MRLN 10-Q 3/31/2011

Section 1: 10-Q (FORM 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2011

Commission file number 000-50448

MARLIN BUSINESS SERVICES CORP.

(Exact name of registrant as specified in its charter)

Pennsylvania	38-3686388
(State of incorporation)	(I.R.S. Employer Identification Number)

300 Fellowship Road, Mount Laurel, NJ 08054
(Address of principal executive offices)
(Zip code)

(888) 479-9111
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes ☐ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☑

At April 29, 2011, 13,015,835 shares of Registrant's common stock, $.01 par value, were outstanding.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES

Quarterly Report on Form 10-Q
for the Quarter Ended March 31, 2011

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PART I. Financial Information

Item 1. Condensed Consolidated Financial Statements

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2011	December 31, 2010
	(Dollars in thousands, except per-share data)	
ASSETS		
Cash and due from banks	$ 982	$ 2,557
Interest-earning deposits with banks	39,082	34,469
Total cash and cash equivalents	40,064	37,026
Restricted interest-earning deposits with banks (includes $46.3 million and $44.7 million at March 31, 2011 and December 31, 2010, respectively, related to consolidated variable interest entities (“VIEs”))	51,212	47,107
Securities available for sale (amortized cost of $1.7 million and $1.5 million at March 31, 2011 and December 31, 2010, respectively)	1,682	1,534
Net investment in leases and loans (includes $130.9 million and $154.1 million at March 31, 2011 and December 31, 2010, respectively, related to consolidated VIEs)	348,019	351,569
Property and equipment, net	2,261	2,180
Property tax receivables	4,074	197
Other assets	26,955	28,449
Total assets	$ 474,267	$ 468,062
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Long-term borrowings (includes $106.9 million and $128.2 million at March 31, 2011 and December 31, 2010, respectively, related to consolidated VIEs)	178,323	178,650
Deposits	95,731	92,919
Other liabilities:		
Sales and property taxes payable	5,268	1,978
Accounts payable and accrued expenses	8,128	8,019
Net deferred income tax liability	25,449	26,493
Total liabilities	312,899	308,059
Commitments and contingencies (Note 6)		
Stockholders’ equity:		
Common Stock, $0.01 par value; 75,000,000 shares authorized; 13,021,761 and 12,864,665 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	130	129
Additional paid-in capital	87,565	86,987
Stock subscription receivable	(2)	(2)
Accumulated other comprehensive loss	(100)	(132)
Retained earnings	73,775	73,021
Total stockholders’ equity	161,368	160,003
Total liabilities and stockholders’ equity	$ 474,267	$ 468,062

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Dollars in thousands, except per-share data)	
Interest income	$ 10,900	$ 12,829
Fee income	3,132	3,816
Interest and fee income	14,032	16,645
Interest expense	3,292	4,658
Net interest and fee income	10,740	11,987
Provision for credit losses	1,179	3,123
Net interest and fee income after provision for credit losses	9,561	8,864
Other income:		
Insurance income	977	1,158
Loss on derivatives	(5)	(94)
Other income	282	288
Other income	1,254	1,352
Other expense:		
Salaries and benefits	5,937	5,124
General and administrative	3,471	3,046
Financing related costs	189	147
Other expense	9,597	8,317
Income before income taxes	1,218	1,899
Income tax expense	464	662
Net income	$ 754	$ 1,237
Basic earnings per share	$ 0.06	$ 0.10
Diluted earnings per share	$ 0.06	$ 0.10
Weighted average shares used in computing basic earnings per share	12,927,477	12,778,463
Weighted average shares used in computing diluted earnings per share	13,005,882	12,833,643

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	(Dollars in thousands)						
Balance, December 31, 2009	12,778,935	$ 128	$ 84,674	$ (3)	$ (267)	$ 67,353	$ 151,885
Issuance of common stock	21,398	—	172	—	—	—	172
Repurchase of common stock	(80,925)	(1)	(771)	—	—	—	(772)
Exercise of stock options	35,864	1	161	—	—	—	162
Tax benefit on stock options exercised	—	—	72	—	—	—	72
Stock option compensation recognized	—	—	194	—	—	—	194
Payment of receivables	—	—	—	1	—	—	1
Restricted stock grant	109,393	1	(1)	—	—	—	—
Restricted stock compensation recognized	—	—	2,486	—	—	—	2,486
Net change related to derivatives, net of tax	—	—	—	—	138	—	138
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	—	(3)	—	(3)
Net income	—	—	—	—	—	5,668	5,668
Balance, December 31, 2010	12,864,665	$ 129	$ 86,987	$ (2)	$ (132)	$ 73,021	$ 160,003
Repurchase of common stock	(72,789)	(1)	(815)	—	—	—	(816)
Stock option compensation recognized	—	—	24	—	—	—	24
Restricted stock grant	229,885	2	(2)	—	—	—	—
Restricted stock compensation recognized	—	—	1,371	—	—	—	1,371
Net change related to derivatives, net of tax	—	—	—	—	35	—	35
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	—	(3)	—	(3)
Net income	—	—	—	—	—	754	754
Balance, March 31, 2011	13,021,761	$ 130	$ 87,565	$ (2)	$ (100)	$ 73,775	$ 161,368

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 754	$ 1,237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	641	706
Stock-based compensation	1,119	1,333
Excess tax benefits from stock-based payment arrangements	—	(56)
Amortization of deferred net loss on cash flow hedge derivatives	58	42
Change in fair value of derivatives	5	(1,121)
Provision for credit losses	1,179	3,123
Net deferred income taxes	(790)	(1,848)
Amortization of deferred initial direct costs and fees	1,334	2,057
Deferred initial direct costs and fees	(1,189)	(670)
Loss on equipment disposed	756	596
Effect of changes in other operating items:		
Other assets	(2,776)	551
Other liabilities	3,394	3,240
Net cash provided by operating activities	4,485	9,190
Cash flows from investing activities:		
Purchases of equipment for direct financing lease contracts and funds used to originate loans	(47,034)	(23,656)
Principal collections on leases and loans	47,845	58,691
Security deposits collected, net of refunds	(555)	(823)
Proceeds from the sale of equipment	1,214	1,087
Acquisitions of property and equipment	(315)	(128)
Change in restricted interest-earning deposits with banks	(4,105)	(2,121)
Purchases of securities available for sale	(152)	—
Net cash provided by (used in) investing activities	(3,102)	33,050
Cash flows from financing activities:		
Issuances of common stock	—	1
Repurchases of common stock	(816)	(485)
Exercise of stock options	—	113
Excess tax benefits from stock-based payment arrangements	—	56
Debt issuance costs	(14)	(943)
Term securitization advances	—	68,169
Term securitization repayments	(21,282)	(45,768)
Warehouse and bank facility advances	28,730	4,425
Warehouse and bank facility repayments	(7,775)	(65,378)
Increase in deposits	2,812	4,847
Net cash provided by (used in) financing activities	1,655	(34,963)
Net increase in total cash and cash equivalents	3,038	7,277
Total cash and cash equivalents, beginning of period	37,026	37,057
Total cash and cash equivalents, end of period	$ 40,064	$ 44,334
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 2,745	$ 4,246
Cash paid for income taxes, net of refunds received	$ 184	$ (3,051)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Organization

Description

Through its principal operating subsidiary, Marlin Leasing Corporation, Marlin Business Services Corp. provides equipment leasing solutions nationwide, primarily to small and mid-sized businesses in a segment of the equipment leasing market commonly referred to in the industry as the “small-ticket” segment. The Company finances over 100 categories of commercial equipment important to its end user customers, including copiers, security systems, computers, telecommunications equipment and certain commercial and industrial equipment. Effective March 12, 2008, the Company opened Marlin Business Bank (“MBB”), a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB currently provides diversification of the Company’s funding sources through the issuance of certificates of deposit. Marlin Business Services Corp. is managed as a single business segment. Marlin Business Services Corp. is a bank holding company and a financial holding company regulated by the Federal Reserve Board under the Bank Holding Company Act.

References to the “Company,” “Marlin,” “Registrant,” “we,” “us” and “our” herein refer to Marlin Business Services Corp. and its wholly-owned subsidiaries, unless the context otherwise requires.

NOTE 2 — Basis of Financial Statement Presentation and Critical Accounting Policies

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring items) necessary to present fairly the Company’s financial position at March 31, 2011 and the results of operations for the three-month periods ended March 31, 2011 and 2010, and cash flows for the three-month periods ended March 31, 2011 and 2010. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and note disclosures included in the Company’s Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 16, 2011. The consolidated results of operations for the three-month periods ended March 31, 2011 and 2010 are not necessarily indicative of the results for the respective full years or any other period. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates. The preparation of financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for income recognition, the residual values of leased equipment, the allowance for credit losses, deferred initial direct costs and fees, late fee receivables, performance assumptions for stock-based compensation awards, the probability of forecasted transactions, the fair value of financial instruments and income taxes. Actual results could differ from those estimates.

At this time, the Company has not elected to report any assets or liabilities using the fair value option available under the Financial Instruments Topic of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”).

Interest income. Interest income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on each lease. Generally, when a lease or loan is 90 days or more delinquent, the contract is classified as non-accrual, and we do not recognize interest income on that contract until it is less than 90 days delinquent.

Modifications to leases are accounted for in accordance with Topic 840 of the FASB ASC. Modifications resulting in renegotiated leases may include reductions in payment and extensions in term. However, such renegotiated leases are not granted concessions regarding implicit rates or reductions in total amounts due. Modifications may be granted on a one-time basis in situations that indicate the lessee is experiencing a temporary, timing issue and has a high likelihood of success with a revised payment plan. After a modification, a lease’s accrual status is based on compliance with the modified terms.

Fee income. Fee income consists of fees for delinquent lease and loan payments, cash collected on early termination of leases and net residual income. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed of at the end of a lease’s term. Residual income is recognized as earned.

Fee income from delinquent lease payments is recognized on an accrual basis based on anticipated collection rates. At a minimum of every quarter, an analysis of anticipated collection rates is performed based on updates to collection history. Adjustments in the anticipated collection rate assumptions are made as needed based on this analysis. Other fees are recognized when received.

Insurance income. Insurance income is recognized on an accrual basis as earned over the term of each lease. Generally, insurance payments that are 120 days or more past due are charged against income. Ceding commissions, losses and loss adjustment expenses are recorded in the period incurred and netted against insurance income.

Other income. Other income includes various administrative transaction fees, fees received from lease syndications and gains on sales of leases.

Securities available for sale. Securities available for sale consist of mutual funds. Securities available for sale are measured at fair value on a recurring basis, computed using fair value measurements classified as Level 1 (as defined in Note 9, Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments), since prices are obtained from quoted prices in an active market. Unrealized holding gains or losses, net of related deferred income taxes, are reported in accumulated other comprehensive income.

Initial direct costs and fees. We defer initial direct costs incurred and fees received to originate our leases and loans in accordance with the Receivables Topic and the Nonrefundable Fees and Other Costs Subtopic of the FASB ASC. The initial direct costs and fees we defer are part of the net investment in leases and loans and are amortized to interest income using the effective interest method. We defer third-party commission costs, as well as certain internal costs directly related to the origination activity. Costs subject to deferral include evaluating each prospective customer's financial condition, evaluating and recording guarantees and other security arrangements, negotiating terms, preparing and processing documents and closing each transaction. The fees we defer are documentation fees collected at inception. The realization of the initial direct costs, net of fees deferred, is predicated on the net future cash flows generated by our lease and loan portfolios.

Net Investment in Leases and Loans. The Company uses the direct financing method of accounting to record its direct financing leases and related interest income. At the inception of a lease, the Company records as an asset the aggregate future minimum lease payments receivable, plus the estimated residual value of the leased equipment, less unearned lease income. Residual values generally reflect the estimated amounts to be received at lease termination from lease extensions, sales or other dispositions of leased equipment. Estimates are based on industry data and management's experience.

The Company records an estimated residual value at lease inception for all fair market value and fixed purchase option leases based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. In setting and reviewing estimated residual values, the Company focuses its analysis primarily on total historical and expected realization statistics pertaining to both lease renewals and sales of equipment.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to the Company. The Company receives income from lease renewals when a lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. The Company generally sells returned equipment to independent third parties, rather than leasing the equipment a second time. The Company does not maintain equipment in other assets for longer than 120 days. Any loss recognized on transferring equipment to other assets and any gain or loss realized on the sale or disposal of equipment to a lessee or to others are included in fee income as net residual income.

Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs periodic reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Allowance for credit losses. In accordance with the Contingencies Topic of the FASB ASC*,* we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. We evaluate our portfolios on a pooled basis, due to their composition of small balance, homogenous accounts with similar general credit risk characteristics, diversified among a large cross-section of variables, including industry, geography, equipment type, obligor and vendor.

We consider both quantitative and qualitative factors in determining the allowance for credit losses. Quantitative factors considered include a migration analysis, historic delinquencies and charge-offs, historic bankruptcies, historic performance of restructured accounts and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately charge off. Qualitative factors that may result in further adjustments to the quantitative analysis include items such as forecasting uncertainties, changes in the composition of our lease and loan portfolios (including geography, industry, equipment type and vendor source), seasonality, economic conditions and trends or business practices at the reporting date that are different from the periods used in the quantitative analysis.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. We then establish an allowance for credit losses for the projected probable net credit losses based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 121 days delinquent.

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. To the extent we add new leases and loans to our portfolios, or to the degree credit quality is worse than expected, we record expense to increase the allowance for credit losses to reflect the estimated net losses inherent in our portfolios. Actual losses may vary from current estimates.

In connection with the Company’s discussions with the Federal Reserve Bank relating to the Company’s allowance for credit losses (the “Allowance”), the Company received a letter dated April 28, 2011 from the Federal Reserve Bank of Philadelphia stating that the Company should continue to operate under its current methodology for determining the Allowance, and that the appropriateness and reasonableness of the overall level of the Allowance, as well as the adequacy of the documentation and controls maintained by the Company’s management to support the appropriateness of the Allowance, will be reviewed again by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

Securitizations. In connection with each of its term note securitization transactions, the Company established a bankruptcy remote special-purpose subsidiary (“SPE”) and issued term debt to institutional investors. These SPEs are each considered VIEs under U.S. GAAP. The Company is required to consolidate VIEs in which it is deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company continues to service the assets of its VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. The Company’s leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents the Company’s maximum loss exposure.

Common stock and equity. On November 2, 2007, the Company’s Board of Directors approved a stock repurchase plan. Under the stock repurchase plan, the Company is authorized to repurchase its common stock on the open market. The par value of the shares repurchased is charged to common stock with the excess of the purchase price over par charged against any available additional paid-in capital.

Stock-based compensation. The Compensation—Stock Compensation Topic of the FASB ASC establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees and non-employees, except for equity instruments held by employee share ownership plans.

The Company measures stock-based compensation cost at grant date, based on the fair value of the awards ultimately expected to vest. Compensation cost is recognized on a straight-line basis over the service period. We generally use the Black-Scholes valuation model to measure the fair value of our stock options utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions are based on management’s judgment concerning future events.

The Company uses its judgment in estimating the amount of awards that are expected to be forfeited, with subsequent revisions to the assumptions if actual forfeitures differ from those estimates. In addition, for performance-based awards the Company estimates the degree to which the performance conditions will be met to estimate the number of shares expected to vest and the related compensation expense. Compensation expense is adjusted in the period such performance estimates change.

Income taxes. The Income Taxes Topic of the FASB ASC requires the use of the asset and liability method under which deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities, given the provisions of the enacted tax laws. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any necessary valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from the different treatment of items, such as leases, for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are included within the Consolidated Balance Sheets. Management then assesses the likelihood that deferred tax assets will be recovered from future taxable income or tax carry-back availability and, to the extent management believes recovery is not likely, a valuation allowance is established. To the extent that we establish a valuation allowance in a period, an expense is recorded within the tax provision in the Consolidated Statements of Operations.

In accordance with U.S. GAAP, uncertain tax positions taken or expected to be taken in a tax return are subject to potential financial statement recognition based on prescribed recognition and measurement criteria. Based on our evaluation, we concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. At March 31, 2011, there have been no material changes to the liability for uncertain tax positions and there are no significant unrecognized tax benefits.

The periods subject to examination for the Company’s federal return include the 2006 tax year to the present. The Company files state income tax returns in various states which may have different statutes of limitations. Generally, state income tax returns for the years 2005 through the present are subject to examination.

The Company records penalties and accrued interest related to uncertain tax positions in income tax expense. Such adjustments have historically been minimal and immaterial to our financial results.

Earnings per share. Pursuant to the Earnings Per Share Topic of the FASB ASC, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share (“EPS”) using the two-class method.

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities. Diluted EPS is computed based on the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities, and the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

NOTE 3 — Net Investment in Leases and Loans

Net investment in leases and loans consists of the following:

	March 31, 2011	December 31, 2010
	(Dollars in thousands)	
Minimum lease payments receivable	$ 387,132	$ 389,247
Estimated residual value of equipment	36,070	37,320
Unearned lease income, net of initial direct costs and fees deferred	(64,617)	(63,355)
Security deposits	(4,470)	(5,026)
Loans, including unamortized deferred fees and costs	791	1,101
Allowance for credit losses	(6,887)	(7,718)
	$ 348,019	$ 351,569

At March 31, 2011, a total of $233.9 million of minimum lease payments receivable are assigned as collateral for borrowings, including the amounts related to consolidated VIEs.

Initial direct costs net of fees deferred were $6.6 million and $6.8 million as of March 31, 2011 and December 31, 2010, respectively, and are netted in unearned income and will be amortized to income using the effective interest method. At March 31, 2011 and December 31, 2010, $29.6 million and $30.6 million, respectively, of the estimated residual value of equipment retained on our Consolidated Balance Sheets was related to copiers.

Minimum lease payments receivable under lease contracts and the amortization of unearned lease income, including initial direct costs and fees deferred, are as follows as of March 31, 2011:

	Minimum Lease Payments Receivable	Income Amortization
	(Dollars in thousands)	
Period Ending December 31,		
2011	$ 138,788	$ 27,266
2012	125,754	21,443
2013	70,869	10,383
2014	33,522	4,286
2015	16,644	1,195
Thereafter	1,555	44
	$ 387,132	$ 64,617

Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when the contract becomes less than 90 days delinquent. As of March 31, 2011 and December 31, 2010, the Company maintained total finance receivables which were on a non-accrual basis of $1.4 million and $2.0 million, respectively. As of March 31, 2011 and December 31, 2010, the Company had total finance receivables in which the terms of the original agreements had been renegotiated in the amount of $1.9 million and $2.2 million, respectively. (See Note 4 for additional asset quality information.)

NOTE 4 — Allowance for Credit Losses

In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our estimate of probable net credit losses.

The chart which follows provides activity in the allowance for credit losses and asset quality statistics.

	Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands)	
Allowance for credit losses, beginning of period	$ 7,718	$ 12,193
Charge-offs	(2,628)	(5,926)
Recoveries	618	863
Net charge-offs	(2,010)	(5,063)
Provision for credit losses	1,179	3,123
Allowance for credit losses, end of period[1]	$ 6,887	$ 10,253
Annualized net charge-offs to average total finance receivables [2]	2.30%	4.70%
Allowance for credit losses to total finance receivables, end of period [2]	1.98%	2.50%
Average total finance receivables [2]	$ 349,203	$ 431,176
Total finance receivables, end of period [2]	$ 348,290	$ 409,637
Delinquencies greater than 60 days past due	$ 2,914	$ 6,288
Delinquencies greater than 60 days past due [3]	0.75%	1.39%
Allowance for credit losses to delinquent accounts greater than 60 days past due [3]	236.34%	163.06%
Non-accrual leases and loans, end of period	$ 1,407	$ 3,399
Renegotiated leases and loans, end of period	$ 1,861	$ 3,790

(1) The allowance for credit losses allocated to loans at March 31, 2011, March 31, 2010 and December 31, 2010, was $0.1 million, $0.3 million and $0.1 million, respectively.

(2) Total finance receivables include net investment in direct financing leases and loans. For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

(3) Calculated as a percent of minimum lease payments receivable for leases and as a percent of principal outstanding for loans.

Net investments in finance receivables are generally charged-off when they are contractually past due for 121 days. Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent. At March 31, 2011, March 31, 2010 and December 31, 2010, there were no finance receivables past due 90 days or more and still accruing.

Net charge-offs for the three-month period ended March 31, 2011 were $2.0 million, or 2.30% of average total finance receivables, compared to $2.4 million, or 2.66% of average total finance receivables, for the three-month period ended December 31, 2010. The decrease in net charge-offs during the three-month period ended March 31, 2011 compared to recent previous periods is primarily due to improving delinquency migrations and lower portfolio balances. Our key credit quality indicator is delinquency status.

In connection with the Company's discussions with the Federal Reserve Bank relating to the Company's allowance for credit losses (the "Allowance"), the Company received a letter dated April 28, 2011 from the Federal Reserve Bank of Philadelphia stating that the Company should continue to operate under its current methodology for determining the Allowance, and that the appropriateness and reasonableness of the overall level of the Allowance, as well as the adequacy of the documentation and controls maintained by the Company's management to support the appropriateness of the Allowance, will be reviewed again by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

NOTE 5 — Other Assets

Other assets are comprised of the following:

	March 31, 2011	December 31, 2010
	(Dollars in thousands)	
Accrued fees receivable	$ 2,005	$ 2,250
Deferred transaction costs	2,091	2,420
Prepaid expenses	1,660	1,674
Income taxes receivable	19,609	20,711
Other	1,590	1,394
	$ 26,955	$ 28,449

NOTE 6 — Commitments and Contingencies

The Company is involved in legal proceedings, which include claims, litigation and suits arising in the ordinary course of business. In the opinion of management, these actions will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 7 — Short-term and Long-term Borrowings

Borrowings with an original maturity of less than one year are classified as short-term borrowings. MBB's federal funds purchased are classified as short-term borrowings. Borrowings with an original maturity of one year or more are classified as long-term borrowings. The Company's term note securitizations and long-term loan facilities are classified as long-term borrowings.

Scheduled principal and interest payments on outstanding borrowings as of March 31, 2011 are as follows:

	Principal	Interest(1)
	(Dollars in thousands)	
Period Ending December 31,		
2011	$ 58,648	$ 5,838
2012	107,347	4,275
2013	9,325	348
2014	1,800	128
2015	1,086	43
Thereafter	117	1
Total	$ 178,323	$ 10,633

(1) Interest on variable-rate long-term loan facilities is assumed at the March 31, 2011 rate for the remaining term.

NOTE 8 — Deposits

Effective March 12, 2008, the Company opened MBB. MBB currently provides diversification of the Company's funding sources primarily through the issuance of Federal Deposit Insurance Corporation ("FDIC") insured certificates of deposit raised nationally through various brokered deposit relationships and through FDIC-insured retail deposits directly from other financial institutions. As of March 31, 2011, the remaining scheduled maturities of time deposits are as follows:

	Scheduled Maturities (Dollars in thousands)
Period Ending December 31,	
2011	$ 22,754
2012	32,881
2013	23,537
2014	9,302
2015	7,257
Total	$ 95,731

All time deposits are in denominations of less than $250,000 and all are fully insured by the FDIC. The weighted average all-in interest rate of deposits outstanding at March 31, 2011 was 2.50%.

NOTE 9 — Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. Its provisions do not apply to fair value measurements for purposes of lease classification and measurement, which is addressed in the Leases Topic of the FASB ASC.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (exit price). A three-level valuation hierarchy is required for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The three levels are defined as follows:

- Level 1 — Inputs to the valuation are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs to the valuation may include quoted prices for similar assets and liabilities in active or inactive markets, and inputs other than quoted prices, such as interest rates and yield curves, which are observable for the asset or liability for substantially the full term of the financial instrument.
- Level 3 — Inputs to the valuation are unobservable and significant to the fair value measurement. Level 3 inputs shall be used to measure fair value only to the extent that observable inputs are not available.

The Company uses derivative financial instruments to manage exposure to the effects of changes in market interest rates and to fulfill certain covenants in our borrowing arrangements. All derivatives are recorded on the Consolidated Balance Sheets at their fair value as either assets or liabilities using measurements classified as Level 2. Because the Company's derivatives are not listed on an exchange, the Company values these instruments using a valuation model with pricing inputs that are observable in the market or that can be derived principally from or corroborated by observable market data. These inputs include the forward London Interbank Offered Rate ("LIBOR") curve on which the variable payments are based and the applicable interest-rate swap market curve. The Company's methodology also incorporates the impact of both the Company's and the counterparty's credit standing.

