail Installment Contracts Acquired Individually	Receivables from Dealers Held for Investment	Personal Loans
	(Dollar amounts in thousands)		
	As Restated (a)		
Unpaid principal balance	$24,555,106	$100,164	$2,128,769
Credit loss allowance	(2,586,685)	(674)	(348,660)
Discount	(749,921)	—	(1,356)
Capitalized origination costs and fees	52,964	—	1,024
Net carrying balance	$21,271,464	$99,490	$1,779,777
Allowance as a percentage of unpaid principal balance	10.5%	0.7%	16.4%
Allowance and discount as a percentage of unpaid principal balance	13.6%	0.7%	16.4%

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

For retail installment contracts we acquired in pools subsequent to their origination, we anticipate the expected credit losses at purchase and record income thereafter based on the expected effective yield, recording impairment if performance is worse than expected at purchase. The balances of these purchased receivables portfolios were as follows at March 31, 2015 and December 31, 2014:

	March 31, 2015 As Restated (a)	December 31, 2014 As Restated (a)
Outstanding balance	$ 692,656	$ 853,219
Outstanding recorded investment, net of impairment	$ 530,920	$ 679,079

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

Delinquency

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An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. Delinquencies may vary from period to period based upon the average age or seasoning of the portfolio, seasonality within the calendar year, and economic factors. Historically, our delinquencies have been highest in the period from November through January due to consumers' holiday spending.

The following is a summary of delinquencies as of March 31, 2015 and December 31, 2014:

	March 31, 2015				December 31, 2014			
	Retail Installment Contracts Held for Investment (a)		Personal Loans		Retail Installment Contracts Held for Investment (a)		Personal Loans	
	Dollars (in thousands)	Percent (b)	Dollars (in thousands)	Percent (b)	Dollars (in thousands)	Percent (b)	Dollars (in thousands)	Percent (b)
Principal 31-60 days past due	$1,799,746	6.9 %	$58,389	2.8 %	$2,450,837	9.6 %	$52,452	2.5 %
Delinquent principal over 60 days	$772,688	2.9 %	140,636	6.6 %	1,103,053	4.3 %	138,400	6.5 %
Total delinquent contracts	$2,572,434	9.8 %	$199,025	9.4 %	$3,553,890	14.0 %	$190,852	9.0 %

(a) Includes retail installment contracts acquired individually and purchased receivables portfolios.
(b) Percent of unpaid principal balance.

All of our receivables from dealers and all of our retail installment contracts held for sale were current as of March 31, 2015 and December 31, 2014. Delinquencies on the capital lease receivables portfolio, which began in 2014, were immaterial as of March 31, 2015 and December 31, 2014.

Credit Loss Experience

The following is a summary of our net losses and repossession activity on our finance receivables for the three months ended March 31, 2015 and 2014.

	Three Months Ended March 31,			
	2015		2014	
	Retail Installment Contracts - Held for Investment	Personal Loans	Retail Installment Contracts - Held for Investment	Personal Loans
	(Dollar amounts in thousands)			
	As Restated (a)		As Restated (a)	
Principal outstanding at period end	$26,194,567	$2,115,496	$24,393,536	$1,217,755
Average principal outstanding during the period	$25,027,185	$2,128,655	$23,526,596	$1,189,570
Number of receivables outstanding at period end	1,669,192	1,911,867	1,643,188	1,638,066
Average number of receivables outstanding during the period	1,642,281	1,948,335	1,629,618	1,646,182
Number of repossessions (1)	63,526	n/a	56,503	n/a
Number of repossessions as a percent of average number of receivables outstanding (2)	15.5 %	n/a	13.9 %	n/a
Net losses	$341,506	$93,485	$333,827	$38,289
Net losses as a percent of average principal amount outstanding (2)	5.5 %	17.6 %	5.7 %	12.9 %

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

(1)

Repossessions are net of redemptions. The number of repossessions includes repossessions from the outstanding portfolio and from accounts already charged off.

(2) Annualized; not necessarily indicative of a full year's actual results.

We have had no charge-offs on our receivables from dealers and no material charge-offs on our capital lease receivables.

Deferrals and Troubled Debt Restructurings

In accordance with our policies and guidelines, we, at times, offer payment deferrals to borrowers on our retail installment contracts, whereby the consumer is allowed to move up to three delinquent payments to the end of the loan. Our policies and guidelines limit the number and frequency of deferrals that may be granted to one every six months and eight months over the life of a loan. Additionally, we generally limit the granting of deferrals on new accounts until a requisite number of payments has been received. During the deferral period, we continue to accrue and collect interest on the loan in accordance with the terms of the deferral agreement.

At the time a deferral is granted, all delinquent amounts may be deferred or paid, resulting in the classification of the loan as current and therefore not considered a delinquent account. Thereafter, such account is aged based on the timely payment of future installments in the same manner as any other account.

The following is a summary of deferrals on our retail installment contracts held for investment as of the dates indicated:

	March 31, 2015		December 31, 2014	
	(Dollar amounts in thousands)			
Never deferred	$19,307,254	73.7%	$18,354,203	72.2%
Deferred once	3,466,502	13.2%	3,623,858	14.3%
Deferred twice	1,733,148	6.6 %	1,809,119	7.1 %
Deferred 3 - 4 times	1,617,846	6.2 %	1,540,713	6.1 %
Deferred greater than 4 times	69,817	0.3 %	73,568	0.3 %
Total	$26,194,567		$25,401,461	

We evaluate the results of our deferral strategies based upon the amount of cash installments that are collected on accounts after they have been deferred versus the extent to which the collateral underlying the deferred accounts has depreciated over the same period of time. Based on this evaluation, we believe that payment deferrals granted according to our policies and guidelines are an effective portfolio management technique and result in higher ultimate cash collections from the portfolio.

Changes in deferral levels do not have a direct impact on the ultimate amount of consumer finance receivables charged off by us. However, the timing of a charge-off may be affected if the previously deferred account ultimately results in a charge-off. To the extent that deferrals impact the ultimate timing of when an account is charged off, historical charge-off ratios, loss confirmation periods, and cash flow forecasts for loans classified as TDRs used in the determination of the adequacy of our allowance for credit losses are also impacted. Increased use of deferrals may result in a lengthening of the loss confirmation period, which would increase expectations of credit losses inherent in the portfolio and therefore increase the allowance for credit losses and related provision for credit losses. Changes in these ratios and periods are considered in determining the appropriate level of allowance for credit losses and related provision for credit losses, including the allowance and provision for
loans that are not classified as TDRs. For loans that are classified as TDRs, the present value of expected cash flows is compared to the outstanding recorded investment of our TDRs to determine the amount of TDR impairment and related
provision for credit losses that should be recorded.

