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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from__________ to ___________

Commission File Number 000-20202

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

MICHIGAN	38-1999511
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification)
25505 WEST TWELVE MILE ROAD, SUITE 3000	
SOUTHFIELD, MICHIGAN	48034-8339
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: 248-353-2700

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 [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ]   Accelerated filer [X]   Non-accelerated filer [ ]

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

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

The number of shares of Common Stock, par value $.01, outstanding on December 31, 2005 was 37,027,286.

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PART I. - FINANCIAL INFORMATION

PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(Dollars in thousands, except per share data)	THREE MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
REVENUE:				
Finance charges	$ 44,637	$ 38,558	$ 87,093	$ 73,834
License fees	2,252	1,362	4,212	2,628
Other income	3,789	3,727	7,527	7,865
Total revenue	50,678	43,647	98,832	84,327
COSTS AND EXPENSES:				
Salaries and wages	9,020	8,475	18,184	17,280
General and administrative	6,120	4,987	11,845	10,461
Sales and marketing	3,269	2,775	6,796	5,564
Provision for credit losses	1,193	1,994	1,896	3,260
Interest	3,613	2,485	7,356	5,311
Stock-based compensation expense	529	864	1,306	1,431
Other expense	266	324	401	743
Total costs and expenses	24,010	21,904	47,784	44,050
Operating income	26,668	21,743	51,048	40,277
Foreign currency gain	382	906	1,027	1,057
Income before provision for income taxes	27,050	22,649	52,075	41,334
Provision for income taxes	9,997	5,476	19,308	12,209
Net income	$ 17,053	$ 17,173	$ 32,767	$ 29,125
Net income per common share:				
Basic	$ 0.46	$ 0.44	$ 0.89	$ 0.74
Diluted	$ 0.44	$ 0.41	$ 0.83	$ 0.70
Weighted average shares outstanding:				
Basic	37,016,038	39,240,321	36,933,601	39,516,011
Diluted	39,064,886	41,413,308	39,273,824	41,790,255

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except per share data)	AS OF JUNE 30, 2005	AS OF DECEMBER 31, 2004
ASSETS:		
Cash and cash equivalents	$ 988	$ 614
Restricted cash and cash equivalents	33,097	23,927
Restricted securities available for sale	2,191	928
Loans receivable (including $15,587 and $18,353 from affiliates in 2005 and 2004, respectively)	696,441	667,394
Allowance for credit losses	(136,437)	(141,383)
Loans receivable, net	560,004	526,011
Property and equipment, net	19,520	19,706
Income taxes receivable	7,900	9,444
Other assets	9,684	10,683
Total Assets	$ 633,384	$ 591,313
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 53,821	$ 49,384
Dealer reserve payable, net	8,243	15,675
Line of credit	44,700	7,700
Secured financing	151,090	176,000
Mortgage note and capital lease obligations	9,494	9,847
Deferred income taxes, net	31,568	31,817
Total Liabilities	298,916	290,423
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value, 80,000,000 shares authorized, 37,019,305 and 36,897,242 shares issued and outstanding as of June 30, 2005 and December 31, 2004, respectively	370	369
Paid-in capital	28,920	25,640
Unearned stock-based compensation	(1,834)	-
Retained earnings	304,679	271,912
Accumulated other comprehensive income	2,333	2,969
Total Shareholders' Equity	334,468	300,890
Total Liabilities and Shareholders' Equity	$ 633,384	$ 591,313

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 32,767	$ 29,125
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	1,896	3,260
Depreciation	2,705	3,026
Loss on retirement of property and equipment	5	141
Foreign currency gain on forward contracts	(1,032)	(1,059)
Credit for deferred income taxes	(249)	(4,520)
Stock-based compensation	1,306	1,431
Change in operating assets and liabilities:		
Accounts payable and accrued liabilities	5,265	7,255
Income taxes receivable/payable	1,544	(3,911)
Other assets	1,009	(793)
Net cash provided by operating activities	45,216	33,955
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted cash	(9,170)	7,174
Increase in restricted securities available for sale	(1,263)	(669)
Principal collected on loans receivable	232,979	196,395
Advances to dealers and accelerated payments	(246,349)	(229,538)
Originations and purchases of new consumer loans	(6,676)	(3,247)
Payments of dealer holdbacks	(24,767)	(16,125)
(Purchases) sale of property and equipment	(2,120)	897
Net cash used in investing activities		

(57,366) (45,113)
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-------- CASH
FLOWS FROM
FINANCING
ACTIVITIES:
Proceeds from
line of credit
135,000 149,000
Repayments of
line of credit
(98,000)
(118,400)
Proceeds from
secured financing
48,500 100,000
Repayments of
secured financing
(73,410) (69,572)
Principal
payments under
mortgage note and
capital lease
obligations (593)
(2,161) Proceeds
from mortgage
note refinancing
-- 3,540
Repurchase of
common stock --
(50,706) Proceeds
from stock
options exercised
141 563 ---------
--- ------------
Net cash provided
by financing
activities 11,638
12,264 ----------
-- ------------
Effect of
exchange rate
changes on cash
886 (960) -------
----- -----------
- Net increase in
cash and cash
equivalents 374
146 Cash and cash
equivalents,
beginning of
period 614 1,136
------------ ----
-------- Cash and
cash equivalents,
end of period $
988 $ 1,282
============
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SUPPLEMENTAL
DISCLOSURE OF
NON- CASH
TRANSACTIONS:
Property and
equipment
acquired through
capital lease
obligations $ 217
$ 1,785 Issuance
of restricted
stock 1,964 --

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2004 for Credit Acceptance Corporation (the "Company" or "Credit Acceptance"). Certain prior period amounts have been reclassified to conform to the current presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Principal Business. Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. The Company's product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for the Company's product, but who actually end up qualifying for traditional financing.

Credit Acceptance was founded to service and collect retail installment contracts (referred to as "Consumer Loans") originated and funded by automobile dealerships owned by the Company's founder, majority shareholder, and current Chairman, Donald Foss. During the 1980's, the Company began to market this service to non-affiliated dealers and, at the same time, began to offer dealers a non-recourse cash payment (referred to as an "advance") against anticipated future collections on Consumer Loans serviced for that dealer. Today, the Company's program is offered to dealers throughout the United States. The Company refers to dealers who participate in its program as "dealer-partners".

As payment for the vehicle, the dealer-partner receives the following:

(i) a down payment from the customer;

(ii) a cash advance from the Company; and

(iii) after the advance has been recovered by the Company, the cash from payments made on the Consumer Loan, net of certain collection costs and the Company's servicing fee.

The Company's servicing fee is equal to a fixed percentage (typically 20%) of each payment collected. In addition, the Company receives fees for other products and services ("dealer-holdback").

The Company is considered a lender to dealer-partners in the United States and Canada and a lender to consumers in the United Kingdom. This difference is due to slight differences in the servicing agreements between the Company and the dealer-partner for each respective country. In the United States and Canada, if the Company discovers a misrepresentation by the dealer-partner relating to a Consumer Loan assigned to the Company, the Company can demand that the Consumer Loan be repurchased for the current balance of the Consumer Loan less the amount of any unearned finance charge plus the applicable termination fee, which is generally $500. Upon receipt of such amount in full, the Company will reassign the Consumer Loan receivable and its security interest in the financed vehicle to the dealer-partner. The dealer-partner can also opt to repurchase Consumer Loans at their own discretion. To date, no dealer-partner has repurchased receivables under this option. This repurchase stipulation is not part of the servicing agreement in the United Kingdom.

ACCOUNTING POLICIES

Finance Charges - United States and Canada. The Company recognizes finance charge income in accordance with the provisions of the American Institute of Certified Public Accountant's Statement of Position ("SOP") 03-3 "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." Consistent with SOP 03-3, the Company recognizes finance charges under the interest method such that revenue is recognized on a level yield basis based upon forecasted cash flows. As the forecasted cash flows change, the Company prospectively adjusts the rate upwards for positive changes but recognizes impairment for negative changes in the current period.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

The Company has relationships with third party vehicle service contract administrators ("TPAs") whereby the TPAs process claims on vehicle service contracts underwritten by third party insurers. The Company recognizes the commission received from the TPAs for contracts financed by the Company as part of finance charges on a level yield basis based upon forecasted cash flows. Commissions on contracts not financed by the Company are recognized at the time the commission is received.

During the first quarter of 2004, the Company entered into agreements with two new TPAs. The two new agreements differ from the prior agreement in three material respects: (i) the new agreements provide a commission to the Company on all vehicle service contracts sold by its dealer-partners, regardless of whether the vehicle service contract is financed by the Company, (ii) the Company experiences a higher commission on vehicle service contracts financed by the Company, and (iii) the new agreements allow the Company to participate in underwriting profits depending on the level of future claims paid. The two new agreements also require that net premiums on the vehicle service contracts be placed in trust accounts by the TPA. Funds in the trust accounts are utilized by the TPA to pay claims on the vehicle service contracts. Underwriting profits, if any, on the vehicle service contracts are distributed to the Company after the term of the vehicle service contracts have expired. Under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), the Company is considered the primary beneficiary of the trusts. As a result, the assets and liabilities of the trusts have been consolidated on the Company's balance sheet. As of June 30, 2005, the trusts had $9.1 million in cash and cash equivalents available to pay claims and a related claims reserve of $9.1 million. Cash and cash equivalents are included in restricted cash and cash equivalents and the claims reserve is included in accounts payable and accrued liabilities in the consolidated balance sheets. A third party insures claims in excess of funds in the trust accounts.

Finance Charges - United Kingdom. The Company recognizes finance charge income in the United Kingdom in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (an Amendment of FASB Statements No. 13, 60, and 65 and a Rescission of FASB Statement No. 17)" ("SFAS No. 91"). SFAS No. 91 requires the Company to recognize finance charges under the interest method such that income is recognized on a level yield basis during the life of the underlying asset.

License Fees. The Company recognizes a monthly dealer-partner access fee for the Company's patented Internet-based proprietary Credit Approval Processing System ("CAPS") in the month the access is provided.

Loans Receivable and Allowance for Credit Losses - United States and Canada. The Company records the amount advanced to the dealer-partner as a Dealer Loan ("Dealer Loan"), which is classified within Loans receivable in the Company's consolidated balance sheets. The Dealer Loan is increased as revenue is recognized and decreased as collections are received. The Company follows SOP 03-3 in determining its allowance for credit losses. Consistent with SOP 03-3, an allowance for credit losses is maintained at an amount that reduces the net asset value (Dealer Loan balance less the allowance) to the discounted value of forecasted future cash flows at the yield established at the inception of the Dealer Loan. This allowance is calculated on a dealer-partner by dealer-partner basis. The discounted value of future cash flows is comprised of estimated future collections on the Consumer Loans, less any estimated dealer holdback payments.

In estimating future collections and dealer holdback payments for each dealer-partner, the Company considers: (i) a dealer-partner's actual loss data on a static pool basis and (ii) the Company's historical loss and collection experience. The Company's collection forecast for each dealer-partner is updated monthly, and considers the most recent static pool data available for each dealer-partner and the Company's entire portfolio of Consumer Loans.

Cash flows from any individual Dealer Loan are often different than estimated cash flows at Dealer Loan inception. If such difference is favorable, the difference is recognized into income over the life of the Dealer Loan through a yield adjustment. If such difference is unfavorable, an allowance for credit losses is established and a corresponding provision for credit losses is recorded as a current period expense. Because differences between estimated cash flows at inception and actual cash flows occur often, an allowance is required for a significant portion of the Company's Dealer Loan portfolio. An allowance for credit losses does not necessarily indicate that a Dealer Loan is unprofitable, and very seldom are cash flows from a Dealer Loan portfolio insufficient to repay the initial amounts advanced to the dealer.