All of the Company's derivatives are measured at fair value on a recurring basis, computed using fair value measurements classified as Level 2. The fair value of securities available for sale is computed using fair value measurements classified as Level 1, since prices are obtained from quoted prices in an active market. The Company's balances measured at fair value on a recurring basis include the following as of March 31, 2011:

	March 31, 2011 Fair Value Measurements Using		December 31, 2010 Fair Value Measurements Using	
	Level 1	Level 2	Level 1	Level 2
	(Dollars in thousands)			
Assets				
Securities available for sale	$ 1,682	$ —	$ 1,534	$ —
Interest-rate caps purchased	—	48	—	14

At this time, the Company has not elected to report any assets and liabilities using the fair value option available under the Financial Instruments Topic of the FASB ASC.

Disclosures about the Fair Value of Financial Instruments

The Financial Instruments Topic of the FASB ASC requires the disclosure of the estimated fair value of financial instruments including those financial instruments not measured at fair value on a recurring basis. This requirement excludes certain instruments, such as the net investment in leases and all nonfinancial instruments.

The fair values shown below have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Valuation techniques involve uncertainties and require assumptions and judgments regarding prepayments, credit risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair values presented would not necessarily be realized in an immediate sale. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets or to other companies' fair value information.

The following summarizes the carrying amount and estimated fair value of the Company's financial instruments:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Cash and cash equivalents	$ 40,064	$ 40,064	$ 37,026	$ 37,026
Restricted interest-earning deposits with banks	51,212	51,212	47,107	47,107
Securities available for sale	1,682	1,682	1,534	1,534
Loans	764	762	1,040	1,025
Interest-rate caps purchased	48	48	14	14
Liabilities				
Long-term borrowings	178,323	180,009	178,650	183,088
Deposits	95,731	96,991	92,919	94,602
Accounts payable and accrued expenses [1]	13,396	13,396	9,997	9,997

(1) Includes sales and property taxes payable.

The paragraphs which follow describe the methods and assumptions used in estimating the fair values of financial instruments.

(a) Cash and Cash Equivalents

The carrying amounts of the Company's cash and cash equivalents approximate fair value as of March 31, 2011 and December 31, 2010, because they bear interest at market rates and have maturities of less than 90 days.

(b) Restricted Interest-Earning Deposits with Banks

The Company maintains various interest-earning trust accounts related to our secured debt facilities. The book value of such accounts is included in restricted interest-earning deposits with banks on the accompanying Consolidated Balance Sheet. These accounts earn a floating market rate of interest which results in a fair value approximating the carrying amount at March 31, 2011 and December 31, 2010.

(c) Securities Available for Sale

The fair value of securities available for sale is recorded using prices obtained from quoted prices in an active market.

(d) Loans

The fair value of loans is estimated by discounting contractual cash flows, using interest rates currently being offered by the Company for loans with similar terms and remaining maturities to borrowers with similar credit risk characteristics. Estimates utilized were based on the original credit status of the borrowers combined with the portfolio delinquency statistics.

(e) Long-Term Borrowings

The fair value of the Company's debt and secured borrowings is estimated by discounting cash flows at indicative market rates applicable to the Company's debt and secured borrowings of the same or similar remaining maturities.

(f) Deposits

The fair value of the Company's deposits is estimated by discounting cash flows at current rates paid by the Company for similar certificates of deposit of the same or similar remaining maturities.

(g) Accounts Payable and Accrued Expenses

The carrying amount of the Company's accounts payable and accrued expenses approximates fair value as of March 31, 2011 and December 31, 2010, because of the relatively short timeframe to realization.

(h) Interest-Rate Caps

Interest-rate caps are measured at fair value on a recurring basis in accordance with the requirements of the Fair Value Measurements and Disclosures Topic of the FASB ASC, using the inputs and methods described previously in the first section of this Note 9.

NOTE 10 — Earnings Per Common Share

Pursuant to the Earnings Per Share Topic of the FASB ASC, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS using the two-class method.

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities. Diluted EPS is computed based on the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities, and the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

The following table provides net income and shares used in computing basic and diluted EPS:

	Three Months Ended March 31,	
	2011	**2010**
	(Dollars in thousands, except per-share data)	
Net income	$ 754	$ 1,237
Weighted average common shares outstanding	11,934,525	11,807,733
Add: Unvested restricted stock awards considered participating securities	992,952	970,730
Adjusted weighted average common shares used in computing basic EPS	12,927,477	12,778,463
Add: Effect of dilutive stock options	78,405	55,180
Adjusted weighted average common shares used in computing diluted EPS	13,005,882	12,833,643
Net earnings per common share:		
Basic	$ 0.06	$ 0.10
Diluted	$ 0.06	$ 0.10

For the three-month periods ended March 31, 2011 and March 31, 2010, options to purchase 342,502 and 564,780 shares of common stock were not considered in the computation of potential common shares for purposes of diluted EPS, since the exercise prices of the options were greater than the average market price of the Company’s common stock for the respective periods.

NOTE 11 — Comprehensive Income

The following table details the components of comprehensive income:

	Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands)	
Net income	$ 754	$ 1,237
Other comprehensive income:		
Change in fair value of securities available for sale	(4)	—
Amortization of net deferred losses on cash flow hedge derivatives	58	42
Tax effect	(22)	(17)
Total other comprehensive income	32	25
Comprehensive income	$ 786	$ 1,262

NOTE 12 — Stockholders' Equity

Stockholders' Equity

On November 2, 2007, the Company's Board of Directors approved a stock repurchase plan. Under this program, the Company is authorized to repurchase up to $15 million in value of its outstanding shares of common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant. Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. The repurchases may be made on the open market, in block trades or otherwise. The program may be suspended or discontinued at any time. The repurchases are funded using the Company's working capital.

The Company purchased 15,594 shares of its common stock at an average cost of $11.34 per share during the three-month period ended March 31, 2011. The Company did not purchase any shares of its common stock on the open market during the three-month period ended March 31, 2010. At March 31, 2011, the Company had $10.3 million remaining in its stock repurchase plan authorized by the Board of Directors.

In addition to the repurchases described above, pursuant to the Company's 2003 Equity Compensation Plan (as amended, the "2003 Plan"), participants may have shares withheld to cover income taxes. There were 57,195 shares repurchased to cover income tax withholding pursuant to the 2003 Plan during the three-month period ended March 31, 2011, at an average cost of $11.18 per share. There were 54,600 shares repurchased to cover income tax withholding during the three-month period ended March 31, 2010, at an average cost of $8.88 per share.

Regulatory Capital Requirements

On March 20, 2007, the FDIC approved the application of MBB to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base.

On December 31, 2008, MBB received approval from the Federal Reserve Bank of San Francisco to (i) convert from an industrial bank to a state-chartered commercial bank and (ii) become a member of the Federal Reserve System. In addition, on December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. On January 13, 2009, pursuant to the December 31, 2008 approval from the Federal Reserve Bank of San Francisco, MBB converted from an industrial bank to a commercial bank chartered in the state of Utah and supervised by the State of Utah and the Federal Reserve Board. In connection with MBB's conversion to a commercial bank and pursuant to the December 31, 2008 approval from the Federal Reserve Bank of Philadelphia, on January 13, 2009 Marlin Business Services Corp. became a bank holding company, and is subject to the Bank Holding Company Act and supervised by the Federal Reserve Board. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan (as required by the original FDIC order issued on March 20, 2007 (the "FDIC Order")), which assumed total assets of up to $128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with $25.0 million of additional capital to support future growth.

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits the Company to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of our reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

MBB is subject to capital adequacy guidelines issued by the Federal Financial Institutions Examination Council (the "FFIEC"). These risk-based capital and leverage guidelines make regulatory capital requirements more sensitive to differences in risk profiles among banking organizations and consider off-balance sheet exposures in determining capital adequacy. The FFIEC and/or the U.S. Congress may determine to increase capital requirements in the future due to the current economic environment. Under the rules and regulations of the FFIEC, at least half of a bank's total capital is required to be "Tier 1 Capital" as defined in the regulations, comprised of common equity, retained earnings and a limited amount of non-cumulative perpetual preferred stock. The remaining capital, "Tier 2 Capital," as defined in the regulations, may consist of other preferred stock, a limited amount of term subordinated debt or a limited amount of the reserve for possible credit losses. The FFIEC has also adopted minimum leverage ratios for banks, which are calculated by dividing Tier 1 Capital by total quarterly average assets. Recognizing that the risk-based capital standards principally address credit risk rather than interest rate, liquidity, operational or other risks, many banks are expected to maintain capital in excess of the minimum standards. The Company plans to provide the necessary capital to maintain MBB at "well-capitalized" status as defined by banking regulations. MBB's equity balance at March 31, 2011 was $46.5 million, which met all capital requirements to which MBB is subject and qualified MBB for "well-capitalized" status. Bank holding companies are required to comply with the Federal Reserve Board's risk-based capital guidelines that require a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is required to be Tier 1 Capital. In addition to the risk-based capital guidelines, the Federal Reserve Board has adopted a minimum leverage capital ratio under which a bank holding company must maintain a ratio of Tier 1 Capital to average total consolidated assets of at least 3% in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage capital ratio of at least 4%. At March 31, 2011, Marlin Business Services Corp. also exceeded its regulatory capital requirements and was considered "well-capitalized" as defined by federal banking regulations.

The following table sets forth the Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio for Marlin Business Services Corp. and MBB at March 31, 2011.

	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
	Ratio	Amount	Ratio[1]	Amount	Ratio	Amount
			(Dollars in thousands)			
Tier 1 Leverage Capital						
Marlin Business Services Corp.	34.30%	$ 161,468	4%	$ 18,830	5%	$ 23,537
Marlin Business Bank	36.59%	$ 46,467	5%	$ 6,349	5%	$ 6,349
Tier 1 Risk-based Capital						
Marlin Business Services Corp.	39.88%	$ 161,468	4%	$ 16,195	6%	$ 24,293
Marlin Business Bank	35.18%	$ 46,467	6%	$ 7,924	6%	$ 7,924
Total Risk-based Capital						
Marlin Business Services Corp.	41.14%	$ 166,552	8%	$ 32,391	10%	$ 40,488
Marlin Business Bank	36.35%	$ 48,008	15%	$ 19,811	10% [1]	$ 13,207

(1) MBB is required to maintain "well-capitalized" status. In addition, MBB must maintain a total risk-based capital ratio greater than 15% pursuant to the FDIC Order.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal regulators to take prompt corrective action against any undercapitalized institution. FDICIA establishes five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Well-capitalized institutions significantly exceed the required minimum level for each relevant capital measure. Adequately capitalized institutions include depository institutions that meet but do not significantly exceed the required minimum level for each relevant capital measure. Undercapitalized institutions consist of those that fail to meet the required minimum level for one or more relevant capital measures. Significantly undercapitalized characterizes depository institutions with capital levels significantly below the minimum requirements for any relevant capital measure. Critically undercapitalized refers to depository institutions with minimal capital and at serious risk for government seizure.

Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company if the institution would thereafter be undercapitalized. Institutions that are adequately capitalized but not well-capitalized cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits.

The federal bank regulatory agencies are permitted or, in certain cases, required to take certain actions with respect to institutions falling within one of the three undercapitalized categories. Depending on the level of an institution's capital, the agency's corrective powers include, among other things:

- prohibiting the payment of principal and interest on subordinated debt;
- prohibiting the holding company from making distributions without prior regulatory approval;
- placing limits on asset growth and restrictions on activities;
- placing additional restrictions on transactions with affiliates;
- restricting the interest rate the institution may pay on deposits;
- prohibiting the institution from accepting deposits from correspondent banks; and
- in the most severe cases, appointing a conservator or receiver for the institution.

A banking institution that is undercapitalized is required to submit a capital restoration plan, and such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

Pursuant to the FDIC Order, MBB must keep its total risk-based capital ratio above 15%. MBB's equity balance at March 31, 2011 was $46.5 million, which qualifies for "well capitalized" status.

Dividends. The Federal Reserve Board has issued policy statements which provide that, as a general matter, insured banks and bank holding companies should pay dividends only out of current operating earnings. Additionally, pursuant to the FDIC Order, MBB was not permitted to pay dividends during its first three years of operations without the prior written approval of the FDIC and the State of Utah (such initial three-year period ended on March 12, 2011).

NOTE 13 — Stock-Based Compensation

Under the terms of the 2003 Plan, employees, certain consultants and advisors and non-employee members of the Company's Board of Directors have the opportunity to receive incentive and nonqualified grants of stock options, stock appreciation rights, restricted stock and other equity-based awards as approved by the Company's Board of Directors. These award programs are used to attract, retain and motivate employees and to encourage individuals in key management roles to retain stock. The Company has a policy of issuing new shares to satisfy awards under the 2003 Plan. The aggregate number of shares under the 2003 Plan that may be issued pursuant to stock options or restricted stock grants is 3,300,000. Not more than 1,650,000 of such shares shall be available for issuance as restricted stock grants. There were 244,270 shares available for future grants under the 2003 Plan as of March 31, 2011.