If a customer’s financial difficulty is not temporary, we may agree, or be required by a bankruptcy court, to grant a modification involving one or a combination of the following: a reduction in interest rate, a reduction in loan principal balance, or an extension of the maturity date. The servicer of our revolving personal loans also may grant concessions on such loans in the form of principal or interest rate reductions or payment plans. The following is a summary of the principal balance as of March 31, 2015 and December 31, 2014 of loans that have received these modifications and concessions:

	March 31, 2015		December 31, 2014	
	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
	(Dollar amounts in thousands)			
Temporary reduction of monthly payment	$1,542,692	$—	$1,372,876	$—
Bankruptcy-related accounts	122,770	—	125,978	—
Extension of maturity date	88,842	—	99,758	—

Interest rate reduction	105,348	17,261	118,074	17,347
Other	50,378	—	44,825	—
Total modified loans	$1,910,030	$17,261	$1,761,511	$17,347

A summary of our recorded investment in TDRs as of the dates indicated is as follows:

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	March 31, 2015		December 31, 2014	
	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
	(Dollar amounts in thousands)			
	As Restated (a)		As Restated (a)	
Outstanding recorded investment	$4,404,165	$17,261	$4,044,070	$17,356
Impairment	(1,285,957)	(6,904)	(1,172,149)	(6,939)
Outstanding recorded investment, net of impairment	$3,118,208	$10,357	$2,871,921	$10,417

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

A summary of the principal balance on our delinquent TDRs as of the dates indicated is as follows:

	March 31, 2015		December 31, 2014	
	Retail Installment Contracts	Personal Loans	Retail Installment Contracts	Personal Loans
	(Dollar amounts in thousands)			
	As Restated (a)		As Restated (a)	
Principal 31-60 days past due	$792,189	$ 1,685	$912,555	$ 1,595
Delinquent principal over 60 days	350,925	5,245	468,272	5,131
Total delinquent TDRs	$1,143,114	$ 6,930	$1,380,827	$ 6,726

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

As of March 31, 2015 and December 31, 2014, we did not have any dealer loans classified as TDRs and had not granted deferrals or modifications on any of these loans.

Liquidity Management, Funding and Capital Resources

We require a significant amount of liquidity to originate and acquire loans and leases and to service debt. We fund our operations through our lending relationships with fourteen third-party banks and Santander, as well as through securitization in the ABS market and large flow agreements. We seek to issue debt that appropriately matches the cash flows of the assets that we originate. We have over $3.8 billion of stockholders' equity that supports our access to the securitization markets, credit facilities, and flow agreements.

During the three months ended March 31, 2015, we completed on-balance sheet funding transactions totaling over $3 billion, including:

- a $1.25 billion securitization on our SDART platform
- a $712 million securitization on our relaunched DRIVE, deeper subprime platform
- top-ups of two private amortizing facilities totaling $610 million
- two private amortizing lease facilities totaling $494 million

We also completed $1.5 billion in asset sales, including a $561 million third party lease sale and $919 million in recurring monthly sales with our third party flow partners, in addition to executing one of our periodic sales of charged off assets for $38 million in proceeds.

As of March 31, 2015, our debt consisted of the following:

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Third party revolving credit facilities	$7,338,550
Related party revolving credit facilities	4,375,000
Total revolving credit facilities	11,713,550
Public securitizations	11,833,727
Privately issued amortizing notes	6,166,394
Total secured structured financings	18,000,121
Total debt	$29,713,671

Since March 31, 2015, we have executed two additional securitizations, raising an additional $2 billion in proceeds.

Credit Facilities

Third-party Revolving Credit Facilities

Warehouse Lines

We use warehouse lines to fund our originations. Each line specifies the required collateral characteristics, collateral concentrations, credit enhancement, and advance rates. Our warehouse lines generally are backed by auto retail installment contracts and, in some cases, leases or personal loans. These credit lines generally have one- or two-year commitments, staggered maturities and floating interest rates. We maintain daily funding forecasts for originations, acquisitions, and other large outflows such as tax payments in order to balance the desire to minimize funding costs with our liquidity needs.

Our warehouse lines generally have net spread, delinquency, and net loss ratio limits. Generally, these limits are calculated based on the portfolio collateralizing the respective line; however, for two of our warehouse lines, delinquency and net loss ratios are calculated with respect to our serviced portfolio as a whole. Failure to meet any of these covenants could trigger increased overcollateralization requirements or, in the case of limits calculated with respect to the specific portfolio underlying certain credit lines, result in an event of default under these agreements. If an event of default occurs under one of these agreements, the lenders could elect to declare all amounts outstanding under the impacted agreement to be immediately due and payable, enforce their interests against collateral pledged under the agreement, restrict our ability to obtain additional borrowings under the agreement, and/or remove us as servicer. We have never had a warehouse line terminated due to failure to comply with any ratio or a failure to meet any covenant. A default under one of these agreements can be enforced only with respect to the impacted warehouse line.

We have a credit facility with seven banks providing an aggregate commitment of $4.3 billion for the exclusive use of providing short-term liquidity needs to support Chrysler retail financing. The facility can be used for both loan and lease financing. The facility requires reduced advance rates in the event of delinquency, credit loss, or residual loss ratios exceeding specified thresholds.

Repurchase Facility

We also obtain financing through an investment management agreement whereby we pledge retained subordinate bonds on our own securitizations as collateral for repurchase agreements with various borrowers and at renewable terms ranging from 30 to 90 days.

Total Return Swap

We also obtain financing through a total return swap whereby we pledge retained subordinate bonds on our own securitizations as collateral for a financing facility that also includes a requirement that we settle with the counterparty at maturity an amount based on the change in the fair value of the underlying bonds during the term of the facility.

