

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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AMERICAN GENERAL FINANCE INC

CIK: **25600** | IRS No.: **351313922** | State of Incorporation: **IN** | Fiscal Year End: **1231**
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SIC: **6141** Personal credit institutions

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EVANSVILLE IN 47708

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HOUSTON TX 77019
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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): January 10, 1996

AMERICAN GENERAL FINANCE, INC.
(Exact Name of Registrant as Specified in Charter)

Indiana
(State or Other
Jurisdiction of
Incorporation)

1-7422
(Commission File
Number)

35-1313922
(IRS Employer
Identification
No.)

601 N.W. Second Street, Evansville, IN
(Address of Principal Executive Offices)

47708
(Zip Code)

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

Item 5. Other Events.

On January 10, 1996, American General Corporation, the parent of American General Finance, Inc. (the "Company"), issued a News Release announcing that American General Finance will report an increase in the allowance for losses on finance receivables of \$216 million in the fourth quarter of 1995 and that it had received a capital contribution of \$80 million from its parent corporation in December, 1995. The increase in the allowance for finance receivable losses will result in a fourth quarter after-tax charge of approximately \$140 million to the Company's earnings.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits. The following Exhibit is filed as part of this Report:

Exhibit Number	Description
99	News Release issued by American General Corporation on January 10, 1996.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of

1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN GENERAL FINANCE, INC.

Dated: January 11, 1996

By: /S/ GEORGE W. SCHMIDT
George W. Schmidt
Controller and Assistant
Secretary

EXHIBIT INDEX

Exhibit Number	Description
99	News Release issued by American General Corporation on January 10, 1996.

96-01

Robert D. Mrlik	or	John E. Pluhowski
Vice President -		Director - Corporate
Investor Relations		Communications
(713) 831-1137		(713) 831-1149

FOR IMMEDIATE RELEASE

AMERICAN GENERAL'S CONSUMER FINANCE SEGMENT
TO INCREASE ALLOWANCE FOR LOAN LOSSES

Houston, January 10, 1996 -- American General Corporation (NYSE:AGC) today announced that American General Finance, its consumer finance segment, will report an increase in the allowance for losses on finance receivables of \$216 million in the fourth quarter of 1995. This action will result in a fourth quarter after-tax charge of approximately \$140 million, or \$.67 per share, to American General's earnings.

This increase was determined by extensive internal analysis, together with credit loss development projections supplied by Fair, Isaac and Co., Inc., a nationally recognized credit consulting firm, and with the concurrence of Ernst & Young LLP, the company's independent auditors. At year-end 1995, the allowance for loan losses will be approximately \$492 million or 5.9% of receivables, compared to \$226 million or 2.9% of receivables at year-end 1994. The increased allowance represents the company's best estimate of the segment's net credit losses on outstanding loans.

"The strength of American General Finance is its traditional branch office network," said Harold S. Hook, Chairman and CEO of American General Corporation. "Although the non-branch initiatives of the last few years generated high receivables growth, they were followed by an unacceptable rise in delinquencies. Therefore, each of these initiatives has been analyzed and the underperforming programs have been restructured or discontinued. We

believe the increase in the allowance and the other actions taken address the overall credit quality issue and position the consumer finance segment to return to the levels of earnings achieved over the last few years."

American General is one of the nation's largest diversified financial services organizations with assets of \$60 billion and shareholders' equity of \$5.5 billion. Headquartered in Houston, it is a leading provider of retirement annuities, consumer loans, and life insurance to over eight million households. American General Corporation common stock is listed on the New York, Pacific, London, and Swiss stock exchanges.

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Q&A SUPPLEMENT ATTACHED

Accompanying this news release are comments, in question-and-answer format, regarding the January 10, 1996 announcement of the increased allowance for losses on finance receivables.

Supplement to: News Release 96-01, Dated January 10, 1996, Entitled:

"AMERICAN GENERAL'S CONSUMER FINANCE SEGMENT
TO INCREASE ALLOWANCE FOR LOAN LOSSES"

American General Corporation today announced that American General Finance, its consumer finance segment, will increase the allowance for losses on finance receivables by \$216 million in the fourth quarter of 1995.

American General Finance with assets of \$10 billion and equity of \$1.3 billion, is a wholly-owned subsidiary of American General Corporation. Headquartered in Evansville, Indiana, it is a leading provider of consumer loans and credit-related products. With 1,400 branch offices in 41 states, Puerto Rico, and the U.S. Virgin Islands, the company serves 3.8 million customers.

Below, in question-and-answer format, are comments regarding the allowance increase.

1. Q. Why was there a major increase in the allowance for loan losses in the fourth quarter?

A. Due to the unexpected rise in delinquencies beginning in the third quarter of 1995, a comprehensive analysis of the consumer finance segment was initiated in the fourth quarter. The results of the recently completed analysis indicated a need for the increase in the allowance for loan losses.

60-day Delinquencies as % of Receivables

12/94	3/95	6/95	9/95	12/95
-----	----	----	----	-----
2.9%	2.9%	3.0%	3.8%	4.1%

2. Q. Does the increased allowance resolve the credit quality issue?

A. Based on extensive internal and external analysis, we believe the increased allowance represents the company's best estimate of the segment's net credit losses on outstanding loans. At year-end 1995, the allowance for loan losses will be approximately \$492 million or 5.9% of receivables.

Allowance as % of Receivables

12/94	3/95	6/95	9/95	12/95
-----	-----	-----	-----	-----
2.9%	3.0%	3.1%	3.6%	5.9%

3. Q. How will the increased allowance impact the capital ratio of American General Finance?

A. To support the increased allowance, American General contributed \$80 million of internally generated capital to American General Finance in December 1995. This enabled American General Finance, Inc. to maintain leverage below its target level of debt to tangible net worth (7.5-to-1).

4. Q. What is the outlook for American General Finance in 1996?

A. We believe the actions taken will position American General Finance to achieve a return on equity in the 14-16% range.

5. Q. Does American General still consider consumer finance a core business?

A. Yes. Since 1982, American General Finance has been a major contributor to American General's growth strategy and complements the company's balanced mix of financial service businesses.

6. Q. Will the \$80 million capital contribution change the company's dividend or share repurchase programs?

A. No. It is management's opinion that this action, in and of itself, will not change the company's dividend or share repurchase programs.

7. Q. When do you expect to report 1995 earnings?

A. We expect to report fourth quarter and preliminary year-end 1995 results on Monday, January 29, 1996.