Total stock-based compensation expense was $1.1 million and $1.3 million for the three-month periods ended March 31, 2011 and March 31, 2010, respectively. There were no excess tax benefits from stock-based payment arrangements for the three-month period ended March 31, 2011. Excess tax benefits from stock-based payment arrangements decreased cash provided by operating activities and increased cash provided by financing activities by $0.1 million for the three-month period ended March 31, 2010.

Stock Options

Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of the grant and have 7- to 10-year contractual terms. All options issued contain service conditions based on the participant's continued service with the Company and provide for accelerated vesting if there is a change in control as defined in the 2003 Plan.

Employee stock options generally vest over four years. The vesting of certain options is contingent on various Company performance measures, such as earnings per share and net income. The Company has recognized expense related to performance options based on the most probable performance assumptions as of March 31, 2011. There were no revisions to performance assumptions during the three-month periods ended March 31, 2011 and March 31, 2010.

The Company also issues stock options to non-employee independent directors. These options generally vest in one year.

There were no stock options granted during the three-month period ended March 31, 2011 and no stock options granted during the three-month period ended March 31, 2010.

During the three-month periods ended March 31, 2011 and March 31, 2010, the Company recognized total compensation expense related to options of $0.1 million and $0.1 million, respectively.

There were no stock options exercised, forfeited or expired during the three-month period ended March 31, 2011. The total pretax intrinsic value of stock options exercised was $0.1 million for the three-month period ended March 31, 2010. The related tax benefit realized from the exercise of stock options for the three-month period ended March 31, 2010 was $0.1 million.

The following table summarizes information about the stock options outstanding and exercisable as of March 31, 2011:

	Options Outstanding				*Options Exercisable*			
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (In thousands)**	**Number Exercisable**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (In thousands)**
$3.39	85,925	1.0	$ 3.39	$ 769	85,925	1.0	$ 3.39	$ 769
$7.17 – 10.18	354,528	3.0	9.43	1,032	214,778	2.5	9.40	630
$12.08 – 12.41	145,612	6.1	12.40	1	—	n/a	n/a	n/a
$14.00 – 16.01	39,984	2.8	14.33	—	37,253	2.7	14.33	—
$19.78 – 21.50	22,104	2.2	20.80	—	22,104	2.1	20.80	—
	648,153	3.4	9.99	$ 1,802	360,060	2.1	9.18	$ 1,399

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of $12.34 as of March 31, 2011, which would have been received by the option holders had all option holders exercised their options as of that date.

As of March 31, 2011, the total future compensation cost related to non-vested stock options not yet recognized in the Consolidated Statements of Operations was $0.1 million and the weighted average period over which these awards are expected to be recognized was 1.5 years, based on the most probable performance assumptions as of March 31, 2011. In the event maximum performance targets are achieved, an additional $0.4 million of compensation cost would be recognized over a weighted average period of 0.9 years.

Restricted Stock Awards

Restricted stock awards provide that, during the applicable vesting periods, the shares awarded may not be sold or transferred by the participant. The vesting period for restricted stock awards generally ranges from three to 10 years, though certain awards for special projects may vest in as little as one year depending on the duration of the project. All awards issued contain service conditions based on the participant's continued service with the Company and may provide for accelerated vesting if there is a change in control as defined in the 2003 Plan.

The vesting of certain restricted shares may be accelerated to a minimum of three to four years based on achievement of various individual and Company performance measures. In addition, the Company has issued certain shares under a Management Stock Ownership Program. Under this program, restrictions on the shares lapse at the end of 10 years but may lapse (vest) in a minimum of three years if the employee continues in service at the Company and owns a matching number of other common shares in addition to the restricted shares.

Of the total restricted stock awards granted during the three-month period ended March 31, 2011, 194,610 shares may be subject to accelerated vesting based on performance factors; no shares have vesting contingent upon performance factors. The Company has recognized expense related to performance-based shares based on the most probable performance assumptions as of March 31, 2011. There were no revisions to performance assumptions for the three-month periods ended March 31, 2011 and March 31, 2010, although vesting was accelerated in 2011 on certain awards based on an annual evaluation of the achievement of performance criteria, as described below.

The Company also issues restricted stock to non-employee independent directors. These shares generally vest in seven years from the grant date or six months following the director's termination from Board of Directors service.

The following table summarizes the activity of the non-vested restricted stock during the three months ended March 31, 2011:

Non-vested restricted stock	Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2010	954,029	$ 7.90
Granted	231,535	11.03
Vested	(173,818)	7.16
Forfeited	(1,650)	9.58
Outstanding at March 31, 2011	1,010,096	8.74

During the three-month periods ended March 31, 2011 and March 31, 2010, the Company granted restricted stock awards with grant date fair values totaling $2.6 million and $0.6 million, respectively.

As vesting occurs, or is deemed likely to occur, compensation expense is recognized over the requisite service period and additional paid-in capital is increased. The Company recognized $1.1 million and $1.3 million of compensation expense related to restricted stock for the three-month periods ended March 31, 2011 and March 31, 2010, respectively. Of the $1.1 million total compensation expense related to restricted stock for the three-month period ended March 31, 2011, approximately $0.7 million related to the acceleration of vesting based on an annual evaluation of the achievement of certain performance criteria.

As of March 31, 2011, there was $5.7 million of unrecognized compensation cost related to non-vested restricted stock compensation scheduled to be recognized over a weighted average period of 4.5 years, based on the most probable performance assumptions as of March 31, 2011. In the event performance targets are achieved, $2.6 million of the unrecognized compensation cost would accelerate to be recognized over a weighted average period of 1.6 years. In addition, certain of the awards granted may result in the issuance of 158,232 additional shares of stock if achievement of certain targets is greater than 100%. The expense related to the additional shares awarded will be dependent on the Company's stock price when the achievement level is determined.

The fair value of shares that vested during the three-month periods ended March 31, 2011 and March 31, 2010 was $1.9 million and $1.5 million, respectively.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto in our Form 10-K for the year ended December 31, 2010 filed with the SEC. This discussion contains certain statements of a forward-looking nature that involve risks and uncertainties.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may include the words or phrases "can be," "expects," "plans," "may," "may affect," "may depend," "believe," "estimate," "intend," "could," "should," "would," "if" and similar words and phrases that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are subject to various known and unknown risks and uncertainties and the Company cautions that any forward-looking information provided by or on its behalf is not a guarantee of future performance. Statements regarding the following subjects are forward-looking by their nature: (a) our business strategy; (b) our projected operating results; (c) our ability to obtain external financing; (d) the effectiveness of our hedges; (e) our understanding of our competition; and (f) industry and market trends. The Company's actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including, without limitation:

- availability, terms and deployment of funding and capital;
- changes in our industry, interest rates, the regulatory environment or the general economy resulting in changes to our business strategy;
- the degree and nature of our competition;
- availability and retention of qualified personnel;
- general volatility of the securitization and capital markets; and
- the factors set forth in the section captioned "Risk Factors" in Item 1 of our Form 10-K for the year ended December 31, 2010 filed with the SEC.

Forward-looking statements apply only as of the date made and the Company is not required to update forward-looking statements for subsequent or unanticipated events or circumstances.

Overview

We are a nationwide provider of equipment financing solutions, primarily to small businesses. We finance over 100 categories of commercial equipment important to our end user customers including copiers, security systems, computers, telecommunications equipment and certain commercial and industrial equipment. We access our end user customers through origination sources comprised of our existing network of independent equipment dealers and, to a much lesser extent, through direct solicitation of our end user customers and through relationships with select lease brokers. Our leases are fixed-rate transactions with terms generally ranging from 36 to 60 months. At March 31, 2011, our lease portfolio consisted of approximately 70,000 accounts with an average original term of 50 months and average original transaction size of approximately $11,400.

Since our founding in 1997, we have grown to $474.3 million in total assets at March 31, 2011. Our assets are substantially comprised of our net investment in leases and loans which totaled $348.0 million at March 31, 2011.

On March 20, 2007, the FDIC approved the application of our wholly-owned subsidiary, MBB, to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base.

On December 31, 2008, MBB received approval from the Federal Reserve Bank of San Francisco to (i) convert from an industrial bank to a state-chartered commercial bank and (ii) become a member of the Federal Reserve System. In addition, on December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. On January 13, 2009, pursuant to the December 31, 2008 approval from the Federal Reserve Bank of San Francisco, MBB converted from an industrial bank to a state-chartered commercial bank chartered in the State of Utah and supervised by the State of Utah and the Federal Reserve Board. In connection with MBB's conversion to a commercial bank and pursuant to the December 31, 2008 approval from the Federal Reserve Bank of Philadelphia, on January 13, 2009 Marlin Business Services Corp. became a bank holding company, and is subject to the Bank Holding Company Act and supervised by the Federal Reserve Board.

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits Marlin Business Services Corp. to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of its reinsurance activities conducted through its wholly-owned subsidiary, AssuranceOne, Ltd.

We generally reach our lessees through a network of independent equipment dealers and, to a much lesser extent, lease brokers. The number of dealers and brokers with whom we conduct business depends on, among other things, the number of sales account executives we have. Sales account executive staffing levels and the activity of our origination sources are shown below.

	Three Months Ended March 31,	As of or For the Year Ended December 31,				
	2011	2010	2009	2008	2007	2006
Number of sales account executives	94	87	38	86	118	100
Number of originating sources[1]	740	604	465	1,014	1,246	1,295

(1) Monthly average of origination sources generating lease volume

Our revenue consists of interest and fees from our leases and loans and, to a lesser extent, income from our property insurance program and other fee income. Our expenses consist of interest expense and operating expenses, which include salaries and benefits and other general and administrative expenses. As a credit lender, our earnings are also significantly impacted by credit losses. For the quarter ended March 31, 2011, our annualized net credit losses were 2.30% of our average total finance receivables. We establish reserves for credit losses which require us to estimate inherent losses in our portfolio as of the reporting date.

Our leases are classified under U.S. GAAP as direct financing leases, and we recognize interest income over the term of the lease. Direct financing leases transfer substantially all of the benefits and risks of ownership to the equipment lessee. Our net investment in direct finance leases is included in our consolidated financial statements in "net investment in leases and loans." Net investment in direct financing leases consists of the sum of total minimum lease payments receivable and the estimated residual value of leased equipment, less unearned lease income. Unearned lease income consists of the excess of the total future minimum lease payments receivable plus the estimated residual value expected to be realized at the end of the lease term plus deferred net initial direct costs and fees less the cost of the related equipment. Approximately 66% of our lease portfolio at March 31, 2011 amortizes over the lease term to a $1 residual value. For the remainder of the portfolio, we must estimate end of term residual values for the leased assets. Failure to correctly estimate residual values could result in losses being realized on the disposition of the equipment at the end of the lease term.

Since our founding, we have funded our business through a combination of variable-rate borrowings and fixed-rate asset securitization transactions, as well as through the issuance from time to time of subordinated debt and equity securities. Our variable-rate borrowing currently consists of long-term loan facilities. We have traditionally issued fixed-rate term debt through the asset-backed securitization market. Historically, leases were funded through variable-rate warehouse facilities until they were refinanced through term note securitizations at fixed rates. All of our term note securitizations have been accounted for as on-balance sheet transactions and, therefore, we have not recognized gains or losses from these transactions. As of March 31, 2011, $106.9 million, or 59.9%, of our borrowings were fixed-rate term note securitizations.

In addition, since its opening on March 12, 2008, MBB has provided diversification of the Company's funding sources through the issuance of FDIC-insured certificates of deposit raised nationally primarily through various brokered deposit relationships and FDIC-insured retail deposits directly from other financial institutions. As of March 31, 2011, total MBB deposits were $95.7 million.

Fixed rate leases not funded with deposits are initially financed with variable-rate debt. Therefore, our earnings may be exposed to interest rate risk should interest rates rise. We generally benefit in times of falling and low interest rates. In contrast to previous warehouse facilities, our current long-term loan facilities do not require annual refinancing, but failure to renew the existing facilities or to obtain additional financing could restrict our growth and future financial performance.