Lines of Credit with Santander and Related Subsidiaries

Santander historically has provided, and continues to provide, our business with significant funding support in the form of committed credit facilities. Through its New York branch, Santander provides us with $4.5 billion of long-term committed

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revolving credit facilities. SHUSA provides us with an additional $300 million of committed revolving credit, collateralized by residuals retained on our own securitizations.

The facilities offered through the New York branch are structured as three- and five-year floating rate facilities, with current maturity dates of December 31, 2016 and 2018. Santander has the option to allow us to continue to renew the term of these facilities annually going forward, thereby maintaining the three and five year maturities. These facilities currently permit unsecured borrowing but generally are collateralized by retail installment contracts as well as securitization notes payables and residuals by the Company. Any secured balances outstanding under the facilities at the time of their maturity will amortize to match the maturities and expected cash flows of the corresponding collateral.

There was an average outstanding balance of $3.8 billion and $4.0 billion under the facilities offered through the New York branch during the three months ended March 31, 2015 and 2014, respectively. The maximum outstanding balance during each period was $4.1 billion and $4.3 billion, respectively. There was an average outstanding balance of $300 million under the SHUSA credit facility during the three months ended March 31, 2015 and from the line's inception on March 6, 2014 through March 31, 2014. The maximum outstanding balance during that period was $300 million for the same period, respectively.

Santander affiliates also serve as the counterparty for many of our derivative financial instruments.

Secured Structured Financings

Our secured structured financings primarily consist of public, SEC-registered securitizations. We also execute private securitizations under Rule 144A of the Securities Act and privately issue amortizing notes.

We obtain long-term funding for our receivables through securitization in the ABS market. ABS provides an attractive source of funding due to the cost efficiency of the market, a large and deep investor base, and tenors that appropriately match the cash flows of the debt to the cash flows of the underlying assets. The term structure of a securitization generally locks in fixed rate funding for the life of the underlying fixed rate assets, and the matching amortization of the assets and liabilities provides committed funding for the collateralized loans throughout their terms. In certain cases, we may choose to issue floating rate securities based on market conditions; in such cases, we generally execute hedging arrangements outside of the Trust to lock in our cost of funds. Because of prevailing market rates, we did not issue ABS transactions in 2008 and 2009, but we began issuing ABS again in 2010. We have been the largest issuer of retail auto ABS since 2011, and have issued a total of over $40 billion in retail auto ABS since 2010.

We execute each securitization transaction by selling receivables to securitization trusts (“Trusts”) that issue ABS to investors. In order to attain specified credit ratings for each class of bonds, these securitization transactions have credit enhancement requirements in the form of subordination, restricted cash accounts, excess cash flow, and overcollateralization, whereby more receivables are transferred to the Trusts than the amount of ABS issued by the Trusts.

Excess cash flows result from the difference between the finance and interest income received from the obligors on the receivables and the interest paid to the ABS investors, net of credit losses and expenses. Initially, excess cash flows generated by the Trusts are used to pay down outstanding debt in the Trusts, increasing overcollateralization until the targeted percentage level of assets has been reached. Once the targeted percentage level of overcollateralization is reached and maintained, excess cash flows generated by the Trusts are released to us as distributions from the Trusts. We also receive monthly servicing fees as servicer for the Trusts. Our securitizations may require an increase in credit enhancement levels if Cumulative Net Losses, as defined in the documents underlying each ABS transaction, exceed a specified percentage of the pool balance. None of our securitizations have Cumulative Net Loss percentages above their respective limits.

Our on-balance sheet securitization transactions utilize bankruptcy-remote special purpose entities, which are considered variable interest entities, that meet the requirements to be consolidated in our financial statements. Following a securitization, the finance receivables and the notes payable related to the securitized retail installment contracts remain on the condensed consolidated balance sheets. We recognize finance and interest income as well as fee income on the collateralized retail installment contracts and interest expense on the ABS issued. We also record a provision for credit losses to cover our estimate of inherent credit losses on the retail installment contracts. While these Trusts are consolidated in our financial statements, these Trusts are separate legal entities; thus, the finance receivables and other assets sold to these Trusts are legally owned by these Trusts, are available only to satisfy the notes payable related to the securitized retail installment contracts, and are not available to our creditors or our other subsidiaries.

We have completed four securitizations year-to-date in 2015. We currently have 31 securitizations outstanding in the market with a cumulative ABS balance of approximately $17 billion. Our securitizations generally have several classes of notes, with

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principal paid sequentially based on seniority and any excess spread distributed to the residual holder. We generally retain the lowest bond class and the residual, except in the case of off-balance sheet securitizations, which are described further below. We use the proceeds from securitization transactions to repay borrowings outstanding under our credit facilities, originate and acquire loans and leases, and for general corporate purposes. We generally exercise clean-up call options on our securitizations when the collateral pool balance reaches 10% of its original balance.
We also periodically privately issue amortizing notes, in transactions that are structured similarly to our public and Rule 144A securitizations but are issued to banks and conduits. The Company's securitizations and private issuances are collateralized by vehicle retail installment contracts, loans and vehicle leases.

Flow Agreements

In addition to our credit facilities and secured structured financings, we have flow agreements in place with Bank of America and CBP for Chrysler Capital retail installment contracts, with another third party for charged off assets, and with SBNA for Chrysler Capital consumer vehicle leases and dealer loans.
In order to manage our balance sheet and provide funding for our originations, we have entered into flow agreements under which we will sell, or otherwise source to third parties, loans and leases on a periodic basis. These loans and leases are not on our balance sheet but provide a stable stream of servicing fee income and may also provide a gain or loss on sale. Our flow agreements all relate to our Chrysler Capital relationship and are described under Recent Developments and Other Factors Affecting Our Results of Operations. We continue to actively seek additional such flow agreements.

Off-Balance Sheet Financing

We periodically execute Chrysler Capital-branded securitizations under Rule 144A of the Securities Act. Because all of the notes and residual interests in these securitizations are issued to third parties, we record these transactions as true sales of the retail installment contracts securitized, and remove the sold assets from our condensed consolidated balance sheets. We executed our first off-balance sheet securitization of 2015 on April 15, selling $769 million of gross retail installment contracts.
On March 31, 2015, we executed our first bulk sale of leases to a third party. Due to the accelerated depreciation permitted for tax purposes, this sale generated a large taxable gain that we have deferred through a qualified like-kind exchange program. In order to qualify for this deferral, we are required to maintain the sale proceeds in escrow until reinvested in new lease originations. Because the sale proceeds also were needed to pay down the third party credit facilities on which we had financed the leases prior to their sale, we increased our borrowings on our related party credit facilities temporarily until the sale proceeds are fully reinvested over the 180 days following the sale.