Loans Receivable, Allowance for Credit Losses, and Dealer Reserve Payable - - United Kingdom. The Company maintains an allowance for credit losses to cover losses inherent in the Company's Consumer Loan portfolio. Such losses consist of Consumer Loans receivable determined to be uncollectible or that have expected future collections less than the full contractual amount, less any losses absorbed by dealer holdbacks. Dealer holdbacks in the United Kingdom are classified in Dealer reserve payable in the Company's financial statements. By definition, these losses equal the amount by which advances to dealer-partners plus accrued income (the "net investment") exceed the net present value of estimated future cash flows related to the Consumer Loans receivable less the present value of estimated dealer holdback payments.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONCLUDED)

To record losses, as required under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan - an amendment of FASB Statements No. 5 and 15", as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures", the Company utilizes a present value methodology and compares the present value of estimated future collections less the present value of the estimated related dealer holdback payments for each dealer-partner's Consumer Loan portfolio to the Company's net investment in that portfolio. The Company maintains historical loss experience for each dealer-partner on a static pool basis and uses this information to forecast the timing and amount of the future collections and dealer holdback payments on each dealer-partner's Consumer Loan portfolio. In estimating future collections and dealer holdback payments for each dealer-partner, the Company considers: (i) a dealer-partner's actual loss data on a static pool basis and (ii) the Company's historical loss and collection experience. The Company's collection forecast for each dealer-partner is updated monthly, and considers the most recent static pool data available for each dealer-partner and the Company's entire portfolio of Consumer Loans. Forecasted collections and dealer holdback payments are discounted to present value using a rate equal to the rate of return expected at the origination of the Consumer Loan. To the extent that the present value of future collections less the present value of the related dealer holdback payments is less than the Company's net investment in the portfolio, the Company records an allowance equal to the difference between the net investment and the present value of future collections less the present value of the related dealer holdback payments. Proceeds from one dealer-partner's portfolio cannot be used to offset losses relating to another dealer-partner.

A significant percentage of charged-off Consumer Loans are absorbed by dealer holdbacks and, as a result, do not result in losses to the Company. The Company's primary protection against losses relates to appropriately managing the spread between the collection rate and the amount advanced to dealer-partners at Consumer Loan inception.

The Company's allowance for credit losses also covers earned but unpaid servicing fees on Consumer Loans receivable in non-accrual status (no payments received for 90 days). Servicing fees, which are recorded as finance charges, are recognized under the interest method of accounting until the earlier of the underlying obligation becoming 90 days past due on a recency basis or the repossession and sale of the vehicle securing the Consumer Loan. At such time, the Company suspends the recognition of revenue and records a provision for credit losses equal to the earned but unpaid revenue. Once a Consumer Loan is classified in non-accrual status, it remains in non-accrual status for the remaining life of the Consumer Loan. Revenue on non-accrual Consumer Loans is recognized on a cash basis.

The Company records the gross amount of the Consumer Loan less the unearned finance charges in Dealer reserve payable in the consolidated financial statements. Consumer Loans originated by and advances to each dealer-partner are automatically assigned to that dealer-partner's open pool of Consumer Loans. Periodically, pools are closed and subsequent Consumer Loans and advances are assigned to a new pool. Collections on the Consumer Loans within each pool, after payment of the Company's servicing fee and reimbursement of certain collection costs, are applied to reduce the aggregate advance balance relating to those Consumer Loans. Once the advance balance has been repaid, the dealer-partner is entitled to receive collections from the Consumer Loans within that pool.

All advances from a dealer-partner are secured by all of the future collections on Consumer Loans originated by that dealer-partner. For balance sheet purposes, dealer holdbacks are shown in Dealer reserve payable net of the current advance balance.

3. LOANS RECEIVABLE

A summary of the changes in Loans receivable is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30, 2005			
	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 657,849	$ 31,881	$ 3,815	$ 693,545
New loans	108,358	3,739	-	112,097
Dealer holdback payments	12,771	-	-	12,771
Net cash collections on loans	(110,311)	(4,437)	-	(114,748)
Write-offs	(3,311)	(3,727)	-	(7,038)
Recoveries	-	694	-	694
Net change in floorplan receivables, notes receivable, and lines of credit	-	-	(49)	(49)
Other	-	167	-	167
Currency translation	(77)	(921)	-	(998)
Balance, end of period	$ 665,279	$ 27,396	$ 3,766	$ 696,441

	THREE MONTHS ENDED JUNE 30, 2004			
	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 583,095	$ 62,018	$ 7,595	$ 652,708
New loans	99,587	1,632	-	101,219
Dealer holdback payments	7,592	-	-	7,592
Net cash collections on loans	(86,432)	(7,944)	-	(94,376)
Write-offs	(1,648)	(5,782)	-	(7,430)
Recoveries	-	496	-	496
Net change in floorplan receivables, notes receivable, and lines of credit	-	-	(1,043)	(1,043)
Other	-	199	-	199
Currency translation	(259)	(709)	-	(968)
Balance, end of period	$ 601,935	$ 49,910	$ 6,552	$

658,397
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (3) LOANS RECEIVABLE - (CONTINUED) SIX MONTHS ENDED JUNE 30, 2005 ---- ------------ ------------ ------------ ------------ ---------- DEALER LOANS CONSUMER LOANS OTHER LOANS TOTAL - ------------ ------------ - ----------- --- --------- ----- Balance, beginning of period $ 626,284 $ 36,760 $ 4,350 $ 667,394 New loans 246,349 6,676 - 253,025 Dealer holdback payments 24,513 - - 24,513 Net cash collections on loans (225,361) (9,218) - (234,579) Write-offs (6,314) (7,034) - (13,348) Recoveries - 1,172 - 1,172 Net change in floorplan receivables, notes receivable, and lines of credit - - (584) (584) Other - 370 - 370 Currency translation (192) (1,330) - (1,522) --- ----------- - ------------ ------------ - ----------- --- Balance, end of period $ 665,279 $ 27,396 $ 3,766 $ 696,441
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SIX MONTHS ENDED JUNE 30, 2004 ---- ------------ ------------ ------------ ------------ ---------- DEALER LOANS

		CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 537,671	$ 75,098	$ 6,668	$ 619,437
New loans	229,538	3,247	-	232,785
Dealer holdback payments	15,247	-	-	15,247
Net cash collections on loans	(176,968)	(16,888)	-	(193,856)
Write-offs	(3,061)	(13,522)	-	(16,583)
Recoveries	-	1,038	-	1,038
Net change in floorplan receivables, notes receivable, and lines of credit	-	-	(116)	(116)
Other	-	343	-	343
Currency translation	(492)	594	-	102
Balance, end of period	$ 601,935	$ 49,910	$ 6,552	$ 658,397

A summary of the changes in the Allowance for credit losses is as follows (in thousands):

THREE MONTHS ENDED JUNE 30, 2005

	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 132,256	$ 6,732	$ -	$ 138,988
Provision for credit losses (1)	1,813	(647)	(202)	964
Write-				

offs (3,312) (875) (157) (4,344) Recoveries - 785 437 1,222 Other changes in floorplan receivables, notes receivable, and lines of credit - - - - Currency translation (13) (302) (78) (393) -- ------------ ------------- - ----------- --- --------- ----- Balance, end of period $ 130,744 $ 5,693 $ - $ 136,437 ============== ============== ============== ==============

	THREE MONTHS ENDED JUNE 30, 2004			
	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 136,106	$ 6,545	$ 361	$ 143,012
Provision for credit losses (1)	1,918	(218)	(153)	1,547
Write-offs	(1,647)	(157)	-	(1,804)
Recoveries	-	470	-	470
Other changes in floorplan receivables, notes receivable, and lines of credit	-	-	271	271
Currency translation	(34)	(65)	-	(99)
Balance, end of period	$ 136,343	$ 6,575	$ 479	$ 143,397

(1) Does not include a provision of $229,000 and $447,000 for earned but unpaid revenue related to license fees for the three months ended March 31, 2005 and 2004, respectively.

(3) LOANS RECEIVABLE - (CONCLUDED)

	SIX MONTHS ENDED JUNE 30, 2005			
	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	$ 134,599	$ 6,774	$ 10,000	$ 151,373
Provision for credit losses (2)	2,487	(823)	(20)	1,644
Write-offs	(6,315)	(1,209)	(157)	(7,681)
Recoveries	-	1,416	437	1,853
Other changes in floorplan receivables, notes receivable, and lines of credit	-	-	(10,182)	(10,182)
Currency translation	(27)	(465)	(78)	(570)
Balance, end of period	$ 130,744	$ 5,693	$ -	$ 136,437

SIX MONTHS ENDED JUNE 30, 2004 -- ---------------- DEALER LOANS CONSUMER LOANS OTHER LOANS TOTAL -------------- - ------------- ------------- ------------- Balance, beginning of period $ 136,514 $ 6,689 $ 106 $ 143,309 Provision for credit losses (2) 2,936 (306) 182 2,812 Write-offs (3,060) (807) - (3,867) Recoveries - 948 - 948 Other changes in floorplan receivables, notes receivable, and lines of credit - - 191 191 Currency translation (47) 51 - 4 ------------- ------------- ------------- - ------------- Balance, end of period $ 136,343 $ 6,575 $ 479 $ 143,397 ============= ============= ============= ============= (2) Does not include a provision of $252,000 and $448,000 for earned but unpaid revenue related to license fees for the three months ended March 31, 2005 and 2004, respectively. 4. RELATED PARTY TRANSACTIONS In the normal course of its business, the Company has Dealer Loans with affiliated dealer-partners owned by: (i) the Company's majority shareholder and Chairman; (ii) the Company's President; and (iii) a member of the Chairman's immediate family. The Company's Dealer Loans from affiliated dealer-partners and nonaffiliated dealer-partners are on the same terms. A summary of related party Dealer Loan activity is as follows (in thousands): As of June 30, 2005 As of December 31, 2004 ----------- ----------------- -------------------------- Affiliated Affiliated dealer-partner % of dealer-partner % of balance consolidated balance consolidated ---- ---------- ----------- ------------- ----------- Affiliated Dealer Loan balance $ 13,900 2.1% $ 16,700 2.7% For the Three Months ended For the Six Months ended For the Three Months ended For the Six Months ended June 30, 2005 June 30, 2005 June 30, 2004 June 30, 2004 -------------------------- --------- ------------------ -------------------------- -------------------------- Affiliated Affiliated Affiliated Affiliated dealer-partner % of dealer-partner % of dealer-partner % of dealer-partner % of activity consolidated activity consolidated activity consolidated activity consolidated ------------- ------- ----- -------------- ------------ ------------- ------------ ------------- -- ---------- Advances $ 2,400 2.2% $ 3,100 3.1% $ 5,700 2.3% $ 7,200 3.1% Affiliated dealer-partner revenue $ 900 2.1% $ 1,800 2.1% $ 1,100 3.0% $ 2,000 2.9% Pursuant to an employment agreement with the Company's President dated April 19, 2001, the Company loaned the President's dealerships $850,000. The note, including all principal and interest, is due on April 19, 2011, bears interest at 5.22%, is unsecured, and is personally guaranteed by the Company's President. The balance of the note including accrued but unpaid interest was approximately $1,121,000 and $1,099,000 as of June 30, 2005 and December 31, 2004, respectively. In addition, pursuant to the employment agreement, the Company loaned the President approximately $478,000. The note, dated January 1, 2002, is due on April 19, 2011 including all principal and interest, bears interest at 5.22%, and is unsecured. The balance of the note including accrued interest was approximately $566,000 and $554,000 as of June 30, 2005 and December 31, 2004, respectively. 9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) 4. RELATED PARTY TRANSACTIONS - (CONCLUDED) Total CAPS and dealer enrollment fees earned from affiliated dealer-partners were $13,000 and $34,000 for the three and six months ended June 30, 2005, respectively, and $9,000 and $23,000 for the same periods in 2004. The Company paid for air transportation services provided by a company owned by the Company's majority shareholder and Chairman totaling $35,000 for the three and six months ended June 30, 2005, and $61,000 and $82,000 for the same periods in 2004, respectively. Prior to the third quarter of 2001, the Company offered a line of credit arrangement to certain dealerships who were not participating in the Company's core program. The Company ceased offering this program to new dealerships in the third quarter of 2001 and has been reducing the amount of capital invested in this program since that time. Beginning in 2002, entities owned by the Company's majority shareholder and Chairman began offering secured lines of credit to third parties in a manner similar to the Company's prior program. In December of 2004, the Company's majority shareholder and Chairman sold his ownership interest in these entities. 5. FORWARD CONTRACTS In the third quarter of 2003, the Company entered into a series of forward contracts with a commercial bank to manage foreign currency exchange risk associated with the cash flows anticipated from the exit of the United Kingdom operation. The Company did not have any outstanding contracts as of June 30, 2005. As of December 31, 2004, the Company had contracts outstanding to deliver 3.3 million British pounds sterling to the commercial bank which were exchanged into United States dollars at a weighted average exchange rate of 1.57 United States dollars per British pound sterling on a monthly basis through June 30, 2005. As the Company had not designated these contracts as hedges as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138 and SFAS No. 149, changes in the fair value of these forward contracts increased or decreased net income. The fair value of the forward contracts were less than the notional amount of the contracts outstanding as of December 31, 2004 by $1,156,000 due to the weakening of the United States dollar versus the British pound sterling since the date the contracts were entered into. The Company recognized a foreign currency gain of $385,000 ($250,000 after-tax) and $1,032,000 ($671,000 after-tax) for the three and six months ended June 30, 2005, respectively, related to the change in the fair value of the forward contracts compared to a gain of $908,000 ($590,000 after-tax) and $1,059,000 ($688,000 after-tax) for the same periods in 2004. The reduction in the foreign currency gain was primarily due to a decrease in the notional amount of the forward contracts from December 31, 2004 to June 30, 2005. 6. INCOME TAXES A reconciliation of the U.S. federal statutory rate to the Company's effective tax rate follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
U.S. federal statutory rate	35.0%	35.0%	35.0%	35.0%
State income taxes	2.8	1.6	2.5	1.6
Foreign income taxes	(0.1)	--	(0.1)	--
U.S. tax impact of foreign earnings	--	(11.9)	--	(6.4)
Other	(0.7)	(0.5)	(0.3)	(0.7)
Effective tax rate	37.0%	24.2%	37.1%	29.5%