On February 12, 2010, we completed an $80.7 million TALF-eligible term asset-backed securitization. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provided the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets. A portion of the proceeds of the new securitization was used to repay the full amount outstanding under the Company's commercial paper ("CP") conduit warehouse facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC ("MLR XIII"), closed on a $50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility.

From time to time we may use derivative financial instruments to manage exposure to the effects of changes in market interest rates and to fulfill certain covenants in our borrowing arrangements. All derivatives are recorded on the Consolidated Balance Sheets at their fair value as either assets or liabilities. The Company was not a party to any active interest-rate swap agreements at March 31, 2011.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and affect related disclosure of contingent assets and liabilities at the date of our financial statements. On an ongoing basis, we evaluate our estimates, including credit losses, residuals, initial direct costs and fees, other fees, performance assumptions for stock-based compensation awards, the probability of forecasted transactions, the fair value of financial instruments and the realization of deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties. Our consolidated financial statements are based on the selection and application of critical accounting policies, the most significant of which are described below.

Income recognition. Interest income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease. When a lease or loan is 90 days or more delinquent, the contract is classified as being on non-accrual and we do not recognize interest income on that contract until it is less than 90 days delinquent.

Fee income consists of fees for delinquent lease and loan payments, cash collected on early termination of leases and net residual income. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of a lease's term. Residual income is recognized as earned.

Fee income from delinquent lease payments is recognized on an accrual basis based on anticipated collection rates. At a minimum of every quarter, an analysis of anticipated collection rates is performed based on updates to collection experience. Adjustments in anticipated collection rate assumptions are made as needed based on this analysis. Other fees are recognized when received.

Insurance income is recognized on an accrual basis as earned over the term of a lease. Generally, insurance payments that are 120 days or more past due are charged against income. Ceding commissions, losses and loss adjustment expenses are recorded in the period incurred and netted against insurance income.

Initial direct costs and fees. We defer initial direct costs incurred and fees received to originate our leases and loans in accordance with the Receivables Topic and the Nonrefundable Fees and Other Costs Subtopic of the FASB ASC. The initial direct costs and fees we defer are part of the net investment in leases and loans and are amortized to interest income using the effective interest method. We defer third-party commission costs as well as certain internal costs directly related to the origination activity. Costs subject to deferral include evaluating each prospective customer's financial condition, evaluating and recording guarantees and other security arrangements, negotiating terms, preparing and processing documents and closing each transaction. Estimates of costs subject to deferral are updated periodically, and no less frequently than each year. The fees we defer are documentation fees collected at inception. The realization of the deferred initial direct costs, net of fees deferred, is predicated on the net future cash flows generated by our lease and loan portfolios.

Lease residual values. A direct financing lease is recorded at the aggregate future minimum lease payments plus the estimated residual value less unearned income. Residual values generally reflect the estimated amounts to be received at lease termination from lease extensions, sales or other dispositions of leased equipment. These estimates are based on industry data and on our experience.

The Company records an estimated residual value at lease inception for all fair market value and fixed purchase option leases based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. In setting and reviewing estimated residual values, the Company focuses its analysis primarily on total historical and expected realization statistics pertaining to both lease renewals and sales of equipment.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to the Company. The Company receives income from lease renewals when the lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. The Company generally sells returned equipment to independent third parties, rather than leasing the equipment a second time. The Company does not maintain equipment in other assets for longer than 120 days. Any loss recognized on transferring equipment to other assets, and any gain or loss realized on the sale or disposal of equipment to a lessee or to others is included in fee income as net residual income.

Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs periodic reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Allowance for credit losses. In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses.

We evaluate our portfolios on a pooled basis, due to their composition of small balance, homogenous accounts with similar general credit risk characteristics, diversified among a large cross-section of variables including industry, geography, equipment type, obligor and vendor. We consider both quantitative and qualitative factors in determining the allowance for credit losses. Quantitative factors considered include a migration analysis, historic delinquencies and charge-offs, historic bankruptcies, historic performance of restructured accounts and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately charge off. Qualitative factors that may result in further adjustments to the quantitative analysis include items such as forecasting uncertainties, changes in the composition of our lease and loan portfolios, seasonality, economic conditions and trends or business practices at the reporting date that are different from the periods used in the quantitative analysis. Adjustments due to such qualitative factors increased the allowance for credit losses by approximately $0.2 million at March 31, 2011 and December 31, 2010.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. We then establish an allowance for credit losses for the projected probable net credit losses based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 121 days delinquent.

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolios, bankruptcy laws and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. To the extent we add new leases and loans to our portfolios, or to the degree credit quality is worse than expected, we record expense to increase the allowance for credit losses for the estimated net losses inherent in our portfolios. Actual losses may vary from current estimates.

In connection with the Company's discussions with the Federal Reserve Bank relating to the Company's allowance for credit losses (the "Allowance"), the Company received a letter dated April 28, 2011 from the Federal Reserve Bank of Philadelphia stating that the Company should continue to operate under its current methodology for determining the Allowance, and that the appropriateness and reasonableness of the overall level of the Allowance, as well as the adequacy of the documentation and controls maintained by the Company's management to support the appropriateness of the Allowance, will be reviewed again by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

Securitizations. In connection with our securitization transactions, we established bankruptcy remote SPEs and issued term debt to institutional investors. These SPEs are each considered VIEs under U.S. GAAP. We are required to consolidate VIEs in which we are deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. We continue to service the assets of our VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. Our leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents our maximum loss exposure.

Stock-based compensation. We issue both restricted shares and stock options to certain employees and directors as part of our overall compensation strategy. The Compensation—Stock Compensation Topic of the FASB ASC establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans.

The Company measures stock-based compensation cost at grant date, based on the fair value of the awards ultimately expected to vest. Compensation cost is recognized on a straight-line basis over the service period. We generally use the Black-Scholes valuation model to measure the fair value of our stock options utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions are based on subjective future expectations combined with management judgment.

The Company uses its judgment in estimating the amount of awards that are expected to be forfeited, with subsequent revisions to the assumptions if actual forfeitures differ from those estimates. In addition, for performance-based awards the Company estimates the degree to which the performance conditions will be met to estimate the number of shares expected to vest and the related compensation expense. Compensation expense is adjusted in the period such performance estimates change.

Income taxes. The Income Taxes Topic of the FASB ASC requires the use of the asset and liability method under which deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities, given the provisions of the enacted tax laws. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any necessary valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from the different treatment of items such as leases for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Consolidated Balance Sheets. Our management then assesses the likelihood that deferred tax assets will be recovered from future taxable income or tax carry-back availability and, to the extent our management believes recovery is not likely, a valuation allowance is established. To the extent that we establish a valuation allowance in a period, an expense is recorded within the tax provision in the Consolidated Statements of Operations.

At March 31, 2011, there have been no material changes to the liability for uncertain tax positions and there are no significant unrecognized tax benefits. The periods subject to general examination for the Company's federal return include the 2006 tax year to the present. The Company files state income tax returns in various states which may have different statutes of limitations. Generally, state income tax returns for years 2005 through the present are subject to examination.

The Company records penalties and accrued interest related to uncertain tax positions in income tax expense. Such adjustments have historically been minimal and immaterial to our financial results.

RESULTS OF OPERATIONS

Comparison of the Three-Month Periods Ended March 31, 2011 and March 31, 2010

Net income. Net income of $0.8 million was reported for the three-month period ended March 31, 2011, resulting in diluted earnings per share of $0.06, compared to net income of $1.2 million and diluted earnings per share of $0.10 for the three-month period ended March 31, 2010.

Return on average assets was 0.65% for the three-month period ended March 31, 2011, compared to 0.90% for the three-month period ended March 31, 2010. Return on average equity was 1.88% for the three-month period ended March 31, 2011, compared to 3.31% for the three-month period ended March 31, 2010.

Overall, our average net investment in total finance receivables for the three-month period ended March 31, 2011 decreased 19.0% to $349.2 million, compared to $431.2 million for the three-month period ended March 31, 2010. We continue to assess and adjust our credit underwriting guidelines in response to economic conditions, and we have begun rebuilding the sales organization to increase originations.

During the three months ended March 31, 2011, we generated 3,984 new leases with a cost of $47.0 million, compared to 2,476 new leases with a cost of $23.6 million generated for the three months ended March 31, 2010. Much of the change in volume is the result of increasing sales staffing levels from 53 sales account executives at March 31, 2010 to 94 sales account executives at March 31, 2011. Approval rates also rose from 46% for the quarter ended March 31, 2010 to 56% for the quarter ended March 31, 2011 due to the improved credit quality of the applications received and adjustments made to credit policy in light of the improved economic conditions.

The provision for credit losses decreased $1.9 million, or 61.3%, to $1.2 million for the three-month period ended March 31, 2011 from $3.1 million for the same period in 2010, primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. For the three-month period ended March 31, 2011 compared to the three-month period ended March 31, 2010, net interest and fee income decreased $1.3 million, or 10.8%, primarily due to a 19.0% decrease in average total finance receivables. Other expenses increased $1.3 million, or 15.7%, for the three-month period ended March 31, 2011 compared to the three-month period ended March 31, 2010, primarily due to increased salaries and benefits expense related to increased sales staffing levels.

Average balances and net interest margin. The following table summarizes the Company's average balances, interest income, interest expense and average yields and rates on major categories of interest-earning assets and interest-bearing liabilities for the three-month periods ended March 31, 2011 and March 31, 2010.

	Three Months Ended March 31,					
	2011			2010		
	(Dollars in thousands)					
	Average Balance[1]	Interest	Average Yields/ Rates[2]	Average Balance[1]	Interest	Average Yields/ Rates[2]
Interest-earning assets:						
Interest-earning deposits with banks	$ 35,269	$ 12	0.13%	$ 35,278	$ 4	0.04%
Restricted interest-earning deposits with banks	48,410	11	0.09	63,047	12	0.08
Securities available for sale	1,610	13	3.27	—	—	—
Net investment in leases[3]	348,276	10,848	12.46	427,416	12,696	11.88
Loans receivable[3]	927	16	7.07	3,759	117	12.45
Total interest-earning assets	434,492	10,900	10.04	529,500	12,829	9.69
Non-interest-earning assets:						
Cash and due from banks	2,586			1,836		
Property and equipment, net	2,134			2,363		
Property tax receivables	761			1,481		
Other assets[4]	27,326			6,615		
Total non-interest-earning assets	32,807			12,295		
Total assets	$ 467,299			$ 541,795		
Interest-bearing liabilities:						
Short-term borrowings[5]	$ —	$ —	—%	$ 28,854	$ 325	4.51%
Long-term borrowings[5]	176,074	2,710	6.16	255,611	3,705	5.80
Deposits	93,352	582	2.49	81,363	628	3.09
Total interest-bearing liabilities	269,426	3,292	4.89	365,828	4,658	5.09
Non-interest-bearing liabilities:						
Fair value of derivatives	—			1,796		
Sales and property taxes payable	2,045			3,769		
Accounts payable and accrued expenses	8,606			5,120		
Net deferred income tax liability	26,534			15,950		
Total non-interest-bearing liabilities	37,185			26,635		
Total liabilities	306,611			392,463		
Stockholders' equity	160,688			149,332		
Total liabilities and stockholders' equity	$ 467,299			$ 541,795		
Net interest income		$ 7,608			$ 8,171	
Interest rate spread[6]			5.15%			4.60%
Net interest margin[7]			7.00%			6.17%
Ratio of average interest-earning assets to average interest-bearing liabilities			161.27%			144.74%

(1) Average balances are calculated using month-end balances, to the extent such averages are representative of operations.

(2) Annualized.

(3) Average balances of leases and loans include non-accrual leases and loans, and are presented net of unearned income. The average balances of leases and loans do not include the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred.

(4) Includes operating leases.

(5) Includes effect of transaction costs.

(6) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.

The following table presents the components of the changes in net interest income by volume and rate.

	Three Months Ended March 31, 2011 Compared To Three Months Ended March 31, 2010		
	Increase (Decrease) Due To:		
	Volume[(1)]	Rate[(1)]	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with banks	$ —	$ 8	$ 8
Restricted interest-earning deposits with banks	(3)	2	(1)
Securities available for sale	13	—	13
Net investment in leases	(2,441)	593	(1,848)
Loans receivable	(64)	(37)	(101)
Total interest income	(2,370)	441	(1,929)
Interest expense:			
Short-term borrowings	(163)	(162)	(325)
Long-term borrowings	(1,212)	217	(995)
Deposits	85	(131)	(46)
Total interest expense	(1,184)	(182)	(1,366)
Net interest income	(1,579)	1,016	(563)

(1) Changes due to volume and rate are calculated independently for each line item presented rather than presenting vertical subtotals for the individual volume and rate columns. Changes attributable to changes in volume represent changes in average balances multiplied by the prior period's average rates. Changes attributable to changes in rate represent changes in average rates multiplied by the prior year's average balances. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as a percentage of average total finance receivables for the three-month periods ended March 31, 2011 and March 31, 2010.