Cash Flow Comparison

We have produced positive net cash from operating activities every year since 2003. Our investing activities primarily consist of originations and acquisitions of finance receivables and leased vehicles. Our financing activities primarily consist of borrowing and repayments of debt.

	Three Months Ended March 31,	
	2015	2014
	(Dollar amounts in thousands)	
	As Restated (a)	As Restated (a)
Net cash provided by operating activities	$1,235,530	$844,592
Net cash used in investing activities	$(3,148,265)	$(2,807,591)
Net cash provided by financing activities	$1,906,530	$2,065,303

(a) Certain previously reported amounts have been restated to correct for various financial statement errors. See Footnote 2 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased $391 million from the three months ended March 31, 2014 to the three months ended March 31, 2015, primarily driven by the increased profits on our higher asset base in addition to a $266 million Federal tax refund received in the first quarter of 2015.

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Net Cash Used in Investing Activities
Net cash used in investing activities increased by $341 million, primarily due to the classification of a higher percentage of our originations as held for investment (as opposed to held for sale, for which originations are classified as an operating cash flow activity).
Net Cash Provided by Financing Activities
Net cash provided by financing activities, which effectively represents net increase in debt, decreased by $159 million, despite similar growth in our portfolio of finance receivables and leases, primarily due to timing. We closed a $202 million loan sale to CBP on the last day of the first quarter in 2014, and the proceeds were not used to pay down the associated warehouse borrowings until April.
Contingencies and Off-Balance Sheet Arrangements

Lending and Servicing Arrangements

We are obligated to make purchase price holdback payments to a third-party originator of loans that we purchase on a periodic basis, when losses are lower than originally expected. We are also obligated to make total return settlement payments to this third-party originator in 2016 and 2017 if returns on the purchased pools are greater than originally expected.
We have extended revolving lines of credit to certain auto dealers. Under this arrangement, we are committed to lend up to each dealer's established credit limit.
Under terms of agreements with LendingClub, we are committed to purchase at least the lesser of $30 million per month or 75% of the lending platform company's "near-prime" (as that term is defined in the agreements) originations through July 2015, and the lesser of $30 million per month or 50% of the lending platform company's near-prime originations thereafter through July 2017. This commitment can be reduced or cancelled with 90 days' notice.
We are committed to purchase new advances originated by Bluestem, along with existing balances on accounts with new advances, for an initial term ending in April 2020 and, based on an amendment in June 2014, renewable through April 2022 at Bluestem's option. We also are required to make a monthly profit-sharing payment to Bluestem if performance exceeds a specified return threshold.
Under terms of an application transfer agreement with Nissan, we have the first opportunity to review for our own portfolio any credit applications turned down by Nissan's captive finance company. The agreement does not require us to originate any loans, but for each loan originated we will pay Nissan a referral fee, comprised of a volume bonus fee and a loss betterment bonus fee. The loss betterment bonus fee will be calculated annually and is based on the amount by which losses on loans originated under the agreement are lower than an established percentage threshold.
We also have agreements with SBNA to service recreational and marine vehicle portfolios. These agreements call for a periodic retroactive adjustment, based on cumulative return performance, of the servicing fee rate to inception of the contract.
On March 31, 2015, we executed a forward flow asset sale agreement under which we are committed to selling at least $200 million of charged off loan receivables in bankruptcy status.
Credit Enhancement Arrangements
In connection with the sale of retail installment contracts to securitization trusts, we have made standard representations and warranties customary to the consumer finance industry. Violations of these representations and warranties may require us to repurchase loans previously sold. As of March 31, 2015, we had no repurchase requests outstanding.
Santander has provided guarantees on the covenants, agreements, and obligations of the Company under the governing documents of our warehouse facilities and privately issued amortizing notes. These guarantees are limited to our obligations as servicer.
Chrysler-related Contingencies

Throughout the ten-year term of our agreement with Chrysler, we are obligated to make quarterly payments to Chrysler representing a percentage of gross profits earned from a portion of the Chrysler Capital consumer loan and lease platform. We also are obligated to make quarterly payments to Chrysler sharing residual gains on leases in quarters in which we experience lease terminations with gains over a specified percentage threshold.

We have a flow agreement with Bank of America whereby we are committed to sell up to $300,000 of eligible Chrysler Capital loans to the bank each month through May 2018. We retain servicing on all sold loans and may receive or pay a servicer performance payment based on an agreed-upon formula if performance on the sold loans is better or worse, respectively, than expected performance at time of sale.

We also have sold Chrysler Capital loans to CBP under terms of a flow agreement and predecessor sale agreements. We retain servicing on the sold loans and will owe CBP a loss-sharing payment capped at 0.5% of the original pool balance if losses exceed a specified threshold, established on a pool-by-pool basis.

We provide SBNA with the first right to review and approve consumer vehicle lease applications, subject to volume constraints, under terms of a flow agreement. We have indemnified SBNA for potential credit and residual losses on $48,226 of leases that had been originated by SBNA under this program but were subsequently determined not to meet SBNA’s underwriting requirements. This indemnification agreement is supported by an equal amount of cash collateral we have posted in an SBNA bank account. We additionally have agreed to indemnify SBNA for residual losses, up to a cap, on certain leases originated under the flow agreement since September 24, 2014 for which SBNA and we had differing residual value expectations at lease inception.

In connection with the bulk sale of Chrysler Capital leases, the Company is obligated to make quarterly payments to the purchaser sharing residual losses for lease terminations with losses over a specific percentage threshold.

Contractual Obligations

We lease our headquarters in Dallas, Texas, our servicing centers in Texas and Colorado, and an operations facility in California under non-cancelable operating leases that expire at various dates through 2026.

Risk Management Framework

Our risk management framework is overseen by our board of directors, our BERC, our management risk committees, our executive management team, an independent risk management function, an internal audit function and all of our associates. The BERC, along with our full board of directors, is responsible for establishing the governance over the risk management process, providing oversight in managing the aggregate risk position and reporting on the comprehensive portfolio of risk categories and the potential impact these risks can have on our risk profile. Our primary risks include, but are not limited to, credit risk, market risk, liquidity risk, operational risk and model risk. For more information regarding our risk management framework, please refer to the Risk Management Framework section of our 2014 Annual Report.