The differences between the U.S. federal statutory rate and the Company's consolidated effective tax rate are primarily related to: (i) state income taxes that are included in the provision for income taxes, (ii) the impact of earnings generated by the Company's foreign operations that were taxed at a different rate than the U.S. rate in 2004 and the same rate as the U.S. in 2005, and (iii) the impact of the exchange rate on the repatriation of foreign earnings in 2004. Repatriations of foreign earnings are taxed by the U.S. based on foreign exchange rates prevailing at the time of repatriation while foreign tax credits are calculated based on the exchange rates that prevailed when the income was originally earned. 7. CAPITAL TRANSACTIONS Pursuant to the Company's Incentive Compensation Plan (the "Incentive Plan"), which was approved by shareholders on May 13, 2004, the Company has reserved 1.0 million shares of its common stock for the future granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, and directors at any time prior to April 1, 2014. During the first quarter of 2005, the Company granted 99,023 shares of restricted stock to employees and officers under the Incentive Plan, which vest in full or in part based on the Company's satisfaction of certain performance-related criteria. In conjunction with this grant, during the first quarter of 2005 the Company recorded $1,964,000 of unearned stock-based compensation, representing the fair value of the restricted stock on the date of grant. Unearned stock-based compensation will be recognized as stock-based compensation expense over the expected vesting period of the restricted stock. The related stock-based compensation expense totaled $129,000 and $130,000 for the three and six months ended June 30, 2005, respectively. Shares available for future grants under the Incentive Plan totaled 900,977 at June 30, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONCLUDED)

8. BUSINESS SEGMENT INFORMATION

The Company has three reportable business segments: United States, United Kingdom, and Other. During the first quarter of 2005, the Company combined Automobile Leasing into its Other business segment. Automobile Leasing no longer meets the quantitative thresholds of a reportable segment. As a result, the Company has three reportable business segments: United States, United Kingdom and Other. Prior year's disclosures have been reclassified to conform to the current year presentation. The United States segment primarily consists of the Company's United States automobile financing business. The United Kingdom segment primarily consists of the Company's United Kingdom automobile financing business. The Other segment consists of the Company's automobile leasing business, Canadian automobile financing business and secured lines of credit and floorplan financing products. The Company is currently liquidating its operations in all segments other than the United States. Selected segment information is set forth below (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Revenue:				
United States	$ 49,969	$ 41,333	$ 97,219	$ 78,829
United Kingdom	342	1,140	760	2,588
Other	367	1,174	853	2,910
Total revenue	$ 50,678	$ 43,647	$ 98,832	$ 84,327
Income before provision for income taxes:				
United States	$ 26,327	$ 22,285	$ 51,157	$ 40,174
United Kingdom	630	259	885	581
Other	93	105	33	579
Total income before provision for income taxes	$ 27,050	$ 22,649	$ 52,075	$ 41,334

9. NET INCOME PER SHARE

Basic net income per share has been computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share has been computed by dividing net income by the total weighted average number of common shares and common stock equivalents outstanding. Common stock equivalents included in the computation represent shares issuable upon assumed exercise of stock options that would have a dilutive effect using the treasury stock method. The share effect is as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Weighted average common shares outstanding	37,016,038	39,240,321	36,933,601	39,516,011
Common stock equivalents	2,048,848	2,172,987	2,340,223	2,274,244
Weighted average common shares and common stock equivalents	39,064,886	41,413,308	39,273,824	41,790,255

The diluted net income per share calculation excludes stock options to purchase 110,000 shares and 0 shares for the three months and six months ended June 30, 2005, respectively, and 243,334 shares and 202,290 shares for the same periods in 2004 as inclusion of these options would be anti-dilutive to the net income per share due to the relationship between the exercise prices and the average market price of common stock during these periods.

10. OTHER ASSETS

As of June 30, 2005 and December 31, 2004, deferred debt issuance costs were $1.4 million and $3.5 million, respectively. Expenses associated with the issuance of debt instruments are capitalized and amortized over the term of the debt instrument on a level-yield basis for term secured financings and on a straight-line basis for lines of credit and revolving secured financings.

11. SUBSEQUENT EVENT

The Company sold the remaining Consumer Loan portfolio of its United Kingdom subsidiary on December 30, 2005. The selling price was approximately $4.3 million resulting in a pre-tax gain of approximately $3.0 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS EXECUTIVE SUMMARY Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. The Company's product is offered through a nationwide network of automobile dealers who benefit by selling vehicles to consumers who otherwise could not obtain financing, by repeat and referral sales generated by these same customers, and from sales to customers responding to advertisements for the Company's product, but who actually end up qualifying for traditional financing. The Company is an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the dealer-partner and immediately assigned to the Company. The compensation paid to the dealer-partner in exchange for the Consumer Loan is paid in two parts. A portion of the compensation is paid at the time of origination, and a portion is paid based on the performance of the loan. The amount paid at the time of origination is called an advance; the portion paid over time is called dealer holdback. For accounting purposes, a majority of the transactions described above are not considered to be Consumer Loan transactions. Instead the Company's accounting reflects that of a lender to the dealer-partner. This classification for accounting purposes is primarily a result of (i) the dealer-partner's financial interest in the Consumer Loan and (ii) certain elements of the Company's legal relationship with the dealer-partner. Because the legal agreement between the Company and the dealer-partner is different, the Company's United Kingdom business is accounted for as a consumer lender. In addition, a small percentage of transactions in the United States are considered to be Consumer Loans for accounting purposes. For the majority of the Company's transactions, the cash amount advanced to the dealer-partner is recorded as an asset on the Company's balance sheet. The aggregate amount of all advances to an individual dealer-partner, plus accrued income, less repayments comprises the Dealer Loan recorded in Loans receivable. For the remaining business, the amount due from the consumer is recorded as a Consumer Loan in Loans receivable. Additionally, a liability for estimated dealer holdback payments is recorded. For additional information regarding the Company's accounting for Loans receivable, see Note 2 to the consolidated financial statements, which is incorporated herein by reference. The Company believes it has been successful in improving the profitability of its Dealer Loans in recent years primarily as a result of increasing the spread between the forecasted collection rate and the advance rate, and increasing revenue from ancillary products. For the three months ended June 30, 2005, Dealer Loan originations in the United States grew 8.8% compared to the same period in 2004 due to an increase in the number of active dealer-partners and an increase in the number of Consumer Loans accepted. Since the Company believes it is one of only a few financial services companies serving the Company's target market, the Company believes that it has an opportunity to grow its business profitably in the future. Critical success factors for the Company include access to capital and the ability to accurately forecast Consumer Loan performance. The Company's strategy for accessing the capital required to grow its business is to: (i) maintain consistent financial performance, (ii) maintain modest financial leverage, and (iii) maintain multiple funding sources. The Company's funded debt to equity ratio is 0.6 to 1.0 at June 30, 2005. The Company currently funds its business through a bank line of credit facility, privately placed secured financings and commercial bank conduit-financed secured financings.

CONSUMER LOAN PERFORMANCE IN THE UNITED STATES The United States is the Company's only business segment that continues to originate Dealer Loans. The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that have been realized as of September 30, 2005 for the United States business segment. The data presented in the table has been changed from similar data previously disclosed in the Company's filings in order to conform to the Company's new accounting methodology. The changes are as follows: (1) Collection and advance rates included in the table are calculated as a percentage of funded loans, defined as Consumer Loans on which an advance has been paid to the dealer-partner. Previously, collection and advance rates were calculated as a percentage of Consumer Loans assigned to the Company. As a result, collection rates are higher than previously reported. This reflects the change in presentation rather than a change in loan performance. (2) Advance rates included in the table below represent the cash amount paid to the dealer-partner or paid to third parties for ancillary products. Previously, advance rates presented in the table included non-cash commissions and fees that were retained by the Company. As a result of this change, the advance rates presented in the table are lower than previously reported. (3) Forecasted collection rates included in the table are based on a new forecasting methodology. This change had only a small impact on collection rates reported in the table. As of June 30, 2005

Year of Origination	Forecasted Collection %	Advance %	Spread %	% of Forecast Realized
1992	80.2%	37.1%	43.1%	100.0%
1993	75.3%	37.1%	38.2%	100.0%
1994	61.0%	40.5%	20.5%	100.0%
1995	54.9%	44.2%	10.7%	100.0%
1996	55.0%	46.9%	8.1%	99.4%
1997	58.4%	47.9%	10.5%	98.7%
1998	67.7%	46.1%	21.6%	98.1%
1999	72.8%	48.9%	23.9%	97.2%
2000	73.2%	48.0%	25.2%	96.3%
2001	67.2%	45.8%	21.4%	95.5%
2002	70.2%	42.2%	28.0%	90.5%
2003	74.0%	43.4%	30.6%	72.9%
2004	73.4%	44.0%	29.4%	42.1%

Accurately forecasting future collection rates is critical to the Company's success. The risk of a forecasting error declines as Consumer Loans age. For example, the risk of a material forecasting error for business written in 1999 is very small since 97.2% of the total amount forecasted has already been realized. In contrast, the Company's forecast for recent Consumer Loans is less certain. If the Company produces disappointing operating results, it will likely be because the Company overestimated future Consumer Loan performance. Although the Company makes every effort to estimate collection rates as accurately as possible, there can be no assurance that the Company's estimates will be accurate or that Consumer Loan performance will be as expected. A wider spread between the forecasted collection rate and the advance rate reduces the Company's risk of credit losses. Because collections are applied to advances on an individual dealer-partner basis, a wide spread does not eliminate the risk of losses, but it does reduce the risk significantly. While the spread has decreased from 2003 to 2004, the Company believes it is still at a sufficient level to minimize the Company's risk of being able to recover the cash advance. During the first quarter of 2005, the Company made the following changes that impacted pricing: (i) effective February 1, 2005, the monthly rate for CAPS fees increased from $499 to $599, (ii) effective March 1, 2005, the Company increased advance rates by approximately 1.5%, and (iii) early in the first quarter, the Company began offering a Guaranteed Asset Protection waiver and insurance product ("GAP"). GAP provides the consumer protection by covering the difference between the loan balance and the amount traditional insurance covers in the event the vehicle is totaled or stolen. The Company receives a commission for every GAP product sold by its dealer-partners. The Company believes that the net impact of these three changes will result in Consumer Loans accepted to date during 2005 producing approximately the same level of profitability as Consumer Loans accepted in 2004. There were no material changes in credit policy or pricing in the second quarter of 2005, other than routine changes designed to maintain current profitability levels.

RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 2005 Compared to Three and Six Months Ended June 30, 2004

The following is a discussion of the results of operations and income statement data for the Company on a consolidated basis and for each of the Company's three business segments, United States, United Kingdom, and Other.

