

OneMain Holdings: Growth, Credit Risk, and Capital Returns

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Industry: Consumer Finance

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Case convention: This is a constructed management exercise. The alternatives and decision assignment are hypothetical; company disclosures are historical. No private board deliberation is represented.

The decision

At the end of August 2026, OneMain had several reasons to continue growing its consumer-credit portfolio and reasons to protect its ability to absorb losses and fund that growth. In the second quarter, originations increased 10% year over year. Management's non-GAAP capital-generation measure rose to \$229 million from \$222 million. Yet GAAP net income fell, the provision for finance-receivable losses increased 19%, and the quarterly net charge-off ratio rose. OneMain had also repurchased \$139 million of stock and paid \$244 million of common dividends during the first half.

On August 20, OneMain Finance Corporation issued \$600 million of 7.125% senior notes due in 2034. The offering materials allowed for general corporate uses, including possible debt repayments or repurchases; they did not identify a lending-specific use. OneMain also had whole-loan forward-flow arrangements, secured funding facilities, and an unsecured revolver. These resources differ in legal entity, collateral, maturity, and availability.

For this case, assume you are advising a hypothetical capital-allocation committee for OneMain's next planning cycle. Recommend how it should balance incremental receivables growth and underwriting risk against retained loss-absorbing capacity, common dividends, and share repurchases. The public record does not establish that OneMain disclosed this debate, that a capital constraint is binding, or that management had a marginal-return comparison between a new loan and a share buyback.

Assignment: Recommend a capital-allocation policy and define two to four decision gates. Explain what should trigger continued lending, tighter underwriting, more retained capacity, or a pause in discretionary repurchases. Label every return hurdle, capital floor, loss threshold, or scenario input you assume.

A lender funded by more than one balance sheet

OneMain serves nonprime consumers through personal loans, auto finance, credit cards, and insurance products. Customers can access the company online and through a national branch network. Credit decisions, loan pricing and terms, servicing, funding cost, expected losses, and the ability to sell or finance receivables all affect the economics of growth.

OneMain Holdings, Inc. (OMH) is the public holding company. OneMain Finance Corporation (OMFC) is a principal operating subsidiary. The two companies file combined reports, but they do not have identical cash flows or obligations. In the first half of 2026, OMFC paid \$242 million to OMH to help fund \$244 million in common dividends. Repurchases occur at the parent. A headline amount of cash or “capital generation” should not be assumed freely distributable across the organization.

The portfolio also contains different products and funding arrangements. “Managed receivables” include loans serviced for whole-loan partners and auto loans originated by third parties; they are not all owned by OneMain. At June 30, the company reported \$26.9 billion of managed receivables. It also reported \$23.1 billion in principal debt, 52% secured. [P2], glossary lines 180-86 and MD&A pp.48-49, 58-59; [P3], lines 25 and 60-62.

What the quarter says-and does not say

Exhibit 1. Growth, earnings, and credit indicators

Dollars in millions except balances and ratios. Quarter ended June 30; year-over-year comparisons. Ratios are company-reported unless noted.

Measure	Q2 2025	Q2 2026	Change / context
Consumer-loan originations	\$3,907	\$4,316	+10.5%, calculated
Managed receivables, period end	\$25.2bn	\$26.9bn	+6.7%, calculated; includes serviced/third-party balances
Interest income	\$1,339	\$1,417	+6%
Interest expense	\$317	\$326	+3%; company cited higher average debt supporting receivables growth
Provision for finance-receivable losses	\$511	\$610	+19%; company cited higher net charge-offs and receivables growth
GAAP net income	\$167	\$152	–9%, calculated
C&I adjusted pretax income	\$231	\$201	Non-GAAP segment-accounting measure
C&I capital generation	\$222	\$229	Company-defined non-GAAP measure; definition below
C&I net charge-off ratio	7.57%	8.20%	Annualized; higher year over year
Consumer-loan net charge-off ratio	7.19%	7.77%	Product-specific; higher year over year
Consumer-loan 30+ day delinquency	5.17%	5.17%	Same as June 2025; down from 5.37% in March 2026

Sources: [P2], lines 2190-2218, 2236-2260, 2284-2289 and 2383-2385; [P3], lines 21-52. Calculated growth rates use reported amounts. Managed receivables are not equivalent to owned loan assets.

OneMain describes **capital generation** as C&I adjusted net income excluding the after-tax change in the C&I allowance for finance-receivable losses, while still considering current-period net charge-offs. The measure is used by management, but it is not GAAP income, operating cash flow, regulatory capital, or cash available for dividends. In Q2, the reported measure increased while adjusted pretax income and GAAP net income declined. Provision expense, the allowance estimate, and current charge-offs are related but distinct.

The credit signals are mixed. The annualized net charge-off ratios increased, while the 30+ day consumer-loan delinquency ratio was flat year over year and below March. The provision rose with both receivables growth and higher net charge-offs. Cohort seasoning, product mix, recoveries, and economic assumptions can affect these measures in different ways. The case does not provide credit performance by loan vintage, score band, channel, or return after lifetime losses.