Credit Risk

The risk inherent in our loan and lease portfolios is driven by credit quality and is affected by borrower-specific and economy-wide factors such as changes in employment. We manage this risk through our underwriting and credit approval guidelines and servicing policies and practices, as well as geographic and manufacturer concentration limits. Our automated originations process reflects a disciplined approach to credit risk management. Our robust historical data on both organically originated and acquired loans provides us with the ability to perform advanced loss forecasting. Each applicant is automatically assigned a proprietary LFS using information such as FICO®, debt-to-income ratio, loan-to-value ratio, and over 30 other predictive factors, placing the applicant in one of 100 pricing tiers. The pricing in each tier is continuously monitored and adjusted to reflect market and risk trends. In addition to our automated process, we maintain a team of underwriters for manual review, consideration of exceptions, and review of deal structures with dealers. We generally tighten our underwriting requirements in times of greater economic uncertainty (including during the recent financial crisis) to compete in the market at loss and approval rates acceptable for meeting our required returns. We have also adjusted our underwriting standards to meet the requirements of our contracts such as the Chrysler agreement. In both cases, we have accomplished this by adjusting our risk-based pricing, the material components of which include interest rate, down payment, and loan-to-value.

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We monitor early payment defaults and other potential indicators of dealer or customer fraud, and use the monitoring results to identify dealers who will be subject to more extensive stipulations when presenting customer applications, as well as dealers with whom we will not do business at all.

Market Risk

Interest Rate Risk

We measure and monitor interest rate risk on a monthly basis. We borrow money from a variety of market participants in order to provide loans and leases to our customers. Our gross interest rate spread, which is the different between the income we earn through the interest and finance charges on our finance receivables and lease contracts and the interest we pay on our funding, will be negatively affected if the expense incurred on our borrowings increases at a fast pace than the income generated by our assets.

Our Interest Rate Risk policy is designed to measure, monitor and manage the potential volatility in earnings stemming from changes in interest rates. We generate finance receivables which are predominantly fixed rate and borrow with a mix of fixed and variable rate funding. To the extent that our asset and liability re-pricing characteristics are not effectively matched, we may utilize interest rate derivatives, such as interest rate swap agreements, to manage to our desired outcome. As of March 31, 2015, the notional value of our interest rate hedges was $10.9 billion.

We monitor our interest rate exposure by conducting interest rate sensitivity analysis. For purposes of reflecting a possible impact to earnings, we measure the twelve-month net interest income impact of an instantaneous 100 basis point parallel shift in prevailing interest rates. As of March 31, 2015, the twelve-month impact of a 100 basis point parallel increase in the interest rate curve would decrease our net interest income by $61 million. In addition to the sensitivity analysis on net interest income, we also measure Market Value of Equity (MVE) to view our interest rate risk position. MVE measures the change in value of Balance Sheet instruments in response to an instantaneous 100 basis point parallel increase, including and beyond the net interest income twelve-month horizon. As of March 31, 2015, the impact of a 100 basis point parallel increase in the interest rate curve would decrease our MVE by $135 million.

Collateral Risk

Our lease portfolio presents an inherent risk that residual values recognized upon lease termination will be lower than those used to price the contracts at inception. Although we have elected not to purchase residual value insurance at the present time, our residual risk is somewhat mitigated by our residual risk-sharing agreement with Chrysler. We also utilize industry data, including the ALG benchmark for residual values, and employ a team of individuals experienced in forecasting residual values.

Similarly, lower used vehicle prices also reduce the amount we can recover when remarketing repossessed vehicles that serve as collateral underlying loans. We manage this risk through loan-to-value limits on originations, monitoring of new and used vehicle values using standard industry guides, and active, targeted management of the repossession process.

We do not currently have material exposure to currency fluctuations or inflation.

Liquidity Risk

We view liquidity as integral to other key elements such as capital adequacy, asset quality and profitability. Because our debt is nearly entirely serviced by collections on consumer receivables, our primary liquidity risk relates to the ability to fund originations. We have a robust liquidity policy in place to manage this risk. The liquidity policy establishes the following guidelines:

- that we maintain at least eight external credit providers (as of March 31, 2015, we had fourteen);
- that we rely on Santander and affiliates for no more than 30% of our funding (as of March 31, 2015, Santander and affiliates provided 15% of our funding);
- that no single lender's commitment should comprise more than 33% of the overall committed external lines (as of March 31, 2015, the highest single lender's commitment was 21%);
- that no more than 35% of our debt mature in the next six months and no more than 65% of our debt mature in the next twelve months (as of March 31, 2015, only 11% and 24%, respectively, of our debt is scheduled to mature in these timeframes); and

- that we maintain unused capacity of at least $6.0 billion, including flow agreements, in excess of our expected peak usage over the following twelve months (as of March 31, 2015, we had twelve-month rolling unused capacity of $9.5 billion).

Our liquidity policy also requires that our Asset and Liability Committee monitor many indicators, both market-wide and company-specific, to determine if action may be necessary to maintain our liquidity position. Our liquidity management tools include daily, monthly and twelve-month rolling cash requirements forecasts, monthly funding usage and availability reports, daily sources and uses reporting, structural liquidity risk exercises, and the establishment of liquidity contingency plans. We also perform quarterly stress tests in which we forecast the impact of various negative scenarios (alone and in combination), including reduced credit availability, higher funding costs, lower advance rates, lower customer interest rates, lower dealer discount rates, and higher credit losses.

We generally look for funding first from structured secured financings, second from third-party credit facilities, and last from Santander. We believe this strategy helps us avoid being overly reliant on Santander for funding. Additionally, we can reduce originations to significantly lower levels if necessary during times of limited liquidity.

We have established a qualified like-kind exchange program in order to defer tax liability on gains on sale of vehicle assets at lease termination. If we do not meet the safe harbor requirements of IRS Revenue Procedure 2003-39, we may be subject to large, unexpected tax liabilities, thereby generating immediate liquidity needs. We believe that our compliance monitoring policies and procedures are adequate to enable us to remain in compliance with the program requirements.