Consolidated

(Dollars in thousands)

	THREE MONTHS ENDED JUNE 30, 2005	% OF REVENUE	THREE MONTHS ENDED JUNE 30, 2004	% OF REVENUE
REVENUE:				
Finance charges	$ 44,637	88.1%	$ 38,558	88.4%
License fees	2,252	4.4	1,362	3.1
Other income	3,789	7.5	3,727	8.5
Total revenue	50,678	100.0	43,647	100.0
COSTS AND EXPENSES:				
Salaries and wages	9,020	17.8	8,475	19.4
General and administrative	6,120	12.1	4,987	11.4
Sales and marketing	3,269	6.5	2,775	6.4
Provision for credit losses	1,193	2.4	1,994	4.6
Interest	3,613	7.1	2,485	5.7
Stock-based compensation expense	529	1.0	864	2.0
Other expense	266	0.5	324	0.7
Total costs and expenses	24,010	47.4	21,904	50.2
Operating income	26,668	52.6	21,743	49.8
Foreign exchange gain	382	0.8	906	2.1
Income before provision for income taxes	27,050	53.4	22,649	51.9
Provision for income taxes	9,997	19.7	5,476	12.5
Net income	$ 17,053	33.7%	$ 17,173	39.4%

SIX MONTHS SIX MONTHS ENDED ENDED JUNE 30, % OF JUNE 30, % OF (Dollars in thousands) 2005 REVENUE 2004 REVENUE ------------ ------------ ------------ ------------ REVENUE: Finance charges $ 87,093 88.1% $ 73,834 87.6% License fees 4,212 4.3 2,628 3.1 Other income 7,527 7.6 7,865 9.3 ------------ ------------ ------------ ------------ Total revenue 98,832 100.0 84,327 100.0 COSTS AND EXPENSES: Salaries and wages 18,184 18.4 17,280 20.4 General and administrative 11,845 12.0 10,461 12.4 Sales and marketing 6,796 6.9 5,564 6.6 Provision for credit losses 1,896 1.9 3,260 3.9 Interest 7,356 7.4 5,311 6.3 Stock-based compensation expense 1,306 1.3 1,431 1.7 Other expense 401 0.4 743 0.9 ------------ ------------ ------------ ------------ Total costs and expenses 47,784 48.3 44,050 52.2 ------------ ------------ ------------ ------------ Operating income 51,048 51.7 40,277 47.8 Foreign exchange gain 1,027 1.0 1,057 1.3 ------------ ------------ ------------ ------------ Income before provision for income taxes 52,075 52.7 41,334 49.1 Provision for income taxes 19,308 19.5 12,209 14.5 ------------ ------------ ------------ ------------ Net income $ 32,767 33.2% $ 29,125 34.6% ============ ============ ============ ============ For the three months ended June 30, 2005, consolidated net income decreased to $17.1 million, or $0.44 per diluted share, compared to $17.2 million, or $0.41 per diluted share, for the same period in 2004. The decrease in consolidated net income was primarily due to an increase in the Company's effective tax rate to 37.0% for the three months ended June 30, 2005, from 24.2% for the same period in 2004, primarily due to the benefit recorded in the second quarter of 2004 associated with electing to treat the United Kingdom subsidiary as a branch for U.S. tax purposes. Partially offsetting this item was: (i) a 15.8% increase in finance charge income due to an increase in the size of the Dealer Loan portfolio and an increase in the yield due to an increase in forecasted collection rates on these Dealer Loans and (ii) a decrease in the provision for credit losses to $1.2 million from $2.0 million for the three months ended June 30, 2004. The decrease in the provision for credit losses was primarily due to a reduction in the provision for credit losses required to maintain the initial yield established at the inception of the Dealer Loan For the six months ended June 30, 2005, consolidated net income increased to $32.8 million, or $0.83 per diluted share, compared to $29.1 million, or $0.70 per diluted share, for the same period in 2004. The increase in consolidated net income was primarily due to: (i) an 18.0% increase in finance charge income primarily due to an increase in the size of the Dealer Loan portfolio and an increase in the yield due to an increase in forecasted collection rates on these Dealer Loans, (ii) a 2.0% decrease in salaries and wages, as a percentage of revenue, to 18.4% for the six months ended June 30, 2005, compared to 20.4% for the same period in 2004, due to a decrease in corporate support salaries, as a percentage of revenue, which is consistent with the Company's business plan of growing corporate infrastructure at a rate slower than the growth rate of the Dealer Loan portfolio, and (iii) a decrease of $1.4 million in the provision for credit losses due to a reduction in the provision for credit losses required to maintain the initial yield established at the inception of the Dealer Loan. Partially offsetting these items was an increase in the Company's effective tax rate due to the benefit recorded in the second quarter of 2004 associated with electing to treat the United Kingdom subsidiary as a branch for the U.S. tax purposes. The results of operations for the Company as a whole are attributable to changes described by segment in the discussion of the results of operations in the United States, United Kingdom, and Other business segments. The following discussion of interest expense is provided on a consolidated basis, as the explanation is not meaningful by business segment. Interest. Consolidated interest expense increased to $3.6 million and $7.4 million for the three and six months ended June 30, 2005 from $2.5 million and $5.3 million for the same periods in 2004. The increases in consolidated interest expense were due to increases in the average outstanding debt as a result of an increase in Dealer Loan originations in the three and six months ended June 30, 2005 and stock buybacks in the third quarter of 2004 and an increase in interest rates during the three and six months ended June 30, 2005 compared to the same periods in the prior year. The increase in the weighted average interest rate is primarily the result of increased market rates partially offset by a reduction in the impact of fixed fees on the Company's secured financing and line of credit facility due to higher average outstanding borrowings.

United States (Dollars in thousands)	THREE MONTHS ENDED JUNE 30, 2005	% OF REVENUE	THREE MONTHS ENDED JUNE 30, 2004	% OF REVENUE
REVENUE:				
Finance charges	$ 44,240	88.5%	$ 37,239	90.1%
License fees	2,252	4.5	1,362	3.3
Other income	3,477	7.0	2,732	6.6
Total revenue	49,969	100.0	41,333	100.0
COSTS AND EXPENSES:				
Salaries and wages	8,867	17.9	7,681	18.5
General and administrative	5,804	11.6	4,421	10.7
Sales and marketing	3,269	6.5	2,775	6.7
Provision for credit losses	1,940	3.9	1,841	4.5
Interest	3,469	6.9	2,343	5.7
Stock-based compensation expense	510	1.0	822	2.0
Other expense	165	0.3	71	0.2
Total costs and expenses	24,024	48.1	19,954	48.3
Operating income	25,945	51.9	21,379	51.7
Foreign exchange gain	382	0.8	906	2.2
Income before provision for income taxes	26,327	52.7	22,285	53.9
Provision for income taxes	9,780	19.6	5,355	13.0
Net income	$ 16,547	33.1%	$ 16,930	40.9%

(Dollars in thousands)	SIX MONTHS ENDED JUNE 30, 2005	% OF REVENUE	SIX MONTHS ENDED JUNE 30, 2004	% OF REVENUE
REVENUE:				
Finance charges	$ 86,222	88.7%	$ 70,826	89.9%
License fees	4,212	4.3	2,628	3.3
Other income	6,785	7.0	5,375	6.8
Total revenue	97,219	100.0	78,829	100.0
COSTS AND EXPENSES:				
Salaries and wages	17,858	18.3	15,642	19.8
General and administrative	11,261	11.6	9,243	11.7
Sales and marketing	6,796	7.0	5,564	7.1
Provision for credit losses	2,602	2.7	2,913	3.7
Interest	7,068	7.3	4,929	6.3
Stock-based compensation expense	1,265	1.3	1,344	1.7
Other expense	239	0.2	91	0.1
Total costs and expenses	47,089	48.4	39,726	50.4
Operating income	50,130	51.6	39,103	49.6
Foreign exchange gain	1,027	1.1	1,071	1.4
Income before provision for income taxes	51,157	52.7	40,174	51.0
Provision for income taxes	19,026	19.6	11,810	15.0
Net income	$ 32,131	33.1%	$ 28,364	36.0%

Finance Charges. Finance charges increased to $44.2 million and $86.2 million for the three and six months ended June 30, 2005 from $37.2 million and $70.8 million for the same periods in 2004 primarily due to an increase in the size of the Dealer Loan portfolio and an increase in the yield due to an increase in forecasted collection rates on these Dealer Loans and an increase in the average transaction size, partially offset by a decrease in the number of transactions per active dealer-partner. The number of active dealer-partners is a function of new dealer-partner enrollments and attrition. Active dealer-partners are dealer-partners who submit at least one loan during the period. The following table summarizes the changes in active dealer-partners and corresponding unit volume for the three and twelve months ended June 30, 2005 and 2004:

	THREE MONTHS ENDED JUNE 30, 2005			THREE MONTHS ENDED JUNE 30, 2004		
	DEALER-PARTNERS	UNIT VOLUME	AVERAGE	DEALER-PARTNERS	UNIT VOLUME	AVERAGE
Production from quarter ended March 31 of the same year	1,112	25,847	23.2	843	23,841	28.3
Attrition (1)	(124)	(708)	5.7	(59)	(293)	5.0
Volume change from dealer-partners active in both periods	n/a	(7,741)	n/a	n/a	(7,254)	n/a
Current period volume from dealer-partners active both periods	988	17,398	17.6	784	16,294	20.8
New dealer-partners (2)	222	1,558	7.0	98	879	9.0
Restarts (3)	14	62	4.4	17	95	5.6
Current period production	1,224	19,018	15.5	899	17,268	19.2

	TWELVE MONTHS ENDED JUNE 30, 2005			TWELVE MONTHS ENDED JUNE 30, 2004		
	DEALER-PARTNERS	UNIT VOLUME	AVERAGE	DEALER-PARTNERS	UNIT VOLUME	AVERAGE
Production from twelve months ended June 30 of the prior year	1,065	70,501	66.2	801	55,086	68.8
Attrition (1)	(204)	(3,248)	15.9	(156)	(3,090)	19.8
Volume change from dealer-partners active in both periods	n/a	(3,477)	n/a	n/a	2,912	n/a
Current period volume from dealer-partners active both periods	861	63,776	74.1	645	54,908	85.1
New dealer-partners (2)	604	15,321	25.4	393	14,619	37.2
Restarts (3)	30	614	20.5	27	974	36.1
Current period production	1,495	79,711	53.3	1,065	70,501	66.2

(1) Dealer-partner attrition refers to the following formula: dealer-partners active during the prior period who become inactive during the current period. (2) Excludes new dealer-partners that have enrolled in the Company's program, but have not submitted at least one Consumer Loan during the period. (3) Restarts are previously active dealer-partners that were inactive during the prior period who became active during the current period. The increase in new dealer-partner enrollments in the second quarter of 2005 is primarily due to a change in policy implemented in March 2005. The new policy allows prospective dealer-partners to enroll in the Company's program without paying the $9,850 enrollment fee. Prospective dealer-partners choosing this option instead agree to allow the Company to keep 50% of the first accelerated dealer holdback payment. This payment, called Portfolio Profit Express, is paid to qualifying dealer-partners after 100 Consumer Loans have been originated and assigned to the Company. While the Company will lose enrollment fee revenue on those dealer-partners choosing this option and not reaching 100 Consumer Loans or otherwise qualifying for a Portfolio Profit Express payment, the Company will realize higher per dealer-partner enrollment fee revenue from those dealer-partners choosing this option and qualifying for a Portfolio Profit Express payment. Based on the historical average of Portfolio Profit Express payments, the Company expects average enrollment fee revenue per dealer-partner for those dealer-partners electing the new option and reaching 100 Consumer Loans will be approximately $15,000 - $20,000. Approximately 50% of the dealer-partners that enrolled during the second quarter of 2005 took advantage of this new enrollment option. License Fees. License fees increased to $2.3 million and $4.2 million for the three and six months ended June 30, 2005 from $1.4 million and $2.6 million for the same periods in 2004. License fees represent CAPS fees charged to dealer-partners on a monthly basis. The increases in both periods were primarily due to increases in the number of active dealer-partners. The average number of dealer-partners billed for CAPS fees in the first six months of 2005 was 1,179 compared to 839 for the same period in the prior year. In February 2005, the rate for CAPS fees increased from $499 per dealer-partner per month to $599 per month.