	Three Months Ended March 31,	
	2011	**2010**
	(Dollars in thousands)	
Interest income	$ 10,900	$ 12,829
Fee income	3,132	3,816
Interest and fee income	14,032	16,645
Interest expense	3,292	4,658
Net interest and fee income	10,740	11,987
Average total finance receivables[1]	$ 349,203	$ 431,176
Percent of average total finance receivables:		
Interest income	12.48%	11.90%
Fee income	3.59	3.54
Interest and fee income	16.07	15.44
Interest expense	3.77	4.32
Net interest and fee margin	12.30%	11.12%

(1) Total finance receivables include net investment in direct financing leases and loans. For the calculations above, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

Net interest and fee income decreased $1.3 million, or 10.8%, to $10.7 million for the three months ended March 31, 2011 from $12.0 million for the three months ended March 31, 2010. The annualized net interest and fee margin increased 118 basis points to 12.30% in the three-month period ended March 31, 2011 from 11.12% for the same period in 2010.

Interest income, net of amortized initial direct costs and fees, decreased $1.9 million, or 14.8%, to $10.9 million for the three-month period ended March 31, 2011 from $12.8 million for the three-month period ended March 31, 2010. The decrease in interest income was due principally to a 19.0% decrease in average total finance receivables, which decreased $82.0 million to $349.2 million at March 31, 2011 from $431.2 million at March 31, 2010, partially offset by an increase in average yield of 58 basis points. The decrease in average total finance receivables is primarily due to our proactive decision in 2008 and 2009 to lower approval rates and volume in response to the economic conditions. The average yield on the portfolio increased, primarily due to continued higher yields on the new leases compared to the yields on the leases repaying. However, the weighted average implicit interest rate on new finance receivables originated decreased 193 basis points to 13.39% for the three-month period ended March 31, 2011, compared to 15.32% for the three-month period ended March 31, 2010, primarily due to a change in mix of new origination types. This change is due to the mix of origination channels beginning to migrate to historical percentages as the Company continues to rebuild the sales force and grow volume.

Fee income decreased $0.7 million, or 18.4%, to $3.1 million for the three-month period ended March 31, 2011 from $3.8 million for the three-month period ended March 31, 2010. Fee income included approximately $1.2 million of net residual income for the three-month period ended March 31, 2011 and $1.3 million for the three-month period ended March 31, 2010. Fee income also included approximately $1.7 million in late fee income for the three-month period ended March 31, 2011, which decreased 22.7% from $2.2 million for the three-month period ended March 31, 2010. The decrease in late fee income was primarily due to the decrease in average total finance receivables.

Fee income, as an annualized percentage of average total finance receivables, increased 5 basis points to 3.59% for the three-month period ended March 31, 2011 from 3.54% for the same period in 2010. Late fees remained the largest component of fee income at 1.96% as a percentage of average total finance receivables for the three-month period ended March 31, 2011, compared to 2.04% for the three-month period ended March 31, 2010. As a percentage of average total finance receivables, net residual income was 1.39% for the three-month period ended March 31, 2011, compared to 1.23% for the three-month period ended March 31, 2010.

Interest expense decreased $1.4 million to $3.3 million for the three-month period ended March 31, 2011 from $4.7 million for the three-month period ended March 31, 2010. The decrease was primarily due to lower average total finance receivables in combination with a shift in our funding mix toward lower-cost deposits. Interest expense, as an annualized percentage of average total finance receivables, decreased 55 basis points to 3.77% for the three-month period ended March 31, 2011, from 4.32% for the same period in 2010.

The weighted average interest rate, excluding transaction costs, on short-term and long-term borrowings was 5.38% for the quarter ended March 31, 2011, compared to 5.11% for the same period in 2010. The higher interest rate primarily reflects the increased cost of the borrowings. The average balance for our variable-rate debt was $59.1 million for the three months ended March 31, 2011, compared to $48.1 million for the three months ended March 31, 2010. The weighted average interest rate, excluding transaction costs, for our variable-rate debt was 5.43% for the quarter ended March 31, 2011, compared to 4.15% for the same period in 2010. For the three months ended March 31, 2011, average term securitization borrowings outstanding were $116.9 million at a weighted average coupon of 5.35%, compared to $236.4 million at a weighted average coupon of 5.30% for the same period in 2010.

The opening of our wholly-owned subsidiary, MBB, on March 12, 2008 provides an additional funding source. FDIC-insured deposits are being raised via the brokered certificates of deposit market and from other financial institutions on a direct basis. Interest expense on deposits was $0.6 million, or 2.49% as a percentage of weighted average deposits, for the three-month period ended March 31, 2011. The average balance of deposits was $93.4 million for the three-month period ended March 31, 2011. Interest expense on deposits was $0.6 million, or 3.09% as a percentage of weighted average deposits, for the three-month period ended March 31, 2010. The average balance of deposits was $81.4 million for the three-month period ended March 31, 2010.

Insurance income. Insurance income decreased $0.2 million to $1.0 million for the three-month period ended March 31, 2011 from $1.2 million for the three-month period ended March 31, 2010, primarily due to lower billings from lower total finance receivables.

Other income. Other income remained unchanged at $0.3 million for the three-month period ended March 31, 2011 compared to the three-month period ended March 31, 2010. Other income includes various administrative transaction fees, fees received from lease syndications and gains on sales of leases.

Salaries and benefits expense. Salaries and benefits expense increased $0.8 million, or 15.7%, to $5.9 million for the three months ended March 31, 2011 from $5.1 million for the same period in 2010. Salaries and benefits expense, as a percentage of average total finance receivables, was 6.80% for the three-month period ended March 31, 2011 compared with 4.75% for the same period in 2010. Total personnel increased to 243 at March 31, 2011 from 196 at March 31, 2010, primarily due to increased sales staffing levels, which were 94 sales account executives at March 31, 2011, compared to 53 sales account executives at March 31, 2010.

During the current quarter we increased the number of our sales account executives by 7, from 87 sales account executives at December 31, 2010 to 94 at March 31, 2011. This action continued our plan to rebuild the sales organization to increase originations and match the level of originations to our current funding capacity.

General and administrative expense. General and administrative expense increased $0.5 million, or 16.7%, to $3.5 million for the three months ended March 31, 2011 from $3.0 million for the same period in 2010. General and administrative expense as an annualized percentage of average total finance receivables was 3.98% for the three-month period ended March 31, 2011, compared to 2.83% for the three-month period ended March 31, 2010. Selected major components of general and administrative expense for the three-month period ended March 31, 2011 included $0.7 million of premises and occupancy expense, $0.6 million of audit and tax expense, $0.3 million of data processing expense and $0.1 million of marketing expense. In comparison, selected major components of general and administrative expense for the three-month period ended March 31, 2010 included $0.7 million of premises and occupancy expense, $0.3 million of audit and tax expense, $0.2 million of data processing expense and $0.1 million of marketing expense.

Financing related costs. Financing related costs primarily represent bank commitment fees paid to our financing sources. Financing related costs were $0.2 million for the three-month period ended March 31, 2011 and $0.1 million for the same period in 2010.

Provision for credit losses. The provision for credit losses decreased $1.9 million, or 61.3%, to $1.2 million for the three months ended March 31, 2011 from $3.1 million for the same period in 2010. The decrease in the provision for credit losses was primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. Net charge-offs were $2.0 million for the three-month period ended March 31, 2011, compared to $5.1 million for the same period in 2010. Net charge-offs as a percentage of average total finance receivables decreased to 2.30% during the three-month period ended March 31, 2011, from 4.70% for the same period in 2010. The allowance for credit losses decreased to approximately $6.9 million at March 31, 2011, a decrease of $0.8 million from $7.7 million at December 31, 2010.

Additional information regarding asset quality is included herein in the subsequent section, "Finance Receivables and Asset Quality."

Provision for income taxes. Income tax expense of $0.5 million was recorded for the three-month period ended March 31, 2011, compared to an expense of $0.7 million for the same period in 2010. The change is primarily attributable to the change in pretax income recorded for the three-month period ended March 31, 2011. Our effective tax rate, which is a combination of federal and state income tax rates, was approximately 38.1% for the three-month period ended March 31, 2011, compared to 34.9% for the three-month period ended March 31, 2010. The change in effective tax rate is primarily due to a change in the mix of projected pretax book income across the jurisdictions and entities.

FINANCE RECEIVABLES AND ASSET QUALITY

Our net investment in leases and loans declined $3.6 million, or 1.0%, to $348.0 million at March 31, 2011 from $351.6 million at December 31, 2010. We continue to adjust our credit underwriting guidelines in response to current economic conditions, and we have begun rebuilding our sales organization to increase originations. A portion of the Company's lease portfolio is generally assigned as collateral for borrowings as described below in "Liquidity and Capital Resources."

The chart which follows provides our asset quality statistics for each of the three-month periods ended March 31, 2011 and March 31, 2010, and the year ended December 31, 2010:

	Three Months Ended March 31,		Year Ended December 31,
	2011	2010	2010
	(Dollars in thousands)		
Allowance for credit losses, beginning of period	$ 7,718	$ 12,193	$ 12,193
Charge-offs	(2,628)	(5,926)	(17,095)
Recoveries	618	863	3,182
Net charge-offs	(2,010)	(5,063)	(13,913)
Provision for credit losses	1,179	3,123	9,438
Allowance for credit losses, end of period[1]	$ 6,887	$ 10,253	$ 7,718
Annualized net charge-offs to average total finance receivables [2]	2.30%	4.70%	3.58%
Allowance for credit losses to total finance receivables, end of period [2]	1.98%	2.50%	2.19%
Average total finance receivables [2]	$ 349,203	$ 431,176	$ 389,001
Total finance receivables, end of period [2]	$ 348,290	$ 409,637	$ 352,527
Delinquencies greater than 60 days past due	$ 2,914	$ 6,288	$ 3,504
Delinquencies greater than 60 days past due [3]	0.75%	1.39%	0.90%
Allowance for credit losses to delinquent accounts greater than 60 days past due	236.34%	163.06%	220.26%
Non-accrual leases and loans, end of period	$ 1,407	$ 3,399	$ 1,996
Renegotiated leases and loans, end of period	$ 1,861	$ 3,790	$ 2,221
Accruing leases and loans past due 90 days or more	$ —	$ —	$ —
Interest income included on non-accrual leases and loans[4]	$ 15	$ 42	$ 214
Interest income excluded on non-accrual leases and loans[5]	$ 18	$ 40	$ 46

(1) The allowance for credit losses allocated to loans at March 31, 2011, March 31, 2010 and December 31, 2010, was $0.1 million, $0.3 million and $0.1 million, respectively.

(2) Total finance receivables include net investment in direct financing leases and loans. For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

(3) Calculated as a percent of total minimum lease payments receivable for leases and as a percent of principal outstanding for loans.

(4) Represents interest which was recognized during the period on non-accrual loans and leases, prior to non-accrual status.

(5) Represents interest which would have been recorded on non-accrual loans and leases had they performed in accordance with their contractual terms during the period.

Net investments in finance receivables are generally charged-off when they are contractually past due for 121 days. Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent.

Net charge-offs for the three months ended March 31, 2011 were $2.0 million (2.30% of average total finance receivables), compared to $2.4 million (2.66% of average total finance receivables) for the three months ended December 31, 2010 and $5.1 million (4.70% of average total finance receivables) for the three months ended March 31, 2010. Approximately three-fourths of the decrease from the first quarter of 2010 was due to a lower charge-off rate as a percentage of average total finance receivables, and approximately one-fourth of the decrease was related to the impact on the calculation of the decrease in average total finance receivables. The decrease in net charge-offs during the first quarter of 2011 compared to recent prior periods is primarily due to improving delinquency migrations and lower portfolio balances.

Delinquent accounts 60 days or more past due (as a percentage of minimum lease payments receivable for leases and as a percentage of principal outstanding for loans) were 0.75% at March 31, 2011 and 0.90% at December 31, 2010. Supplemental information regarding loss statistics and delinquencies is available on the investor relations section of Marlin's website at www.marlincorp.com.

In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. The factors and trends discussed above were included in the Company's analysis to determine its allowance for credit losses. (See "Critical Accounting Policies.")