Operational Risk

We are exposed to loss that occurs in the process of carrying out our business activities. These relate to failures arising from inadequate or failed processes, failures in our people or systems, or from external events. Our operational risk management program encompasses risk event reporting, analysis, and remediation; key risk indicator monitoring; and risk profile assessments. It also includes unit, system, regression, load, performance and user acceptance testing for our IT programs.

To mitigate operational risk in regards to servicing practices, we maintain an extensive compliance, internal control, and monitoring framework, which includes the gathering of corporate control performance threshold indicators, Sarbanes-Oxley testing, monthly quality control tests, ongoing monitoring of compliance with all applicable regulations, internal control documentation and review of processes, and internal audits. We also utilize internal and external legal counsel for expertise when needed. All associates upon hire and annually receive comprehensive mandatory regulatory compliance training. In addition, the Board receives annual regulatory and compliance training.

We use industry-leading call mining and other software solutions that assist us in analyzing potential breaches of regulatory requirements and customer service. Our call mining software analyzes all customer service calls, converting speech to text and mining for specific words and phrases that may indicate inappropriate comments by a representative. The software also detects escalated voice volume, enabling a supervisor to intervene if necessary. This tool enables us to effectively manage and identify training opportunities for associates, as well as track and resolve customer complaints through a robust quality assurance program.

Model Risk

We mitigate model risk through a robust model validation process, which includes committee governance and a series of tests and controls. We utilize SHUSA's Model Risk Management group for all model validation to verify models are performing as expected and in line with their design objectives and business uses.

Other Information

Further information on risk factors can be found under Part II, Item 1A - “Risk Factors.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Incorporated by reference from Part I, Item 2 - “Management’s Discussion and Analysis of Financial Conditions and Results of Operations —Risk Management Framework” above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q/A. Based on such evaluation, our CEO and CFO have concluded that as of March 31, 2015, we did not maintain effective disclosure controls and procedures because of the material weaknesses in internal control over financial reporting described below. Notwithstanding these material weaknesses, based on the additional analysis and other post-closing procedures performed, management believes that the financial statements included in this report fairly present in all material respects our financial position, results of operations, capital position, and cash flows for the periods presented, in conformity with generally accepted accounting principles (“GAAP”).

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. We have identified the following material weaknesses:

Control Environment, Risk Assessment, Control Activities and Monitoring

We did not maintain effective internal control over financial reporting related to the following areas: control environment, risk assessment, control activities and monitoring:

- Management did not effectively execute a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting.
- The tone at the top was insufficient to ensure there were adequate mechanisms and oversight to ensure accountability for the performance of internal control over financial reporting responsibilities and to ensure corrective actions were appropriately prioritized and implemented in a timely manner.
- There was not adequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company’s policies and GAAP.
- There was not an adequate assessment of changes in risks by management that could significantly impact internal control over financial reporting or an adequate determination and prioritization of how those risks should be managed.
- There was not adequate management oversight and identification of models material to financial reporting.
- There were insufficiently documented Company accounting policies and insufficiently detailed Company procedures to put policies into effective action.
- There was a lack of appropriate tone at the top in establishing an effective control owner risk and controls self-assessment process which contributed to a lack of clarity about ownership of risks assessments and control design and effectiveness. There was insufficient governance, oversight and monitoring of the credit loss allowance and accretion processes and a lack of defined roles and responsibilities in monitoring functions.

Application of Effective Interest Method for Accretion

The Company's policies and controls related to the methodology used for applying the effective interest rate method in accordance with GAAP, specifically as it relates the review of key assumptions over prepayment curves, pool segmentation and presentation in financial statements either were not designed appropriately or failed to operate effectively. Additionally the resources dedicated to the reviews were not sufficient to identify all relevant instances of non-compliance with policies and GAAP and did not sufficiently review supporting methodologies and practices to identify variances from the Company's policy and GAAP.

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The Company reported a material weakness in control environment relating to inadequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company's policies and GAAP, and insufficiently documented Company accounting policies and insufficiently detailed Company procedures to put policies into effective action which contributed to this material weakness.

This resulted in errors in the Company's application of the effective interest method for accreting discounts, which include discounts upon origination of the loan, subvention payments from manufacturers, and other origination costs on individually acquired retail installment contracts.

This material weakness relates to the following financial statement line items: finance receivables held for investment, net, finance receivables held for sale, net, interest on finance receivables and loans, provision for credit losses, investment gains and losses, net, and the related disclosures within Note 3 - Finance Receivables and Note 5 - Credit Loss Allowance and Credit Quality.

Methodology to Estimate Credit Loss Allowance

The Company's policies and controls related to the methodology used for estimating the credit loss allowance in accordance with GAAP, specifically as it relates to the calculation of impairment for troubled debt restructurings (TDRs) separately from the general allowance on loans not classified as TDRs and the consideration of net discounts when estimating the allowance either were not designed appropriately or failed to operate effectively. Additionally the resources dedicated to the reviews were not sufficient to identify all relevant instances of non-compliance with policies and GAAP and did not sufficiently review supporting methodologies and practices to identify variances from the Company's policy and GAAP.

The Company reported a material weakness in control environment relating to inadequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company's policies and GAAP, and insufficiently documented Company accounting policies and insufficiently detailed Company procedures to put policies into effective action which contributed to this material weakness.

This resulted in errors in the Company's methodology for determining the credit loss allowance, specifically not calculating impairment for TDRs separately from a general allowance on loans not classified as TDRs and inappropriately omitting the consideration of net discounts when estimating the allowance and recording charge-offs.

This material weakness relates to the following financial statement line items: the credit loss allowance, provision for credit losses, and the related disclosures within Note 3 - Finance Receivables and Note 5 - Credit Loss Allowance and Credit Quality.

Loans Modified as TDRs

The following controls over the identification of TDRs and inputs used to estimate TDR impairment did not operate effectively:

- Review controls of the TDR footnote disclosures and supporting information did not effectively identify that parameters used to query the loan data were incorrect.
- A review of inputs used to estimate the expected and present value of cash flows of loans modified in TDRs did not identify errors in types of cash flows included and in the assumed timing and amount of defaults and did not identify that the discount rate was incorrect.