Salaries and Wages. Salaries and wages, as a percentage of revenue, decreased to 17.9% and 18.3% for the three and six months ended June 30, 2005 from 18.5% and 19.8% for the same periods in 2004 primarily due to a decrease in corporate support salaries, as a percentage of revenue, which is consistent with the Company's business plan of growing corporate infrastructure at a rate slower than the growth rate of the Dealer Loan portfolio. General and Administrative. General and administrative expenses, as a percentage of revenue, increased to 11.6% for the three months ended June 30, 2005 from 10.7% for the same period in 2004 while these expenses, as a percentage of revenue, remained consistent at 11.6% and 11.7% for the six months ended June 30, 2005 and 2004, respectively. The increase, as a percentage of revenue, for the three months was primarily due to an increase in (i) miscellaneous legal expenses including expenses associated with the Company's ongoing restatement process and (ii) data processing support and maintenance. Sales and Marketing. Sales and marketing expenses, as a percentage of revenue, decreased to 6.5% and 7.0% for the three and six months ended June 30, 2005 from 6.7% and 7.1% for the same periods in 2004 primarily due to decreases in sales commissions, as a percentage of revenue, for the three and six months ended June 30, 2005 compared to the same periods in 2004. The decrease in sales commissions, as a percentage of revenue, is primarily due to Dealer Loan origination volume growing at a slower rate than finance charge revenue. Provision for Credit Losses. The provision for credit losses increased to $1.9 million for the three months ended June 30, 2005 from $1.8 million for the same period in 2004. The provision for credit losses decreased to $2.6 million for the six months ended June 30, 2005 from $2.9 million for the same period in 2004. The provision for credit losses consists primarily of a provision to reduce the carrying value of Dealer Loans to maintain the initial yield established at the inception of the Dealer Loan. Additionally, the provision for credit losses includes a provision for losses on notes receivable and a provision for earned but unpaid revenue related to license fees. The increase in the provision for the three months ended June 30, 2005 was primarily due to an increase in the provision for credit losses required to maintain the initial yield established at the inception of the Dealer Loan. The decrease in the provision for the six months ended June 30, 2005 was primarily due to a reduction in the provision for credit losses required to maintain the initial yield established at the inception of the Dealer Loan. Stock-based Compensation Expense. Stock-based compensation expense decreased to $510,000 and $1.3 million for the three and six months ended June 30, 2005 from $822,000 and $1.3 million for the same periods in 2004. The decrease in expense was primarily the result of: (i) additional expense recognized during the second quarter of 2004 as a result of a reduction in the period over which certain performance-based stock options were expected to vest and (ii) a decline in the number of unvested stock options outstanding from the prior year periods. The decrease in expense was partially offset by additional expense of $130,000 related to restricted stock issued in the first quarter of 2005. Foreign Currency Gain. The foreign exchange gain decreased to $382,000 and $1.0 million for the three and six months ended June 30, 2005 from $906,000 and $1.1 million for the same periods in 2004. The decrease in foreign exchange gains for the three and six months ended June 30, 2005 and 2004 were primarily the result of changes in the fair value of forward contracts entered into during the third quarter of 2003, as discussed in Note 5 to the consolidated financial statements. Provision for Income Taxes. The effective tax rate in the United States increased to 37.1% and 37.2% for the three and six months ended June 30, 2005 from 24.0% and 29.4% for the same periods in 2004. The increases in the effective tax rates for the three and six months ended June 30, 2005 were primarily due to the benefit recorded in the second quarter of 2004 associated with electing to treat the United Kingdom subsidiary as a branch for U.S. tax purposes.

United Kingdom THREE MONTHS THREE MONTHS ENDED ENDED JUNE 30, % OF JUNE 30, % OF (Dollars in thousands) 2005 REVENUE 2004 REVENUE ------------ ------- ------------ ------- REVENUE: Finance charges $ 342 100.0% $ 1,140 100.0% ------------ ------ ------------ ------ Total revenue 342 100.0 1,140 100.0 COSTS AND EXPENSES: Salaries and wages 81 23.7 622 54.5 General and administrative 235 68.7 418 36.7 Provision for credit losses (623) (182.2) (201) (17.6) Stock-based compensation expense 19 5.6 42 3.7 ------------ ------ ------------ ------ Total costs and expenses (288) (84.2) 881 77.3 ------------ ------ ------------ ------ Income before provision for income taxes 630 184.2 259 22.7 Provision for income taxes 180 52.6 75 6.6 ------------ ------ ------------ ------ Net income $ 450 131.6% $ 184 16.1% ============ ====== ============ ====== (Dollars in thousands) SIX MONTHS SIX MONTHS ENDED ENDED JUNE 30, % OF JUNE 30, % OF (Dollars in thousands) 2005 REVENUE 2004 REVENUE ------------ ------- ------------ ------- REVENUE: Finance charges $ 760 100.0% $ 2,588 100.0% ------------ ------ ------------ ------ Total revenue 760 100.0 2,588 100.0 COSTS AND EXPENSES: Salaries and wages 178 23.4 1,233 47.7 General and administrative 430 56.6 938 36.2 Provision for credit losses (774) (101.8) (251) (9.7) Stock-based compensation expense 41 5.4 87 3.4 ------------ ------ ------------ ------ Total costs and expenses (125) (16.4) 2,007 77.6 ------------ ------ ------------ ------ Income before provision for income taxes 885 116.4 581 22.4 Provision for income taxes 251 33.0 165 6.4 ------------ ------ ------------ ------ Net income $ 634 83.4% $ 416 16.0% ============ ====== ============ ====== Effective June 30, 2003, the Company decided to stop originating Consumer Loans in the United Kingdom. As a result, the size of the Consumer Loan portfolio in the United Kingdom has declined significantly. The declines in the revenues and expenses are primarily a result of this decision, except as discussed below. Provision for Credit Losses. The negative provision for credit losses in the three and six months ended June 30, 2005 and for the same periods in 2004 are the result of the recognition of recoveries on previously charged-off Consumer Loans.

Other

(Dollars in thousands)	THREE MONTHS ENDED JUNE 30, 2005	% OF REVENUE	THREE MONTHS ENDED JUNE 30, 2004	% OF REVENUE
REVENUE:				
Finance charges	$ 55	15.0%	$ 179	15.2%
Other income	312	85.0	995	84.8
Total revenue	367	100.0	1,174	100.0
COSTS AND EXPENSES:				
Salaries and wages	72	19.7	172	14.6
General and administrative	81	22.1	148	12.6
Provision for credit losses	(124)	(33.8)	354	30.2
Interest	144	39.2	142	12.1
Other expense	101	27.5	253	21.6
Total costs and expenses	274	74.7	1,069	91.1
Income before provision for income taxes	93	25.3	105	8.9
Provision for income taxes	37	10.1	46	3.9
Net income	$ 56	15.2%	$ 59	5.0%

(Dollars in thousands)	SIX MONTHS ENDED JUNE 30, 2005	% OF REVENUE	SIX MONTHS ENDED JUNE 30, 2004	% OF REVENUE
REVENUE:				
Finance charges	$ 111	13.0%	$ 420	14.4%
Other income	742	87.0	2,490	85.6
Total revenue	853	100.0	2,910	100.0
COSTS AND EXPENSES:				
Salaries and wages	148	17.2	405	14.0
General and administrative	154	18.1	280	9.6
Provision for credit losses	68	8.0	598	20.5
Interest	288	33.8	382	13.1
Other expense	162	19.0	652	22.4
Total costs and expenses	820	96.1	2,317	79.6
Operating income	33	3.9	593	20.4
Foreign exchange loss	-	-	(14)	(0.5)
Income before provision for income taxes	33	3.9	579	19.9
Provision for income taxes	31	3.6	234	8.0
Net income	$ 2	0.3%	$ 345	11.9%

The Other segment consists of the Company's automobile leasing business, Canadian automobile financing business (accounted for as Dealer Loans) and secured lines of credit and floorplan financing products. In January 2002, the Company decided to stop originating automobile leases and effective June 30, 2003, the Company decided to stop originating Dealer Loans in Canada. As a result, the size of the lease portfolio and Dealer Loan portfolio in Canada have declined significantly. The Company has also significantly reduced its floorplan and secured line of credit portfolios since 2001. The declines in the revenues and expenses are primarily a result of these decisions.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments 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. On an on going basis, the Company evaluates its estimates, including those related to the recognition of finance charge revenue and the allowance for credit losses. Item 7 of the Company's Annual Report on Form 10-K discusses several critical accounting policies, which the Company believes involve a high degree of judgment and complexity. There have been no material changes to the estimates and assumptions associated with these accounting policies from those discussed in the Company's annual report on Form 10-K for the year ended December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of capital are cash flows from operating activities, collections of Consumer Loans receivable and borrowings under the Company's lines of credit and secured financings. The Company's principal need for capital is to fund Dealer Loan originations and for the payment of dealer holdbacks. The Company's cash and cash equivalents increased to $988,000 as of June 30, 2005 from $614,000 at December 31, 2004. The Company's total balance sheet indebtedness increased to $205.3 million at June 30, 2005 from $193.5 million at December 31, 2004. These changes were primarily a result of an increase in advances to dealer-partners resulting from an increase in Loan originations during the period.

Restricted Securities. The Company determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale, and stated at fair value with unrealized gains and losses, net of income taxes included in the determination of comprehensive income and reported as a component of shareholders' equity. Restricted available-for-sale securities consist of the following:

AS OF JUNE 30, 2005	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
US Government and agency securities	$ 1,085	$ 7	$ -	$ 1,092
Corporate bonds	1,110	2	(13)	1,099
Total restricted securities available for sale	$ 2,195	$ 9	$ (13)	$ 2,191

AS OF DECEMBER 31, 2004	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
US Government and agency securities	$ 150	$ -	$ (2)	$ 148
Corporate bonds	784	1	(5)	780
Total restricted securities available for sale	$ 934	$ 1	$ (7)	$ 928

The cost and estimated fair values of debt securities by contractual maturity were as follows (securities with multiple maturity dates are classified in the period of final maturity). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AS OF JUNE 30, 2005		AS OF DECEMBER 31, 2004	
	COST	ESTIMATED FAIR VALUE	COST	ESTIMATED FAIR VALUE
Contractual Maturity				
Within one year	$ -	$ -	$ -	$ -
Over one year to five years	2,145	2,141	857	852
Over five years to ten years	50	50	77	76
Over ten years	-	-	-	-
Total restricted securities available for sale	$ 2,195	$ 2,191	$ 934	$ 928

Line of Credit Facility. At June 30, 2005, the Company had a $135.0 million credit agreement with a commercial bank syndicate. The facility has a commitment period through June 9, 2006. At June 30, 2005, the agreement provided that, at the Company's option, interest is payable at either the Eurodollar rate plus 130 basis points (4.63% at June 30, 2005), or at the prime rate (6.25% at June 30, 2005). The Eurodollar borrowings may be fixed for periods of up to six months. Borrowings under the credit agreement are subject to a borrowing base limitation equal to 65% of the net book value of Dealer Loans plus 65% of the net book value of Consumer Loans purchased by the Company (not to exceed a maximum of 25% of the aggregate borrowing base limitation), less a hedging reserve (not exceeding $1.0 million), the amount of letters of credit issued under the line of credit, and the amount of other debt secured by the collateral which secures the line of credit. Currently, the borrowing base limitation does not inhibit the Company's borrowing ability under the line of credit. The credit agreement uses terminology corresponding to the Company's historical method of accounting. As a result, the net book value of Dealer Loans would require adjustment to reflect the equivalent terms used in the credit agreement. The credit agreement has certain restrictive covenants, including a minimum required ratio of the Company's assets to debt, its liabilities to tangible net worth, and its earnings before interest, taxes and non-cash expenses to fixed charges. Additionally, the agreement requires that the Company maintain a specified minimum level of net worth. Borrowings under the credit agreement are secured by a lien on most of the Company's assets. The Company must pay annual and quarterly fees on the amount of the commitment. As of June 30, 2005 and December 31, 2004, there was $44.7 million and $7.7 million outstanding under this facility. The maximum amount outstanding was approximately $54.9 million and $75.8 million during the three months ended June 30, 2005 and 2004, respectively. The weighted average balance outstanding was $40.8 million and $60.8 million during the three months ended June 30, 2005 and 2004, respectively. The weighted average interest rate on line of credit borrowings outstanding on June 30, 2005 was 4.67%. The Company is currently negotiating modifications to the credit agreement to conform the terminology used in the agreement to the Company's current business and method of accounting and to update certain financial covenant levels.