In connection with the Company's discussions with the Federal Reserve Bank relating to the Company's allowance for credit losses (the "Allowance"), the Company received a letter dated April 28, 2011 from the Federal Reserve Bank of Philadelphia stating that the Company should continue to operate under its current methodology for determining the Allowance, and that the appropriateness and reasonableness of the overall level of the Allowance, as well as the adequacy of the documentation and controls maintained by the Company's management to support the appropriateness of the Allowance, will be reviewed again by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

RESIDUAL PERFORMANCE

Our leases offer our end user customers the option to own the purchased equipment at lease expiration. As of March 31, 2011, approximately 66% of our leases were one dollar purchase option leases, 31% were fair market value leases and 3% were fixed purchase option leases, the latter of which typically contain an end-of-term purchase option equal to 10% of the original equipment cost. As of March 31, 2011, there were $36.1 million of residual assets retained on our Consolidated Balance Sheet, of which $29.6 million, or 82.0%, were related to copiers. No other group of equipment represented more than 10% of equipment residuals as of March 31, 2011 and December 31, 2010, respectively. Improvements in technology and other market changes, particularly in copiers, could adversely impact our ability to realize the recorded residual values of this equipment.

Fee income included approximately $1.2 million and $1.3 million of net residual income for the three-month periods ended March 31, 2011 and March 31, 2010, respectively. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of term as further described below.

Our leases generally include renewal provisions and many leases continue beyond their initial contractual term. Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, purchase the leased equipment or return the leased equipment than it does to the equipment type. We consider renewal income a component of residual performance. Renewal income net of depreciation totaled approximately $2.0 million and $1.9 million for the three-month periods ended March 31, 2011 and March 31, 2010. For the three months ended March 31, 2011, net losses on residual values disposed at end of term totaled $0.8 million, compared to net losses of $0.6 million for the three months ended March 31, 2010. The primary driver of the changes was a shift in the mix of the amounts and types of equipment disposed at the end of the term. Historically, our net residual income has exceeded 100% of the residual recorded on such leases. Management performs periodic reviews of the estimated residual values and historical realization statistics no less frequently than quarterly. There was no impairment recognized on estimated residual values during the three-month periods ended March 31, 2011 and March 31, 2010, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires a substantial amount of cash to operate and grow. Our primary liquidity need is for new originations. In addition, we need liquidity to pay interest and principal on our borrowings, to pay fees and expenses incurred in connection with our securitization transactions, to fund infrastructure and technology investment and to pay administrative and other operating expenses.

We are dependent upon the availability of financing from a variety of funding sources to satisfy these liquidity needs. Historically, we have relied upon four principal types of third-party financing to fund our operations:

- borrowings under revolving, short-term or long-term bank facilities;
- financing of leases and loans in various warehouse facilities (all of which have since been repaid in full);
- financing of leases through term note securitizations; and
- FDIC-insured certificates of deposit issued by our wholly-owned subsidiary, MBB.

On March 20, 2007, the FDIC approved the application of our wholly-owned subsidiary, MBB, to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base. From its opening to March 31, 2011, MBB has funded $215.6 million of leases and loans through its initial capitalization of $12 million and its issuance of $170.6 million in FDIC insured deposits at an average borrowing rate of 3.23%.

On December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. In January 2009, MBB became a commercial bank and a member of the Federal Reserve System, and Marlin Business Services Corp. became a bank holding company. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan (as required by the FDIC Order), which assumed total assets of up to $128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with $25.0 million of additional capital to support future growth.

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits Marlin Business Services Corp. to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of its reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

Our strategy has generally included funding new originations, other than those funded by MBB, in the short-term with cash from operations or through borrowings under various warehouse and loan facilities. Historically, we have executed a term note securitization approximately once a year to refinance and relieve the warehouse and loan facilities. Due to the impact on borrowing costs from unfavorable market conditions and the available capacity in our warehouse and loan facilities at that time, the Company elected not to complete fixed-rate term note securitizations in 2008 or 2009. With the opening of MBB in 2008, we are funding increasing amounts of new originations through the issuance of FDIC-insured certificates of deposit.

On October 9, 2009, Marlin Business Services Corp.'s wholly-owned subsidiary, Marlin Receivables Corp. ("MRC"), closed on a $75,000,000, three-year committed loan facility with the Lender Finance division of Wells Fargo Capital Finance. The facility is secured by a lien on MRC's assets and is supported by guaranties from Marlin Business Services Corp. and Marlin Leasing Corporation. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is October 9, 2012.

On February 12, 2010 we completed an $80.7 million TALF-eligible term asset-backed securitization, of which we elected to defer the issuance of subordinated notes totaling $12.5 million. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provides the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets.

This was a private offering made to qualified institutional buyers pursuant to Rule 144A under the 1933 Act by Marlin Leasing Receivables XII LLC, a wholly-owned subsidiary of Marlin Leasing Corporation. DBRS, Inc. and Standard & Poor's Ratings Services assigned a AAA rating to the senior tranche of this offering. The effective weighted average interest expense over the term of the financing is expected to be approximately 3.13%. A portion of the proceeds of the new securitization was used to repay the full amount outstanding under the CP conduit warehouse facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC ("MLR XIII"), closed on a $50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility. (See Financial Covenants section which follows in this Item 2.)

At March 31, 2011, we have approximately $55.2 million of available borrowing capacity through these facilities in addition to available cash and cash equivalents of $40.1 million. Our debt to equity ratio was 1.70 to 1 at March 31, 2011 and 1.70 to 1 at December 31, 2010.

Net cash used in investing activities was $3.1 million for the three-month period ended March 31, 2011, compared to net cash provided by investing activities of $33.1 million for the three-month period ended March 31, 2010. Investing activities primarily relate to lease payment activity.

Net cash provided by financing activities was $1.7 million for the three-month period ended March 31, 2011, compared to net cash used in financing activities of $35.0 million for the three-month period ended March 31, 2010. Financing activities include net advances and repayments on our various borrowing sources.

Additional liquidity is provided by or used by our cash flow from operations. Net cash provided by operating activities was $4.5 million for the three-month period ended March 31, 2011, compared to net cash provided by operating activities of $9.2 million for the three-month period ended March 31, 2010.

We expect cash from operations, additional borrowings on existing and future credit facilities, funds from certificates of deposit through brokers and other financial institutions and the completion of additional on-balance-sheet term note securitizations to be adequate to support our operations and projected growth for the foreseeable future.

Total Cash and Cash Equivalents. Our objective is to maintain an adequate level of cash, investing any free cash in leases and loans. We primarily fund our originations and growth using advances under our long-term bank facilities and certificates of deposit issued through MBB. Total cash and cash equivalents available as of March 31, 2011 totaled $40.1 million, compared to $37.0 million at December 31, 2010.

Restricted Interest-earning Deposits with Banks. As of March 31, 2011, we also had $51.2 million of cash that was classified as restricted interest-earning deposits with banks, compared to $47.1 million at December 31, 2010. Restricted interest-earning deposits with banks consist primarily of various trust accounts related to our secured debt facilities.

Borrowings. Our primary borrowing relationships each require the pledging of eligible lease and loan receivables to secure amounts advanced. Our aggregate outstanding secured borrowings amounted to $178.3 million at March 31, 2011 and $178.7 million at December 31, 2010. Borrowings outstanding under the Company's short-term and long-term debt consist of the following:

	For the Three Months Ended March 31, 2011				As of March 31, 2011		
	Maximum Facility Amount	Maximum Month End Amount Outstanding	Average Amount Outstanding	Weighted Average Coupon	Amount Outstanding	Weighted Average Coupon	Unused Capacity[1]
	(Doillars in thousands)						
Federal funds purchased	$ 1,600	$ —	$ —	—%	$ —	—%	$ 1,600
Term note securitizations[2]	—	121,318	116,931	5.35%	106,902	5.29%	—
Long-term loan facilities	125,000	71,421	59,143	5.43%	71,421	5.28%	53,579
	$ 126,600		$ 176,074	5.38%	$ 178,323	5.29%	$ 55,179

(1) Does not include MBB's access to the Federal Reserve Discount Window, which is based on the amount of assets MBB chooses to pledge. Based on assets pledged at March 31, 2011, MBB had $8.5 million in unused, secured borrowing capacity at the Federal Reserve Discount Window. Additional liquidity that may be provided by the issuance of insured deposits is also excluded from this table.

(2) Our term note securitizations are one-time fundings that pay down over time without any ability for us to draw down additional amounts.

Federal Funds Line of Credit with Correspondent Bank

MBB has established a federal funds line of credit with a correspondent bank. This line allows for both selling and purchasing of federal funds. The amount that can be drawn against the line is limited to $1.6 million.

Federal Reserve Discount Window

In addition, MBB has received approval to borrow from the Federal Reserve Discount Window based on the amount of assets MBB chooses to pledge. Based on assets pledged at March 31, 2011, MBB had $8.5 million in unused, secured borrowing capacity at the Federal Reserve Discount Window.

CP Conduit Warehouse Facility

The CP conduit warehouse facility was repaid in full with the proceeds of the February 12, 2010 term securitization. There is no additional borrowing capacity under this facility.

Term Note Securitizations

On February 12, 2010 we completed an $80.7 million TALF-eligible term asset-backed securitization, of which we elected to defer the issuance of subordinated notes totaling $12.5 million. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provided the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets.

This was a private offering made to qualified institutional buyers pursuant to Rule 144A under the 1933 Act by Marlin Leasing Receivables XII LLC, a wholly-owned subsidiary of Marlin Leasing Corporation. DBRS, Inc. and Standard & Poor's Ratings Services assigned a AAA rating to the senior tranche of this offering. The effective weighted average interest expense over the term of the financing is expected to be approximately 3.13%. A portion of the proceeds of the new securitization was used to repay the full amount outstanding under the CP conduit warehouse facility.

Since our founding through March 31, 2011, we have completed 10 on-balance-sheet term note securitizations of which three remain outstanding. In connection with our securitization transactions, we have transferred leases to our wholly-owned SPEs and issued term debt collateralized by such commercial leases to institutional investors in private securities offerings. These SPEs are considered VIEs under U.S. GAAP. We are required to consolidate VIEs in which we are deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. We continue to service the assets of our VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. Our leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents our maximum loss exposure. Our term note securitizations have fixed terms, fixed interest rates and fixed principal amounts. At March 31, 2011 and at December 31, 2010, outstanding term securitizations amounted to $106.9 million and $128.2 million, respectively.

Long-term Loan Facilities

On October 9, 2009, Marlin Business Services Corp.'s wholly-owned subsidiary, Marlin Receivables Corp. ("MRC"), closed on a $75.0 million three-year committed loan facility with the Lender Finance division of Wells Fargo Capital Finance. The facility is secured by a lien on MRC's assets and is supported by guaranties from the Marlin Business Services Corp. and Marlin Leasing Corporation. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used as a warehouse facility to fund lease originations. In contrast to previous warehouse facilities, this long-term loan facility does not require annual refinancing. The maturity date of the facility is October 9, 2012. An event of default, such as non-payment of amounts when due under the loan agreement or a breach of covenants, may accelerate the maturity date of the facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC ("MLR XIII"), closed on a $50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility.

Financial Covenants

Our secured borrowing arrangements contain numerous covenants, restrictions and default provisions that we must comply with in order to obtain funding through the facilities and to avoid an event of default. A change in the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer is an event of default under our long-term loan facilities, unless we hire a replacement acceptable to our lenders within 120 days. A change in the Chief Executive Officer or Chief Operating Officer is also an immediate event of servicer termination under the term note securitization completed in 2006.

A merger or consolidation with another company in which the Company is not the surviving entity is also an event of default under the financing facilities. The Company's long-term loan facilities contain acceleration clauses allowing the creditor to accelerate the scheduled maturities of the obligation under certain conditions that may not be objectively determinable (for example, if a "material adverse change" occurs). An event of default under any of the facilities could result in an acceleration of amounts outstanding under the facilities, foreclosure on all or a portion of the leases financed by the facilities and/or the removal of the Company as servicer of the leases financed by the facility.

Some of the critical financial and credit quality covenants under our borrowing arrangements as of March 31, 2011 include:

	Actual[1]	Requirement
Tangible net worth minimum	$161.1 million	$141.5 million
Debt-to-equity ratio maximum	1.61 to 1	10.0 to 1
Maximum servicer senior leverage ratio	1.56 to 1	4.0 to 1
Four-quarter rolling average interest coverage ratio minimum	2.2 to 1	1.50 to 1
Maximum portfolio delinquency ratio	0.75%	3.50%
Maximum gross charge-off ratio	3.66%	7.00%

(1) Calculations are based on specific contractual definitions and subsidiaries per the applicable debt agreements, which may differ from ratios or amounts presented elsewhere in this document.