Growth, funding, and distributions

Exhibit 2. Capital allocation and financing facts

Item	Disclosed position by the cutoff	What it does not establish
H1 share repurchases	OMH repurchased 2.48 million shares for \$139m; \$826.7m remained under a \$1bn authorization through Dec. 31, 2028.	The program does not obligate purchases; authorization is not a capital target.
H1 common dividends	\$244m paid; \$1.05 per share in each of Q1 and Q2. OMFC paid \$242m to OMH to fund them.	Future dividends are Board-discretionary. The \$1.05 dividend declared July 29 was scheduled payable Aug. 14; payment is not independently confirmed in the reviewed record.
June 30 cash	\$567m, including \$171m held in regulated insurance subsidiaries or for other operating purposes and unavailable for general corporate purposes.	Not all reported cash is freely available to the holding company.
Borrowing and collateral resources	\$1bn undrawn unsecured corporate revolver; \$6.5bn undrawn conduit and credit-card VFN capacity; \$11.6bn unencumbered receivables.	Facilities and receivables are not cash; capacity depends on terms, eligibility, and collateral.
August 20 notes	OMFC issued \$600m of 7.125% notes due March 15, 2034.	No disclosed bridge assigns the proceeds to originations, payouts, or specific debt repayment. Do not add this mechanically to June debt net of assumed repayment.

Sources: [P2], lines 2587-2610, 2631-2650, 2673-2682 and 2857-2872; [P3], lines 60-62; [P4-P5]. June 30 balances are not an August 31 pro forma balance sheet. The \$1bn repurchase program is optional. The dividend policy states the Board may modify or stop future declarations.

OneMain also uses whole-loan sales. A January agreement announced that TPG would extend its commitment to buy OneMain-originated loans through June 30, 2028, expanding the announced commitment to approximately \$2.4 billion over that term; this followed \$1.3 billion in prior commitments, the latest of which expired at the end of 2025. The June 10-Q separately reported \$1.8 billion of remaining gross newly originated **unsecured personal-loan** receivables committed for whole-loan sale. The disclosures use different dates and product scopes and do not provide a bridge. Do not add the two values or treat the January headline as unused August capacity. [P2], lines 2651-2660; [P6], lines 11-15.

The funding question is not simply “loans versus buybacks.” Incremental originations may be retained on the balance sheet, financed with secured or unsecured debt, or sold under whole-loan arrangements. Each route changes yield, funding cost, capital usage, liquidity, and risk. The public materials do not compare the marginal risk-adjusted return of loan growth with the return from repurchases.

An unresolved conduct issue

In March, 13 state attorneys general filed a complaint alleging deceptive sale and financing of add-on products. OneMain publicly disputed the allegations the same day. On July 14, the court stayed discovery pending the company’s motion to dismiss. As of the information cutoff, the allegations were unresolved; there had been no ruling on the merits in the record reviewed for this case. OneMain’s Q2 filing contains a general legal-contingency disclosure but does not specifically name or quantify this case. [P7-P9]; [P2], Note 12, lines 1786-1796.

The dispute is relevant to product economics, compliance, reputation, and potential legal costs. It does not establish that the allegations are true, identify a financial exposure, or determine whether add-on products should be curtailed. Students should include it as an uncertainty to monitor, not treat it as a proven loss or quantified reserve.

The alternatives

Assume the committee has to set a policy for the next planning cycle. Consider three postures:

1. **Continue growth and distributions.** Continue originations and maintain the dividend; use discretionary repurchases when management judges them attractive. This preserves the recent growth trajectory and capital returns, with funding subject to then-current facility availability and eligibility, and contracted whole-loan sale capacity. It risks committing capital to cohorts whose losses, funding costs, or servicing expenses exceed expectations.
2. **Retain more loss-absorbing capacity.** Moderate or tighten originations and pause or slow repurchases; maintain a dividend only if it fits legal-entity cash, contractual terms, and stress needs. This cushions adverse credit or refinancing scenarios but may sacrifice profitable lending, customer relationships, or value from an unused authorization.
3. **Gate growth and variable repurchases.** Keep a portfolio of originations, but require risk-adjusted returns and stress capacity to clear explicit hurdles before increasing exposure. Review repurchases against the same stressed buffer and make them the variable payout, with dividend decisions separately subject to Board discretion. This is more responsive but depends on timely vintage, funding, and capital data that the public record does not provide.

These are policy choices, not company statements. You may recommend another approach if it clearly explains the trade-offs.

Your recommendation

Prepare a two-page memo for the hypothetical committee. Recommend a policy and specify:

- how OneMain should evaluate incremental lending against retained capital and shareholder distributions;
- two to four observable triggers for changing origination growth, underwriting, share repurchases, or dividend policy;
- how you would stress expected credit losses, funding spreads and maturity, cash availability by legal entity, whole-loan sale capacity, and conduct/compliance costs;
- the most important missing data and the strongest evidence that would cause you to change your recommendation.

Do not treat academic estimates or company-defined capital generation as OneMain-specific marginal returns or distributable cash. Mark all modeled loan growth, loss rates, pricing effects, capital floors, and repurchase hurdles as assumptions unless disclosed by the company.

Sources and cutoff

Primary sources P1-P9 and academic sources A1-A4 are documented with direct links, locators, and access notes in the source register. The cutoff is 31 August 2026, close. Do not use later filings or events.