Secured Financing. The secured financing agreements described below that were in place at June 30, 2005 used terminology corresponding to the Company's historical method of accounting. The discussion below describes the agreements as drafted, including references to advance rates based on asset values determined under the historical accounting methodology. As a result, calculations using advance rates and assets valued pursuant to the current accounting methodology will not reflect actual limitations imposed by the agreements. The Company is currently negotiating modifications to the secured financing agreements that remain in effect as of the date of this report to adjust the advance rates and/or determination of asset values and to otherwise conform the terminology used in these agreements to the Company's current method of accounting as necessary to keep the parties' rights constant. In the third quarter of 2003, the Company's wholly-owned subsidiary, CAC Warehouse Funding Corp. II ("Warehouse Funding" or "2003-2"), completed a revolving secured financing transaction with an institutional investor. In the third quarter of 2004, Warehouse Funding increased the facility limit and renewed the commitment. Under the renewed facility, Warehouse Funding may receive up to $200.0 million in financing when the Company conveys Dealer Loans to Warehouse Funding for cash and equity in Warehouse Funding. Warehouse Funding will in turn pledge the Dealer Loans as collateral to the institutional investor to secure loans that will fund the cash portion of the purchase price of the Dealer Loans. As required under the agreement, all amounts outstanding under the facility were refinanced and the facility paid to zero in August 2004. This revolving facility, which was to mature on August 9, 2005, but has been extended to February 15, 2006, allows conveyances of Dealer Loans by the Company and related borrowing by Warehouse Funding in which Warehouse Funding will receive 75% of the net book value of the contributed Dealer Loans up to the $200.0 million facility limit. In addition to the maturity of the facility, there is a requirement that any amounts outstanding under the facility be refinanced, and the facility paid to zero, by February 15, 2006. If this does not occur or the requirement is not waived, or if the facility is not extended, the transaction will cease to revolve, will amortize as collections are received and, at the option of the institutional investor, may be subject to acceleration and foreclosure. Although Warehouse Funding will be liable for any secured financing under the facility, the financing will be non-recourse to the Company, even though Warehouse Funding and the Company are consolidated for financial reporting purposes. As Warehouse Funding is organized as a separate special purpose legal entity from the Company, assets of Warehouse Funding (including the conveyed Dealer Loans) will not be available to satisfy the general obligations of the Company. All the assets of Warehouse Funding have been encumbered to secure Warehouse Funding's obligations to its creditors. Borrowings under the facility will bear interest at a floating rate equal to the commercial paper rate plus 65 basis points, which has been limited to a maximum rate of 6.25% (increased to 6.75% in September 2005) through interest rate cap agreements. The interest rate at June 30, 2005 was 3.86%. The Company will receive a monthly servicing fee paid out of collections equal to 6% of the collections received with respect to the conveyed Dealer Loans. Except for the servicing fee and payments due to dealer-partners, the Company does not have any rights in any portion of such collections. As of June 30, 2005 and December 31, 2004, there was $103.0 million and $76.0 million, respectively, outstanding under this facility. In the third quarter of 2004, the Company's wholly-owned subsidiary, Credit Acceptance Funding LLC 2004-1 ("Funding 2004-1"), completed a secured financing transaction, in which Funding 2004-1 received $100.0 million in financing. In connection with this transaction, the Company conveyed, for cash and the sole membership interest in Funding 2004-1, Dealer Loans having a net book value of approximately $134.0 million to Funding 2004-1, which, in turn, conveyed the Dealer Loans to a trust, which issued $100.0 million in notes to qualified institutional investors. Radian Asset Assurance issued the primary financial insurance policy in connection with the transaction, and XL Capital Assurance issued a backup financial insurance policy. The policies guaranteed the timely payment of interest and ultimate repayment of principal on the final scheduled distribution date. The notes were rated "Aaa" by Moody's Investor Services and "AAA" by Standard & Poor's Rating Services. The proceeds of the initial conveyance to Funding 2004-1 were used by the Company to purchase Dealer Loans, on an arm's-length basis, from Warehouse Funding. Until February 15, 2005, the Company conveyed additional Dealer Loans to Funding 2004-1 which were then conveyed by Funding 2004-1 to the trust, and used by the trust as collateral in support of the outstanding debt. As of June 30, 2005, additional Dealer Loans having a net book value of approximately $20.0 million had been conveyed by the Company after the completion of the initial funding. After February 15, 2005, the debt outstanding under this facility began to amortize. The secured financing created loans for which the trust was liable and which were secured by all the assets of the trust and of Funding 2004-1. Such loans were non-recourse to the Company, even though the trust, Funding 2004-1 and the Company were consolidated for financial reporting purposes. As Funding 2004-1 was organized as a separate legal entity from the Company, assets of Funding 2004-1 (including the conveyed Dealer Loans) were not available to satisfy the general obligations of the Company. All the assets of Funding 2004-1 were encumbered to secure Funding 2004-1's obligations to its creditors. The notes bore interest at a fixed rate of 2.53%. The annualized cost of the secured financing, including underwriters fees, the insurance premiums and other costs was 6.6%. The Company received a monthly servicing fee paid out of collections equal to 6% of the collections received with respect to the conveyed Dealer Loans. Except for the servicing fee and payments due to dealer-partners, the Company did not receive, or have any rights in, any portion of such collections, except for a limited right in its capacity as Servicer to exercise a "clean-up call" option to purchase Dealer Loans from Funding 2004-1 under certain specified circumstances. As of June 30, 2005 and December 31, 2004, there was $48.1 million and $100.0 million, respectively, outstanding under this secured financing transaction. In the fourth quarter of 2005, the Company exercised its "clean-up call" option to reacquire the remaining Dealer Loans from the trust and directed the trust to redeem the notes in full. The remaining assets of the trust, including remaining collections, were paid over to Funding 2004-1 as the sole beneficiary of the trust and then distributed to the Company as the sole member of Funding 2004-1. As a result, this secured financing transaction was terminated after a total term of 15 months.

The Company and its subsidiaries have completed a total of eleven secured financing transactions, nine of which have been repaid in full as of June 30, 2005. Information about the outstanding secured financing transactions is as follows (dollars in thousands): Balance as Secured Financing Secured Dealer Percent of Issue Balance at Advance Balance at Original Number Close Date Limit June 30, 2005 June 30, 2005 Balance - ------ ------------- -------- ---------- ------- ----------------- ---------- 2004-1 August 2004 $100,000 $ 48,090 $ 101,668 48% 2003-2 September 2003* $200,000 103,000 133,836 n/a *In August 2004, the 2003-2 Loan and Security Agreement was amended to increase the facility limit to $200 million and extend the commitment period to August 9, 2005. The commitment period has subsequently been extended to February 15, 2006. Mortgage Loan. The Company has a mortgage loan from a commercial bank that is secured by a first mortgage lien on the Company's headquarters building and an assignment of all leases, rents, revenues and profits under all present and future leases of the building. There was $7.9 million and $8.2 million outstanding on this loan as of June 30, 2005 and December 31, 2004, respectively. During the second quarter of 2004, the loan, which now matures on June 9, 2009, was refinanced and increased by $3.5 million under similar terms and conditions. The loan bears interest at a fixed rate of 5.35%, and requires monthly payments of $92,156 and a balloon payment at maturity for the balance of the loan. Capital Lease Obligations. As of June 30, 2005, the Company has various capital lease obligations outstanding for computer equipment, with monthly payments totaling $73,000. The total amount of capital lease obligations outstanding as of June 30, 2005 and December 31, 2004 was $1.6 million. These capital lease obligations bear interest at rates ranging from 7.28% to 9.31% and have maturity dates between October 2005 and April 2008. Debt Covenants. The Company's debt facilities require compliance with various restrictive debt covenants that require the maintenance of certain financial ratios and other financial conditions. The most restrictive covenants require a minimum ratio of the Company's assets to debt, its liabilities to tangible net worth, and its earnings before interest, taxes and non-cash expenses to fixed charges. The Company must also maintain a specified minimum level of net worth, which may indirectly limit the payment of dividends on common stock. Although the Company was not in compliance with its covenants due to its inability to timely file its Annual Report on Form 10-K for the year ended December 31, 2004 and its Quarterly Report on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005, the Company had received waivers of this requirement on its debt facilities and these waivers became permanent upon the filing of such reports. In addition to the balance sheet indebtedness as of June 30, 2005, the Company also has contractual obligations resulting in future minimum payments under operating leases. A summary of the total future contractual obligations requiring repayments is as follows (in thousands): PERIOD OF REPAYMENT --------- -- CONTRACTUAL OBLIGATIONS TOTAL < 1 YEAR 1-3 YEARS 3-5 YEARS > 5 YEARS --------- ---------------- --------- --------- ------------------- Long-term debt obligations $ 203,672 $ 196,486 $ 2,327 $ 4,859 $ - Capital lease obligations 1,612 654 958 - - Operating lease obligations 2,390 680 1,584 126 - Purchase obligations - - - - - Other long-term obligations(1) - - - - - --------- ---------- --------- --------- --------- Total contractual obligations $ 207,674 $ 197,820 $ 4,869 $ 4,985 $ - ========= ========== ========= ========= ========= (1) The Company has dealer holdback liabilities on its balance sheet; however, as payments of dealer holdbacks are contingent upon the receipt of customer payments on Consumer Loans receivable and the repayment of dealer advances, these obligations are excluded from the above table.

Liquidation of Non-Core Businesses. As of June 30, 2005, the Company expects to receive approximately $7.7 million from the liquidation of its United Kingdom, Canadian, and Automobile Leasing businesses. The expected liquidation proceeds have been determined based on the Company's forecast of cash inflows and outflows during the estimated remaining years of operation for each business. Detail of expected future net liquidation proceeds follows: AS OF (Dollars in thousands) JUNE 30, 2005 ------------- United Kingdom $ 6,300 Canada 1,300 Automobile Leasing 100 -------- $ 7,700 ======== The Company intends to utilize proceeds from businesses being liquidated to: (i) fund dealer-partner advances on Loans originated in the United States and (ii) fund share repurchases. During the second quarter of 2005, the Company received $2.5 million in liquidation proceeds. The Company sold the remaining Consumer Loan portfolio of its United Kingdom subsidiary on December 30, 2005. The selling price was approximately $4.3 million resulting in a pre-tax gain of approximately $3.0. Based upon anticipated cash flows, management believes that cash flows from operations and its various financing alternatives will provide sufficient financing for debt maturities and for future operations. The Company's ability to borrow funds may be impacted by many economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to the Company, the Company's operations could be materially and adversely affected. FORWARD-LOOKING STATEMENTS The Company makes forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission. It may also make forward-looking statements in its press releases or other public or shareholder communications. The Company's forward-looking statements are subject to risks and uncertainties and include information about its expectations and possible or assumed future results of operations. When the Company uses any of the words "believes," "expects," "anticipates," "assumptions," "forecasts," "estimates" or similar expressions, it is making forward-looking statements. The Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of its forward-looking statements. These forward-looking statements represent the Company's outlook only as of the date of this report. While the Company believes that its forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the following: - the Company's potential inability to accurately forecast and estimate the amount and timing of future collections, - increased competition from traditional financing sources and from non-traditional lenders, - the unavailability of funding at competitive rates of interest, - the Company's potential inability to continue to obtain third party financing on favorable terms, - the Company's potential inability to generate sufficient cash flow to service its debt and fund its future operations, - adverse changes in applicable laws and regulations, - adverse changes in economic conditions, - adverse changes in the automobile or finance industries or in the non-prime consumer finance market, - the Company's potential inability to maintain or increase the volume of loans, - an increase in the amount or severity of litigation against the Company, - the loss of key management personnel or inability to hire qualified personnel, - the effect of natural disasters, terrorist attacks and other potential disasters or attacks; and - other risks set forth in this report and the other reports filed or furnished from time to time with the SEC. Other factors not currently anticipated by management may also materially and adversely affect the Company's results of operations. The Company does not undertake, and expressly disclaims any obligation, to update or alter its statements whether as a result of new information, future events or otherwise, except as required by applicable law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for a complete discussion of the Company's market risk. There have been no material changes to the market risk information included in the Company's 2004 Annual Report on Form 10-K. ITEM 4. CONTROLS AND PROCEDURES. Evaluation of disclosure controls and procedures. The Company maintains disclosure controls and procedures that are designed to ensure material information required to be disclosed in the Company's reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with a company have been detected. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation and on the status of the remediation of the material weakness discussed below, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Changes in Internal Controls. As discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, there was a material weakness in the Company's internal control over financial reporting at December 31, 2004 relating to accounting for income taxes. The Company remediated the material weakness during the quarter ended March 31, 2005 by strengthening the resources used in the accounting for income taxes and implementing additional monitoring and oversight controls including engaging external tax advisors to assist in the review of our income tax calculations to ensure compliance with generally accepted accounting principles. There have been no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. - OTHER INFORMATION ITEM 6. EXHIBITS See Index of Exhibits following the signature page, which is incorporated herein by reference.

SIGNATURE Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. CREDIT ACCEPTANCE CORPORATION (Registrant) By: /s/ Kenneth S. Booth ----------------------------------- Kenneth S. Booth Chief Financial Officer January 27, 2006 (Principal Financial Officer, Principal Accounting Officer and Duly Authorized Officer)

INDEX OF EXHIBITS

EXHIBIT NO.	NOTE	DESCRIPTION
4(c)(15)	1	Extension, Waiver and Amendment, dated April 30, 2005, under Third Amended and Restated Credit Agreement, dated as of June 9, 2004, as amended by First Amendment dated as of December 10, 2004, by and among the Company, certain of the Company's subsidiaries, Comerica Bank, as Administrative Agent and Collateral Agent, and the banks signatory thereto.
4(c)(16)	1	Extension, Waiver and Amendment, dated May 31, 2005, under Third Amended and Restated Credit Agreement, dated as of June 9, 2004, as amended by First Amendment dated as of December 10, 2004, by and among the Company, certain of the Company's subsidiaries, Comerica Bank, as Administrative Agent and Collateral Agent, and the banks signatory thereto.
31(a)	1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31(b)	1	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32(a)	1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act.
32(b)	1	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act.