As of March 31, 2011, the Company was in compliance with terms of the long-term loan facilities and the term note securitization agreements.

Bank Capital and Regulatory Oversight

On January 13, 2009, in connection with the conversion of MBB from an industrial bank to a commercial bank, we became a bank holding company by order of the Federal Reserve Board and are subject to regulation under the Bank Holding Company Act. All of our subsidiaries may be subject to examination by the Federal Reserve Board even if not otherwise regulated by the Federal Reserve Board. On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness our election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits us to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of our reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

MBB is also subject to comprehensive federal and state regulations dealing with a wide variety of subjects, including minimum capital standards, reserve requirements, terms on which a bank may engage in transactions with its affiliates, restrictions as to dividend payments and numerous other aspects of its operations. These regulations generally have been adopted to protect depositors and creditors rather than shareholders.

There are a number of restrictions on bank holding companies that are designed to minimize potential loss to depositors and the FDIC insurance funds. If an FDIC-insured depository subsidiary is "undercapitalized," the bank holding company is required to ensure (subject to certain limits) the subsidiary's compliance with the terms of any capital restoration plan filed with its appropriate banking agency. Also, a bank holding company is required to serve as a source of financial strength to its depository institution subsidiaries and to commit resources to support such institutions in circumstances where it might not do so absent such policy. Under the Bank Holding Company Act, the Federal Reserve Board has the authority to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness and stability of a depository institution subsidiary of the bank holding company.

Capital Adequacy. Under the risk-based capital requirements applicable to them, bank holding companies must maintain a ratio of total capital to risk-weighted assets (including the asset equivalent of certain off-balance sheet activities such as acceptances and letters of credit) of not less than 8% (10% in order to be considered "well-capitalized"). At least 4% out of the total capital (6% to be well-capitalized) must be composed of common stock, related surplus, retained earnings, qualifying perpetual preferred stock and minority interests in the equity accounts of certain consolidated subsidiaries, after deducting goodwill and certain other intangibles ("Tier 1 Capital"). The remainder of total capital ("Tier 2 Capital") may consist of certain perpetual debt securities, mandatory convertible debt securities, hybrid capital instruments and limited amounts of subordinated debt, qualifying preferred stock, allowance for loan and lease losses, allowance for credit losses on off-balance-sheet credit exposures and unrealized gains on equity securities.

The Federal Reserve Board has also established minimum leverage ratio guidelines for bank holding companies. These guidelines mandate a minimum leverage ratio of Tier 1 Capital to adjusted quarterly average total assets less certain amounts ("leverage amounts") equal to 3% for bank holding companies meeting certain criteria (including those having the highest regulatory rating). All other banking organizations are generally required to maintain a leverage ratio of at least 3% plus an additional cushion of at least 100 basis points and in some cases more. The Federal Reserve Board's guidelines also provide that bank holding companies experiencing internal growth or making acquisitions are expected to maintain capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the guidelines indicate that the Federal Reserve Board will continue to consider a "tangible tier 1 leverage ratio" (*i.e.*, after deducting all intangibles) in evaluating proposals for expansion or new activities. MBB is subject to similar capital standards promulgated by the Federal Reserve Board.

Bank holding companies are required to comply with the Federal Reserve Board's risk-based capital guidelines that require a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is required to be Tier 1 Capital. In addition to the risk-based capital guidelines, the Federal Reserve Board has adopted a minimum leverage capital ratio under which a bank holding company must maintain a level of Tier 1 Capital to average total consolidated assets of at least 3% in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage capital ratio of at least 4%.

At March 31, 2011, MBB's Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio were 36.59%, 35.18% and 36.35%, respectively, compared to requirements for well-capitalized status of 5%, 6% and 10%, respectively. At March 31, 2011, Marlin Business Services Corp.'s Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio were 34.30%, 39.88% and 41.14%, respectively, compared to requirements for well-capitalized status of 5%, 6% and 10%, respectively.

Pursuant to the FDIC Order, MBB is required to keep its total risk-based capital ratio above 15%. MBB's equity balance at March 31, 2011 was $46.5 million, which qualifies for "well capitalized" status. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan as required by the FDIC Order, which assumed total assets of up to $128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with $25.0 million of additional capital to support future growth.

Information on Stock Repurchases

Information on Stock Repurchases is provided in "Part II. Other Information, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds" herein.

Contractual Obligations (excluding Deposits)

In addition to our scheduled maturities on our credit facilities and term debt, we have future cash obligations under various types of contracts. We lease office space and office equipment under long-term operating leases. The contractual obligations under our agreements, credit facilities, term note securitizations, operating leases and commitments under non-cancelable contracts as of March 31, 2011 were as follows:

	Contractual Obligations as of March 31, 2011					
Period Ending December 31,	**Borrowings**	**Interest[(1)]**	**Operating Leases**	**Leased Facilities**	**Capital Leases**	**Total**
			(Dollars in thousands)			
2011	$ 58,648	$ 5,838	$ 5	$ 1,197	$ 91	$ 65,779
2012	107,347	4,275	4	1,621	103	113,350
2013	9,325	348	4	789	86	10,552
2014	1,800	128	4	141	21	2,094
2015	1,086	43	—	—	—	1,129
Thereafter	117	1	—	—	—	118
Total	$ 178,323	$ 10,633	$ 17	$ 3,748	$ 301	$ 193,022

(1) Interest on the variable-rate long-term loan facilities is assumed at the March 31, 2011 rate for the remaining term.

This table excludes time deposits. Deposit maturities are presented in Note 8 to the Company's Unaudited Condensed Consolidated Financial Statements in Item 1 herein.

MARKET INTEREST RATE RISK AND SENSITIVITY

Market risk is the risk of losses arising from changes in values of financial instruments. We engage in transactions in the normal course of business that expose us to market risks. We attempt to mitigate such risks through prudent management practices and strategies such as attempting to match the expected cash flows of our assets and liabilities.

We are exposed to market risks associated with changes in interest rates and our earnings may fluctuate with changes in interest rates. The lease assets we originate are almost entirely fixed-rate. Accordingly, we generally seek to finance these assets with fixed interest borrowings and certificates of deposit that the Company issues periodically. Between term note securitization issues, we have historically financed our new lease originations through a combination of variable-rate warehouse facilities and working capital. Most recently, we have also used variable-rate long-term loan facilities to finance our new lease originations. Our mix of fixed- and variable-rate borrowings and our exposure to interest rate risk changes over time. Over the past twelve months, the mix of variable-rate borrowings to total borrowings has ranged from 7.2% to 40.1% and averaged 20.4%. At March 31, 2011, $71.4 million, or 40.1%, of our borrowings were variable-rate borrowings.

The following table presents the contractually scheduled maturities and the related weighted average interest rates for debt obligations as of March 31, 2011 expected as of and for each year ended through December 31, 2015 and for periods thereafter.

	Scheduled Maturities by Calendar Year					
	2011	**2012**	**2013**	**2014**	**2015 & Thereafter**	**Total Carrying Amount**
	(Dollars in thousands)					
Debt:						
Fixed-rate debt	$ 58,648	$ 35,926	$ 9,325	$ 1,800	$ 1,203	$ 106,902
Average fixed rate	5.39%	5.14%	4.07%	5.99%	6.27%	5.21%
Variable-rate debt	$ —	$ 71,421	$ —	$ —	$ —	$ 71,421
Average variable rate	—	5.28%	—	—	—	5.28%

Our earnings are sensitive to fluctuations in interest rates. The long-term loan facilities charge a variable rate of interest based on LIBOR. Because our assets are predominately fixed-rate, increases in this market interest rate would negatively impact earnings and decreases in the rate would positively impact earnings because the rate charged on our borrowings would change faster than our assets could reprice. We would have to offset increases in borrowing costs by adjusting the pricing under our new leases or our net interest margin would be reduced. There can be no assurance that we will be able to offset higher borrowing costs with increased pricing of our assets.

For example, the impact of each hypothetical 100 basis point, or 1.00%, increase in the market rates to which our borrowings are indexed for the twelve month period ended March 31, 2011 generally would have been to reduce net interest and fee income by approximately $0.4 million based on our average variable-rate borrowings of approximately $35.5 million for the twelve months then ended, excluding the effects of any changes in the value of derivatives, taxes and possible increases in the yields from our lease and loan portfolios due to the origination of new contracts at higher interest rates. However, at March 31, 2011, due to an index floor on certain variable-rate borrowings combined with the current interest rate environment, a 100-basis point increase in the market rates to which the borrowings are indexed would have had no impact on the cost of the borrowing.

We manage and monitor our exposure to interest rate risk using balance sheet simulation models. Such models incorporate many of our assumptions about our business including new asset production and pricing, interest rate forecasts, overhead expense forecasts and assumed credit losses. Many of the assumptions we use in our simulation models are based on past experience and actual results could vary substantially.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information appearing in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Interest Rate Risk and Sensitivity" under Item 2 of Part I of this Form 10-Q is incorporated herein by reference.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report.

Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report are designed and operating effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's first fiscal quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

We are party to various legal proceedings, which include claims and litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material impact on our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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

Information on Stock Repurchases

On November 2, 2007, the Company's Board of Directors approved a stock repurchase plan. Under this program, the Company is authorized to repurchase up to $15 million in value of its outstanding shares of common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant. Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. The repurchases may be made on the open market, in block trades or otherwise. The program may be suspended or discontinued at any time. The repurchases are funded using the Company's working capital.

During the three-month period ended March 31, 2011, the number of shares of common stock repurchased by Marlin and the average price paid per share is as follows:

Time Period	Number of Shares Purchased	Average Price Paid Per Share[(1)]	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2011 to January 31, 2011	—	$ —	—	$ 10,440,013
February 1, 2011 to February 28, 2011	—	$ —	—	$ 10,440,013
March 1, 2011 to March 31, 2011	15,594	$ 11.34	15,594	$ 10,263,193
Total for the quarter ended March 31, 2011	15,594	$ 11.34	15,594	$ 10,263,193

(1) Average price paid per share includes commissions and is rounded to the nearest two decimal places.

In addition to the repurchases described above, pursuant to the 2003 Equity Plan, participants may have shares withheld to cover income taxes. There were 57,195 shares repurchased to cover income tax withholding pursuant to the 2003 Plan during the three-month period ended March 31, 2011, at an average cost of $11.18 per share.

Item 3. Defaults Upon Senior Securities

None

Item 4. [Removed and Reserved.]

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (1)
3.2	Bylaws (2)
31.1	Certification of the Chief Executive Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. (Filed herewith)
31.2	Certification of the Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. (Filed herewith)
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith)

(1) Previously filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed on March 5, 2008, and incorporated by reference herein.

(2) Previously filed with the SEC as an exhibit to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-108530), filed on October 14, 2003 and incorporated by reference herein.

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 thereunto duly authorized.

MARLIN BUSINESS SERVICES CORP.
(Registrant)

By: */s/ Daniel P. Dyer*
Daniel P. Dyer
Chief Executive Officer
(Chief Executive Officer)

By: */s/ Lynne C. Wilson*
Lynne C. Wilson
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

Date: May 6, 2011

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Section 2: EX-31.1 (RULE 13A-14(A) CERTIFICATION OF CHIEF EXECUTIVE OFFICER)

Exhibit 31.1

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Daniel P. Dyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marlin Business Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the periods covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Daniel P. Dyer
Daniel P. Dyer
Chief Executive Officer

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Section 3: EX-31.2 (RULE 13A-14(A) CERTIFICATION OF CHIEF FINANCIAL OFFICER)

Exhibit 31.2

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Lynne C. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marlin Business Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the periods covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Lynne C. Wilson
Lynne C. Wilson
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

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Section 4: EX-32.1 (RULE 13A-14(B) CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Marlin Business Services Corp. for the quarter ended March 31, 2011 (the "Quarterly Report"), Daniel P. Dyer, as Chief Executive Officer, and Lynne C. Wilson, as Chief Financial Officer of the Company, each hereby certifies, that pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley

Act of 2002, that, to the best of his or her knowledge:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Marlin Business Services Corp.

Date: May 6, 2011

/s/ Daniel P. Dyer
Daniel P. Dyer
Chief Executive Officer

/s/ Lynne C. Wilson
Lynne C. Wilson
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

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