The Company reported a material weakness in control environment relating to inadequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the

Company’s policies and GAAP, and insufficiently documented Company accounting policies and insufficiently detailed Company procedures to put policies into effective action, as well as ineffective execution of a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting which contributed to this material weakness.

As a result, management determined that it had incorrectly identified the population of loans that should be classified as TDRs and, separately, had incorrectly estimated the impairment on these loans due to model input errors.

This material weakness relates to the following financial statement line items: the credit loss allowance and provision for credit losses, specifically for TDR loans, and the related disclosures within Note 3 - Finance Receivables and Note 5 - Credit Loss Allowance and Credit Quality.

Development, Approval, and Monitoring of Models Used to Estimate the Credit Loss Allowance

Various deficiencies were identified in the credit loss allowance process related to review, monitoring and approval processes over models and model changes that aggregated to a material weakness. The following controls did not operate effectively:

- Review controls over data, inputs and assumptions in models used for estimating credit loss allowance and related model changes were not effective and management did not adequately challenge significant assumptions.
- Review and approval controls over the development of new models to estimate credit loss allowance and related model changes were ineffective.
- Adequate and comprehensive performance monitoring over related model output results was not performed and we did not maintain adequate model documentation.

The Company reported a material weakness in control environment relating to inadequate assessment of changes in risks by management that could significantly impact internal control over financial reporting or determination and prioritization of how those risks should be managed and ineffective execution of a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting which contributed to this material weakness.

This material weakness relates to the following financial statement line items: the credit loss allowance, provision for credit losses, and the related disclosures within Note 3 - Finance Receivables and Note 5 - Credit Loss Allowance and Credit Quality.

Identification, Governance, and Monitoring of Models Used to Estimate Accretion

Various deficiencies were identified in the accretion process related to review, monitoring and governance processes over models that aggregated to a material weakness. The following controls did not operate effectively:

- Review controls over data, inputs and assumptions in models used for estimating accretion were not effective and management did not adequately challenge significant assumptions.
- Adequate and comprehensive performance monitoring over related model output results was not performed and we did not maintain adequate model documentation.

The Company reported a material weakness in control environment relating to inadequate assessment of changes in risks by management that could significantly impact internal control over financial reporting or determination and prioritization of how those risks should be managed and inadequate management oversight and identification of models material to financial reporting as well as ineffective execution of a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting which contributed to this material weakness.

This material weakness relates to the following financial statement line items: finance receivables held for investment, net, finance receivables held for sale, net, interest on finance receivables and loans, provision for credit losses, investment gains and losses, net, and the related disclosures within Note 3 - Finance Receivables and Note 5 - Credit Loss Allowance and Credit Quality.

Review of New, Unusual or Significant Transactions

Management identified errors in the accounting treatment of certain transactions. Specifically, controls over the review of new, unusual or significant transactions related to application of the appropriate accounting and tax treatment to these transactions in accordance with GAAP did not operate effectively.

The Company reported a material weakness in control environment relating to inadequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company’s policies and GAAP, and ineffective execution of a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting which contributed to this material weakness.

This material weakness relates to various financial statement line items.

Review of Financial Statement Disclosures

Management identified errors relating to financial statement disclosures. Specifically, the Company's controls over both the preparation and review of financial statement disclosures did not operate effectively to ensure complete, accurate, and proper presentation of the financial statement disclosures in accordance with GAAP.

The Company reported a material weakness in control environment relating to inadequate management oversight of accounting and financial reporting activities in implementing certain accounting practices to conform to the Company’s policies and GAAP, and ineffective execution of a strategy to hire and retain a sufficient complement of personnel with an appropriate level of knowledge, experience, and training in certain areas important to financial reporting which contributed to this material weakness.

This material weakness relates to various disclosures in the financial statements.

Remediation Status of Reported Material Weaknesses

We are currently working to remediate the material weaknesses described above, including assessing the need for additional remediation steps and implementing additional measures to remediate the underlying causes that gave rise to the material weaknesses.

The following remediation steps are among the measures currently being implemented by the Company:

- The Company has begun efforts to hire additional personnel with the requisite skillsets in certain areas important to financial reporting.
- The Company has established regular working group meetings, with appropriate oversight by management of both the Company and its parent to strengthen accountability for performance of internal control over financial reporting responsibilities and prioritization of corrective actions.
- In conjunction with developing new credit loss allowance models and refining our loss forecasting methodology to be in compliance with GAAP, the Company also is enhancing its accounting documentation relating to credit loss allowance, to demonstrate how the Company’s policies and procedures align with GAAP and produce a repeatable process.
- Management is also in the process of performing a comprehensive review of current accounting practices to ensure compliance with the Company’s accounting policies and GAAP, and to ensure sufficient specificity in procedures. Additionally, management will implement a recurring review by a team of qualified individuals.
- Processes to identify, track, and report TDRs, that take into account changes to TDRs and new modification types, were enhanced and are being documented.
- A formal and comprehensive ongoing performance monitoring plan related to credit loss allowance with specific details around the monitoring activities performed to allow for repeatable and consistent testing is being developed. This plan is intended to be consistent with the Company’s overarching model risk management policy and provide a consistent methodology for measuring performance across all models.
- Management is ensuring that all models significant to financial reporting are subject to appropriate validation, documentation, and procedures.
- Model documentation is being developed, or in some cases, enhanced to address model documentation gaps related to credit loss allowance and accretion models.
- A framework and documentation is being developed to outline model security attributes/procedures for models related to credit loss allowance and models are being placed in an environment where access is restricted to authorized personnel and an audit trail is retained.
- The Company is enhancing its Material Risk Program and Assessment and documentation.

While progress has been made to enhance processes, procedures and controls related to these areas, we are still in the process of developing and implementing these processes and procedures and testing these controls and believe additional time is required to complete development and implementation, and to demonstrate the sustainability of these procedures. We believe our remedial actions will be effective in remediating the material weaknesses and we will continue to devote significant time and attention to these remedial efforts. However, the material weaknesses cannot be considered remediated until the applicable

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remedial processes and procedures have been in place for a sufficient period of time and management has concluded, through testing, that these controls are effective. Accordingly, the material weaknesses are not remediated at March 31, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the first quarter ended March 31, 2015 covered by this Quarterly Report on Form 10-Q/A that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II: OTHER INFORMATION
Item 1. Legal Proceedings

Reference should be made to Note 11 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference, for information regarding legal proceedings in which we are involved, which supplements the discussion of legal proceedings set forth in Note 12 to the Condensed Consolidated Financial Statements of our 2014 Annual Report on Form 10-K.
Item 1A. Risk Factors.