1 Filed herewith

EXHIBIT 4(C)(15)

EXECUTION COPY

(COMERICA LOGO)

April 30, 2005

Credit Acceptance Corporation
Suite 3000
25505 West Twelve Mile Road
Southfield, Michigan 48034

Re: EXTENSION, WAIVER AND AMENDMENT under Third Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of June 9, 2004, as amended by First Amendment dated as of December 10, 2004 ("Credit Agreement") by and among Credit Acceptance Corporation ("Company"), the Lenders which are parties thereto from time to time (each a "Bank" and collectively, the "Banks"), and Comerica Bank as Administrative Agent for the Banks (in such capacity, "Agent")

Ladies and Gentlemen:

Reference is made to the Credit Agreement. Except as defined to the contrary herein, capitalized terms used in this Extension, Waiver and Amendment shall have the meanings given them in the Credit Agreement.

You have indicated that, until certain accounting issues have been resolved with the Company's auditors (such issues, as outlined in your Request Letter and in the Company's press releases dated March 10, 2005 and April 11, 2005, the "Unresolved Accounting Issues"), the Company will be unable to complete its audited financial statements for the fiscal year ending December 31,2004 and to deliver those financial statements to the Banks as required under Section 7.3(b) of the Credit Agreement or to file the Company's 10-K report with the federal Securities and Exchange Commission as required under Section 7.3(f) of the Credit Agreement and under applicable law. Consequently, in your request letter ("Request Letter") dated April 18, 2005 (submitted to the Banks by e-mail), the Company has asked the Banks to agree to extend the time for the required delivery of its audited financial statements and to waive the defaults under the Credit Agreement resulting from the Company's failure to file its Form 10-K and for related waivers.

The Company represents and warrants to Agent and the Banks, as a continuing representation and warranty until the Indebtedness under the Credit Agreement has been repaid and discharged in full and no commitment to extend any credit thereunder remains outstanding, that except as disclosed on Schedule 1 hereto ("Scheduled Waivers") it has obtained (directly or through a Subsidiary, as applicable) all of the waivers, extensions and/or amendments ("Other Waivers") in respect of (i) all agreements for borrowed money, (ii) all Permitted Securitizations and (iii) all other contractual obligations, the occurrence of a default under which could reasonably be expected to have a Material Adverse Effect, in each case, to address the Unresolved Accounting Issues so as to eliminate or continue to postpone the occurrence thereunder of any event of default or other event or consequence which could reasonably be expected to have a Material Adverse Effect as result of such issues.

Based on the approval of the Majority Banks (attached to this letter), the Agent hereby confirms the following matters:

1. The Banks extend the time for delivery of the Company's audited financial statements under Section 7.3(b) of the Credit Agreement and the time for filing of the Company's Form 10-K under Section 7.3(f) of the Credit Agreement, in each case for its fiscal year ending December 31,2004, from April 30,2005 (as currently required thereunder) to May 31, 2005.

2. The Banks waive any Default or Event of Default due to the Company's failure to file its Form 10-K for its fiscal year ending December 31, 2004 arising or that may arise under any provision of the Credit Agreement or any of the other Loan Documents requiring the Company to file its Form 10-K on a timely basis, such waiver to be given retroactive effect to March 31, 2005, provided that the waiver under this paragraph shall expire (unless otherwise extended by the Majority Banks) on the earlier of May 31, 2005 or the date on which the Agent, at the direction or with the concurrence of the Majority Banks, terminates this Waiver by written notice to the Company ("Waiver Expiration Date") due to the Company's failure to obtain a Scheduled Waiver or upon any of the Other Waivers ceasing to be effective, unless replaced with a comparable Other Waiver. The Company agrees to notify the Agent and Banks in writing promptly upon becoming aware that any of the Other Waivers has ceased to be effective and shall deliver to the Agent, promptly following receipt thereof, a copy of any Scheduled Waiver or any replacement of an Other Waiver. In the event this Waiver ceases to be effective with respect to any of the defaults described above, (x) this Waiver shall satisfy any requirement that written notice of such defaults be provided to the Company pursuant to the terms of the Credit Agreement or the other Loan Documents before any remedies may be exercised in respect thereof and (y) any grace periods applicable to such defaults pursuant to the terms of the Credit Agreement and other Loan Documents shall be deemed to have commenced on April 30, 2005, regardless of this Waiver.

3. Until the Waiver Expiration Date, and notwithstanding Sections 7.2, 13.1 or any other provision of the Credit Agreement, (a) the Company shall not be required, to the extent of the Unresolved Accounting Issues, (i) to prepare its financial statements, projections and

similar financial information on a basis consistent with GAAP or (ii) to make any representation or warranty thereunder (or under any Request for Advance or similar document or instrument delivered pursuant to the Credit Agreement) that such financial statements, projections or similar financial information has been prepared on a basis consistent with GAAP, and (b) any misrepresentation, Default or Event of Default resulting from the Company's failure prior to the date hereof, to the extent of the Unresolved Accounting Issues, to report on a basis consistent with GAAP is hereby waived. The Company agrees and acknowledges that it shall continue to be obligated (without limitation) to deliver the financial reports and other information required (without limitation) under Section 7.3(c) of the Credit Agreement, certified by the chief financial officer of the Company on the same basis as set forth in condition (a) hereof.

4. The Banks also waive the Company's compliance with Section 7.3(i) of the Credit Agreement and any Default or Event of Default arising out of any failure by the Company to comply therewith prior to the date hereof, such waiver being given retroactive effect to the Effective Date of Credit Agreement; and agree with the Company that Section 7.3(i) of the Credit Agreement is hereby amended and restated in its entirety, as follows:

"(i) not more than once during the course of each fiscal year promptly following the written request of Agent, at the direction or with concurrence of the Majority Banks, updated Consolidated financial projections which shall reflect, among other things, any Future Debt or Permitted Securitizations contemplated to be incurred or made for the remaining portion of the then current fiscal year, and a Consolidated balance sheet and a Consolidated statement of projected income for each of the two succeeding fiscal years and a statement in reasonable detail specifying all material assumptions underlying such projections."

This Extension, Waiver and Amendment shall become effective, according to the terms and as of the date hereof (except where given retroactive effect hereunder), upon satisfaction by the Company of the following conditions:

(a) The Company shall have delivered to the Banks, prior to the proposed effective date of this Extension, Waiver and Amendment, a draft of its Form 10-K (as it would have been filed with the Securities and Exchange Commission) containing a Consolidated and Consolidating balance sheet, income statement and statement of cash flows of Company and its Subsidiaries for its fiscal year ending December 31,2004, certified by the chief financial officer of the Company as to consistency with prior financial reports and accounting periods (including the method of handling the Unresolved Accounting Issues, but excluding the restated tax items discussed in the Company's March 10, 2005 press release), accuracy and fairness of presentation, and accompanied by a Covenant Compliance Report and a Borrowing Base Certificate;

(b) Agent shall have received (i) counterpart originals of this Extension, Waiver and Amendment, in each case duly executed and delivered by the Company and its Subsidiaries, as applicable, and the Majority Banks, in form satisfactory to Agent and (ii) duly executed copies of the Other Waivers, other than the Scheduled Waivers, if any; and

(c) Agent shall have received from a responsible senior officer of the Company a certification (i) that all necessary actions have been taken by the Company to authorize execution and delivery of this Extension, Waiver and Amendment, and that no consents or other authorizations of any third parties are required in connection therewith; and (ii) that, after giving effect to this Extension, Waiver and Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of this Extension, Waiver and Amendment.

The Company ratifies and confirms, as of the date hereof after giving effect to the waivers and amendments contained herein, each of the representations and warranties set forth in Sections 6.1 through 6.18, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties until the Indebtedness under the Credit Agreement has been repaid and discharged in full and no commitment to extend any credit thereunder remains outstanding.

This Extension, Waiver and Amendment shall be governed by Michigan law and is limited to the specific matters described above and shall not be deemed to be a waiver of or consent to any other matter, including without limitation any failure to comply with any provision of the Credit Agreement or any other Loan Document or to comply with any financial covenant or any other reporting period, or to amend or alter in any respect the terms and conditions of the Credit Agreement (including without limitation all conditions for Advances) or to constitute a waiver or release by the Lenders or the Agent of any right, remedy, Default or Event of Default under the Credit Agreement or any other Loan Documents, except as specifically set forth above. Furthermore, this Extension and Waiver shall not affect in any manner whatsoever any rights or remedies of the Banks with respect to any other non-compliance by the Company or any Guarantor with the Credit Agreement or the other Loan Documents, whether in the nature of a Default or an Event of Default, and whether now in existence or subsequently arising.

By signing and returning a counterpart of this letter to the Agent, the Company acknowledges its acceptance of the terms of this letter.

Very truly yours,

COMERICA BANK, as Agent and as
Collateral Agent

By:

Its:

Acknowledged and Agreed
on the 29th day of April, 2005

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk

Its: Treasurer

REAFFIRMATION OF OTHER LOAN DOCUMENTS

Each of the undersigned hereby acknowledges that it is a party to the Domestic Guaranty, certain of the Collateral Documents and/or certain of the other Loan Documents, as the case may be, (collectively, the "Other Loan Documents") and that it has received and reviewed a copy of the foregoing Extension, Waiver and Amendment ("April 2005 Waiver") to which this Reaffirmation is attached. Each of the undersigned parties hereby ratifies and confirms such party's obligations under the Other Loan Documents to which it is a party, and agrees that such Other Loan Documents remain in full force and effect according to their respective terms after giving effect to the April 2005 Waiver, subject to no setoff, defense or counterclaim. Each of the undersigned parties confirms that this Reaffirmation is not required by the terms of the Other Loan Documents to which it is a party and need not be obtained in connection with this or any prior or future amendments, waivers or extensions of or under the Credit Agreement. Capitalized terms not otherwise defined herein will have the meanings given them in the Credit Agreement.

Dated as of April 29th, 2005.

AUTO FUNDING AMERICA OF NEVADA, INC.
BUYERS VEHICLE PROTECTION PLAN, INC.
CAC LEASING, INC.
CREDIT ACCEPTANCE CORPORATION OF NEVADA, INC.
CREDIT ACCEPTANCE CORPORATION OF SOUTH DAKOTA, INC.
VEHICLE REMARKETING SERVICES, INC.

By: /s/ Douglas W. Busk

Its: Treasurer

[REAFFIRMATION TO EXTENSION, WAIVER AND AMENDMENT)

EXTENSION, WAIVER AND AUTHORIZATION

The undersigned Bank, by signing below, approves the matters described in paragraphs 1 through 4 of this letter, and authorizes the Agent to execute and deliver the foregoing Extension and Waiver, in the form to which this Authorization is attached.

[Bank]

By:

Its:

Date: April _______, 2005

[BANK SIGNATURE PAGE TO EXTENSION, WAIVER AND AMENDMENT]

SCHEDULE 1 TO EXTENSION, WAIVER AND AMENDMENT
DATED APRIL 30, 2005

NONE

REAFFIRMATION OF OTHER LOAN DOCUMENTS

Each of the undersigned hereby acknowledges that it is a party to the Domestic Guaranty, certain of the Collateral Documents and/or certain of the other Loan Documents, as the case may be, (collectively, the "Other Loan Documents") and that it has received and reviewed a copy of the foregoing Extension, Waiver and Amendment ("April 2005 Waiver") to which this Reaffirmation is attached. Each of the undersigned parties hereby ratifies and confirms such party's obligations under the Other Loan Documents to which it is a party, and agrees that such Other Loan Documents remain in full force and effect according to their respective terms after giving effect to the April 2005 Waiver, subject to no setoff, defense or counterclaim. Each of the undersigned parties confirms that this Reaffirmation is not required by the terms of the Other Loan Documents to which it is a party and need not be obtained in connection with this or any prior or future amendments, waivers or extensions of or under the Credit Agreement. Capitalized terms not otherwise defined herein will have the meanings given them in the Credit Agreement.

Dated as of April 29, 2005.

AUTO FUNDING AMERICA OF NEVADA, INC.
BUYERS VEHICLE PROTECTION PLAN, INC.
CAC LEASING, INC.
CREDIT ACCEPTANCE CORPORATION OF NEVADA, INC.
CREDIT ACCEPTANCE CORPORATION OF SOUTH DAKOTA, INC.
VEHICLE REMARKETING SERVICES, INC.
CAC (TCI), LTD,
CAC REINSURANCE, LTD.

By: /s/ Douglas W. Busk

Its: Treasurer

[REAFFIRMATION TO EXTENSION, WAIVER AND AMENDMENT]

EXHIBIT 4(C)(16)

EXECUTION COPY

(COMERICA LOGO)

May 31, 2005

Credit Acceptance Corporation
Suite 3000
25505 West Twelve Mile Road
Southfield, Michigan 48034

Re: EXTENSION, WAIVER AND AMENDMENT under Third Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of June 9, 2004, as amended by First Amendment dated as of December 10, 2004 ("Credit Agreement") by and among Credit Acceptance Corporation ("Company"), the Lenders which are parties thereto from time to time (each a "Bank" and collectively, the "Banks"), and Comerica Bank as Administrative Agent for the Banks (in such capacity, "Agent")

Ladies and Gentlemen:

Reference is made to the Credit Agreement and to the Extension, Waiver and Amendment dated April 30, 2005 issued by the Agent under the Credit Agreement ("April Waiver"). Except as defined to the contrary herein, capitalized terms used in this Extension, Waiver and Amendment shall have the meanings given them in the Credit Agreement, and if not defined therein, then as defined in the April Waiver.

As you have previously indicated, until certain accounting issues have been resolved with the Company's auditors (such issues, referred to in the April Waiver as the "Unresolved Accounting Issues"), the Company is unable to complete its audited financial statements for the fiscal year ending December 31, 2004 and to deliver those financial statements to the Banks as required under Section 7.3(b) of the Credit Agreement or to file the Company's 10-K report with the federal Securities and Exchange Commission as required under Section 7.3 (f) of the Credit Agreement and under applicable law. Under the April Waiver, Agent and the Banks, among other things, extended the applicable time periods for such deliveries to May 31,2005 and waived the defaults under the Credit Agreement resulting from the Company's failure to file its Form 10-K.

In your request letter dated May 18, 2005 ("Request Letter"), you have indicated that there has been no resolution of the Unresolved Accounting Issues and, in fact, the matter may not be resolved for several months. Consequently, you have requested a further extension of the required time period for delivery of the Company's audited financial statements and filing of the Company's Form 10-K and an extension of the related waivers and, in addition, an extension of the required time period for the filing of the Company's Form 10-Q report required under Section 7.3(f) of the Credit Agreement and under applicable law and for related waivers. Furthermore, recognizing the Banks' difficulty in considering an extension of the Revolving Credit Maturity Date in the absence of audited financial statements and a resolution of the Unresolved Accounting Issues, you have asked that the Banks agree to amend the payment schedule for the Additional Commitment Fee under Section 2.13(c).

The Company represents and warrants to Agent and the Banks, as a continuing representation and warranty until the Indebtedness under the Credit Agreement has been repaid and discharged in full and no commitment to extend any credit thereunder remains outstanding, that except as disclosed on Schedule 1 hereto ("Scheduled Waivers") it has obtained (directly or through a Subsidiary, as applicable) all of the waivers, extensions and/or amendments ("Other Waivers") in respect of (i) all agreements for borrowed money, (ii) all Permitted Securitizations and (iii) all other contractual obligations, the occurrence of a default under which could reasonably be expected to have a Material Adverse Effect, in each case, to address the Unresolved Accounting Issues so as to eliminate or continue to postpone the occurrence thereunder of any event of default or other event or consequence which could reasonably be expected to have a Material Adverse Effect as a result of such issues.

Based on the approval of the requisite Banks (attached to this letter), the Agent hereby confirms the following matters:

1. The Banks extend (i) the time for delivery of the Company's audited financial statements under Section 7.3(b) of the Credit Agreement, the time for filing of the Company's Form 10-K under Section 7.3(f) of the Credit Agreement, in each case for its fiscal year ending December 31,2004, from May 31, 2005 (as currently required thereunder) to July 31, 2005 and (ii) the time for filing the Company's Form 10-Q under Section 7.3(f) of the Credit Agreement (for its first fiscal quarter ending March 31, 2005) from May 31, 2005 to July 31, 2005 (such required Form 10-K and 10-Q filings being referred to herein as the "Required SEC Filings").

2. The Banks waive any Default or Event of Default due to the Company's failure to make its Required SEC Filings arising or that may arise under any provision of the Credit Agreement or any of the other Loan Documents requiring the Company to make its Required SEC Filings on a timely basis, such waiver to be given retroactive effect to March 31,2005 (in the case of its Form 10-K) and May 10, 2005 (in the case of its Form 10-Q), provided that the waivers under this paragraph shall expire (unless otherwise extended by the Majority Banks) on the earlier of July 31, 2005 or the date on which the Agent, at the direction or with the concurrence of the Majority Banks, terminates this Waiver by written notice to the Company ("Waiver Expiration Date") due to the

Company's failure to obtain a Scheduled Waiver or upon any of the Other Waivers ceasing to be effective, unless replaced with a comparable Other Waiver. The Company agrees to notify the Agent and Banks in writing promptly upon becoming aware that any of the Other Waivers has ceased to be effective and shall deliver to the Agent, promptly following receipt thereof, a copy of any Scheduled Waiver or any replacement of an Other Waiver. In the event this Extension, Waiver and Amendment ceases to be effective with respect to any of the defaults described above, (x) this Extension, Waiver and Amendment shall satisfy any requirement that written notice of such defaults be provided to the Company pursuant to the terms of the Credit Agreement or the other Loan Documents before any remedies may be exercised in respect thereof and (y) any grace periods applicable to such defaults pursuant to the terms of the Credit Agreement and other Loan Documents shall be deemed to have commenced on April 30, 2005 (with respect to the Company's Form 10-K) and on May 31, 2005 (with respect to the Company's Form 10-Q), regardless of this Extension, Waiver and Amendment.

3. Until the Waiver Expiration Date, and notwithstanding Sections 7.2, 13.1 or any other provision of the Credit Agreement, (a) the Company shall not be required, to the extent of the Unresolved Accounting Issues, (i) to prepare its financial statements, projections and similar financial information on a basis consistent with GAAP or (ii) to make any representation or warranty thereunder (or under any Request for Advance or similar document or instrument delivered pursuant to the Credit Agreement) that such financial statements, projections or similar financial information has been prepared on a basis consistent with GAAP, and (b) any misrepresentation, Default or Event of Default resulting from the Company's failure prior to the date hereof, to the extent of the Unresolved Accounting Issues, to report on a basis consistent with GAAP is hereby waived. The Company agrees and acknowledges that it shall continue to be obligated (without limitation) to deliver the financial reports and other information required (without limitation) under Section 7.3(c) of the Credit Agreement, certified by the chief financial officer of the Company on the same basis as set forth in condition (a) hereof.

4. The Banks agree with the Company that the last sentence of Section 2.13(c) of the Credit Agreement is amended and restated in its entirety, as follows:

> "One-quarter of the Additional Commitment Fee, if applicable, shall be due and payable on the first day of each calendar quarter if, on such date, the remaining maturity of the Revolving Credit shall be less than 366 days, but shall not otherwise be due and payable."

This Extension, Waiver and Amendment shall become effective, according to the terms and as of the date hereof (except where given retroactive effect hereunder), upon satisfaction by the Company of the following conditions:

(a) The Company shall have delivered to the Banks, prior to the proposed effective date of this Extension, Waiver and Amendment, a draft of its Form 10-Q (as it would have been filed with the Securities and Exchange Commission) containing a Consolidated and Consolidating balance sheet, income statement and statement of cash flows of Company and its Subsidiaries for its first quarter ending March 31, 2005, certified by the chief financial officer of the Company as to consistency with prior financial reports and accounting periods (including the method of handling the Unresolved Accounting Issues, but excluding the restated tax items discussed in the Company's March 10, 2005 press release), accuracy and fairness of presentation, and accompanied by a Covenant Compliance Report and a Borrowing Base Certificate;

(b) Agent shall have received (i) counterpart originals of this Extension, Waiver and Amendment, in each case duly executed and delivered by the Company and its Subsidiaries, as applicable, and the Majority Banks, in form satisfactory to Agent and (ii) duly executed copies of the Other Waivers, other than the Scheduled Waivers, if any; and

(c) Agent shall have received from a responsible senior officer of the Company a certification (i) that all necessary actions have been taken by the Company to authorize execution and delivery of this Extension, Waiver and Amendment, and that no consents or other authorizations of any third parties are required in connection therewith; and (ii) that, after giving effect to this Extension, Waiver and Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of this Extension, Waiver and Amendment.

The Company ratifies and confirms, as of the date hereof after giving effect to the waivers and amendments contained herein, each of the representations and warranties set forth in Sections 6.1 through 6.18, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties until the Indebtedness under the Credit Agreement has been repaid and discharged in full and no commitment to extend any credit thereunder remains outstanding.

This Extension, Waiver and Amendment shall be governed by Michigan law and is limited to the specific matters described above and shall not be deemed to be a waiver of or consent to any other matter, including without limitation any failure to comply with any provision of the Credit Agreement or any other Loan Document or to comply with any financial covenant or any other reporting period, or to amend or alter in any respect the terms and conditions of the Credit Agreement (including without limitation all conditions for Advances) or to constitute a waiver or release by the Banks or the Agent of any right, remedy, Default or Event of Default under the Credit Agreement or any other Loan Documents, except as specifically set forth above. Furthermore, this Extension, Waiver and Amendment shall not affect in any manner whatsoever any rights or remedies of the Banks with respect to any other non-compliance by the Company or any Guarantor with the Credit Agreement or the other Loan Documents, whether in the nature of a Default or an Event of Default, and whether now in existence or subsequently arising.

By signing and returning a counterpart of this letter to the Agent, the Company acknowledges its acceptance of the terms of this letter.

Very truly yours,

COMERICA BANK, as Agent and as Collateral Agent

By:

Its:

Acknowledged and Agreed
on the 31st day of May, 2005

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk

Its: Treasurer

REAFFIRMATION OF OTHER LOAN DOCUMENTS

Each of the undersigned hereby acknowledges that it is a party to the Domestic Guaranty, certain of the Collateral Documents and/or certain of the other Loan Documents, as the case may be, (collectively, the "Other Loan Documents") and that it has received and reviewed a copy of the foregoing Extension, Waiver and Amendment ("May 2005 Waiver") to which this Reaffirmation is attached. Each of the undersigned parties hereby ratifies and confirms such party's obligations under the Other Loan Documents to which it is a party, and agrees that such Other Loan Documents remain in full force and effect according to their respective terms after giving effect to the May 2005 Waiver, subject to no setoff, defense or counterclaim. Each of the undersigned parties confirms that this Reaffirmation is not required by the terms of the Other Loan Documents to which it is a party and need not be obtained in connection with this or any prior or future amendments, waivers or extensions of or under the Credit Agreement. Capitalized terms not otherwise defined herein will have the meanings given them in the Credit Agreement.

Dated as of May 31, 2005.

AUTO FUNDING AMERICA OF NEVADA, INC.
BUYERS VEHICLE PROTECTION PLAN, INC.
CAC LEASING, INC.
CREDIT ACCEPTANCE CORPORATION OF NEVADA, INC.
CREDIT ACCEPTANCE CORPORATION OF SOUTH DAKOTA, INC.
VEHICLE REMARKETING SERVICES, INC.
CAC (TCI), LTD.
CAC REINSURANCE, LTD.

By: /s/ Douglas W. Busk

Its: Treasurer

[REAFFIRMATION TO EXTENSION, WAIVER AND AMENDMENT]

EXTENSION, WAIVER AND AUTHORIZATION

The undersigned Bank, by signing below, approves the matters described in paragraphs 1 through 4 of this letter, and authorizes the Agent to execute and deliver the foregoing Extension Waiver and Amendment, in the form to which this Authorization is attached.

[Bank]

By: -----------------------------------

Its: ----------------------------------

Date: May 31, 2005

[BANK SIGNATURE PAGE TO EXTENSION, WAIVER AND AMENDMENT]

SCHEDULE 1 TO EXTENSION, WAIVER AND AMENDMENT
DATED MAY 31, 2005

NONE

EXHIBIT 31 (a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT

I, Brett A. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Acceptance Corporation;

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 period 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 period 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; and

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 period 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 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.

January 27, 2006

/s/ Brett A. Roberts

- ----------------------

Chief Executive Officer

EXHIBIT 31 (b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT

I, Kenneth S. Booth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Acceptance Corporation;

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 period 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 period 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; and

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 period 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 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.

January 27, 2006

/s/ Kenneth S. Booth

- --------------------

Chief Financial Officer

EXHIBIT 32 (a)

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 Quarterly Report of Credit Acceptance Corporation (the "Company") on Form 10-Q for the period ending June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brett A. Roberts, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brett A. Roberts

Chief Executive Officer
January 27, 2006

EXHIBIT 32 (b)

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 Quarterly Report of Credit Acceptance Corporation (the "Company") on Form 10-Q for the period ending June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth S. Booth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth S. Booth

Chief Financial Officer
January 27, 2006