Our 2014 Annual Report includes a detailed discussion of our risk factors in Part I, Item1A “Risk Factors.” The information presented below should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

Investing in our securities involves risk. Set forth below and elsewhere in this report are risk factors that could cause actual
results to differ materially from the results contemplated by the forward-looking statements contained in this report. We may
amend or supplement these risk factors from time to time by other reports we file with the SEC.

Lapses in internal controls including internal control over financial reporting could materially and adversely affect our operations, liquidity and/or reputation.
We have identified control deficiencies in our financial reporting process as of March 31, 2015 that constitute material weaknesses, which contributed to the restatement of the unaudited condensed consolidated financial statements in our previously filed Form 10-Q for the quarter ended March 31, 2015. See Part I, Item 4 in this Form 10-Q/A. We have initiated certain measures, including the enhancement of our model framework and documentation process and increasing the number of employees on, and the expertise of, our financial reporting team, to remediate these weaknesses, and plan to implement additional appropriate measures as part of this effort. There can be no assurance that we will be able to fully remediate our existing material weaknesses. Further, there can be no assurance that we will not suffer from other material weaknesses in the future. If we fail to remediate these material weaknesses or fail to otherwise maintain effective internal controls over financial reporting in the future, such failure could result in a material misstatement of our annual or quarterly financial statements that would not be prevented or detected on a timely basis and which could cause investors and other users to lose confidence in our financial statements, limit our ability to raise capital and have a negative effect on the trading price of our common stock. Additionally, failure to remediate the material weaknesses or otherwise failing to maintain effective internal controls over financial reporting may also negatively impact our operating results and financial condition, impair our ability to timely file our periodic reports with the SEC, subject us to additional litigation and regulatory actions and cause us to incur substantial additional costs in future periods relating to the implementation of remedial measures.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
There were no unregistered sales of the Company’s common stock during the period covered by this Quarterly Report on Form 10-Q/A.
Item 3. Defaults upon Senior Securities
None.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Exchange Act, an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated

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pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law.

SCUSA does not have any activities, transactions, or dealings with Iran or Syria that require disclosure. The following activities are disclosed in response to Section 13(r) with respect to affiliates of the Company through its relationship with Santander. During the period covered by this quarterly report:

- A Santander UK entity holds frozen savings accounts and one current account for two customers resident in the U.K. who are currently designated by the U.S. for terrorism. The accounts held by each customer were blocked after the customer's designation and have remained blocked and dormant throughout the first quarter of 2015. No revenue has been generated by Santander UK on these accounts.

- An Iranian national, resident in the U.K., who is currently designated by the U.S. under the Iranian Financial Sanctions Regulations and the NPWMD designation, holds a mortgage with Santander UK that was issued prior to any such designation. No further draw-down has been made (or would be allowed) under this mortgage, although Santander UK continues to receive repayment installments. In the first quarter of 2015, total revenue in connection with this mortgage was approximately £800, while net profits were negligible relative to the overall profits of Santander UK. Santander UK does not intend to enter into any new relationships with this customer, and any disbursements will be made only in accordance with applicable sanctions. The same Iranian national also holds two investment accounts with Santander Asset Management UK Limited. The accounts have remained frozen during the first quarter of 2015. The investment returns are being automatically reinvested, and no disbursements have been made to the customer. For the three months ended March 31, 2015, total revenue for Santander in connection with the investment accounts was approximately £70 while net profits were negligible relative to the overall profits of Santander.

In addition, Santander has certain legacy export credits and performance guarantees with Bank Mellat, which is included in the U.S. Department of the Treasury’s Office of Foreign Assets Control’s Specially Designated Nationals and Blocked Persons List. Bank Mellat entered into two bilateral credit facilities in February 2000 in an aggregate principal amount of €25.9 million. Both credit facilities matured in 2012. In addition, in 2005 Santander participated in a syndicated credit facility for Bank Mellat of €15.5 million, which matures on July 6, 2015. As of March 31, 2015, Santander was owed €1.8 million under this credit facility.

Santander has not been receiving payments from Bank Mellat under any of these credit facilities in recent years. Santander has been and expects to continue to be repaid any amounts due by official export credit agencies, which insure between 95% and 99% of the outstanding amounts under these credit facilities. No funds have been extended by Santander under these facilities since they were granted.

Santander also has certain legacy performance guarantees for the benefit of Bank Sepah and Bank Mellat (standby letters of credit to guarantee the obligations - either under tender documents or under contracting agreements - of contractors who participated in public bids in Iran) that were in place prior to April 27, 2007. However, should any of the contractors default in their obligations under the public bids, Santander would not be able to pay any amounts due to Bank Sepah or Bank Mellat because any such payments would be frozen pursuant to Council Regulation (EU) No. 961/2010.

In the aggregate, all of the transactions described above resulted in approximately €8,300 gross revenues and approximately €45,000 net loss to Santander for the first quarter of 2015, all of which resulted from the performance of export credit agencies rather than any Iranian entity. Santander has undertaken significant steps to withdraw from the Iranian market such as closing its representative office in Iran and ceasing all banking activities therein, including correspondent relationships, deposit taking from Iranian entities and issuing export letters of credit, except for the legacy transactions described above. Santander is not contractually permitted to cancel these arrangements without either (i) paying the guaranteed amount - which payment would be frozen as explained above (in the case of the performance guarantees), or (ii) forfeiting the outstanding amounts due to it (in the case of the export credits). As such, Santander intends to continue to provide the guarantees and hold these assets in accordance with company policy and applicable laws.

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Item 6. Exhibits
The following exhibits are included herein:

Exhibit Number	Description
31.1*	Chief Executive Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

*Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Santander Consumer USA Holdings Inc.
(Registrant)

By: /s/ Jason A. Kulas
Name: Jason A. Kulas
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Jason Kulas Jason Kulas	President and Chief Executive Officer (Principal Executive Officer)	October 27, 2016
/s/ Ismail Dawood Ismail Dawood	Chief Financial Officer (Principal Financial and Accounting Officer)	October 27, 2016

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