Select Inquiries Received Year to Date 2008

<u>Select Inquiries Received through September 2, 2008</u>

1) I noticed that you have extended the term on the larger warehouse facility until August 2009. Can you explain what happens to it if you cannot renew it at that time? Do you have any repurchase obligations of loans in the facility if it is accelerated and foreclosed on? Or do you put the facility and the loans in it to the lender? Other than the loans in the facility do you have any capital supporting the loans that you would forfeit in an acceleration/foreclosure? Thank you.

If we cannot renew the warehouse facility when it matures in August 2009 (and assuming no default has occurred under the facility), the facility will “term out” in accordance with its terms. While no further advances would be made under the facility, the amount outstanding under the facility would be repaid over time as the collections on the loans securing the facility are received. Non-renewal is not itself a default that would permit acceleration or foreclosure.

We do not have any repurchase obligations under the facility other than the standard representations and warranties relating to loan eligibility at the time the loans are contributed to the facility.

Under certain conditions (such as a default on our part or if collections on the loans are substantially less than expected), the lender would be able to foreclose under the facility and sell the loans, but based on current loan performance, we believe it is very unlikely any such condition would arise.

Other than the loans in the facility, we do not have any capital supporting the borrowings under the facility.

2) What portion of vehicles financed are light trucks or sport utility vehicles?

In 2007 and the first six months of 2008, approximately 34% and 38% of the vehicles we financed were trucks or sport utility vehicles.

Select Inquiries Received through May 22, 2008

1) Question on the revenue to capital yield – what is the approximate yield on revenue that you hope to reach, and how long is it likely to take (how long to wash through the lower yielding loans), other things being equal?

We don't maintain a revenue to capital yield target. The ratio of revenue to capital depends on pricing and loan performance. With respect to pricing, our objective is to maximize the amount of Economic Profit produced from new originations. With respect to loan performance, our goal is to achieve a collection rate consistent with the expectation we had when the loan was originated.

2) Why are Salaries and Wages up so significantly Y/Y?

Salaries and Wages increased from $11.9 million in the first quarter of 2007 to $17.7 million in the first quarter of 2008, an increase of 49.6%. At the same time, the primary drivers of salaries and wage expense including the unit volume of loan originations and the number of delinquent accounts in our loan portfolio increased by approximately 15%. The following factors contributed to a greater than proportionate increase in salaries and wages:

- A smaller percentage of loan origination costs were deferred. For dealer loans, certain loan origination costs are deferred and expensed over the life of the loan while, for purchased loans, all origination costs are expensed immediately. Since purchased loans represent a greater proportion of our business, the deferral was lower in Q1 2008 compared Q1 of 2007. Deferring the same proportion of expenses in Q1 of 2008 would have reduced salaries and wages by approximately $1.0 million.
- We increased salaries and wages related to various support functions by $3.1 million, or 46.9%. The increases include salaries and wages related to Information Technology ($1.4 million) and Analytics ($400,000). While a portion of this increase was related to growth, most of the increase reflects a decision to expand our capabilities in these areas. Both functions are important to our strategy and we expect we will get a good return on our investment. (The Analytics function provides decision models, forecasting and other quantitative based analysis). The remaining increases in support functions were spread among Legal, Finance and Operations Improvement, the latter being a new support function we added to drive continuous process improvement in our Operational areas. In addition, expenses related to restricted stock and restricted stock units increased support salaries and wages by $400,000, primarily due to changes in vesting assumptions which reduced the expense recorded in Q1 of 2007.

Excluding the items mentioned above, the increase in salaries and wages was consistent with the increase in loan volume and delinquent accounts.

3) Can you update us on the status of your funding resources at this point relative to your growth plans/objectives for this year and next?

In our response to an investor question posted on our website on March 19, 2008, we pointed out that the exact amount of debt that we would require was dependent on growth rates and profitability levels. We also stated that our current plans required a minimum of $750 million in debt capacity by year end 2008 and that, to reach this level, we needed to secure an additional $171.5 million of borrowing capacity.

Since that time we have completed a $150 million secured financing which leaves us just short of our previously stated goal. Our projections indicate that currently available capital will allow us to grow unit volumes at 10%-15% over the remainder of the year. If we are able to access additional capital, it will provide us the ability to grow faster than 10%-15%.

In order to continue to grow unit volumes at this rate in 2009, we will need to accomplish the following:

- Renew our $325 million warehouse line of credit.
- Access an additional $300-350 million in additional capital to allow us to refinance existing amortizing debt and fund new loan growth.

We continue to work on a number of financing alternatives to address our funding needs in 2008 and 2009 including increasing the size of our bank line of credit, accessing the long term debt market and additional asset backed secured financings. We are comfortable with our progress so far this year and will report additional progress as it occurs.

4) Can you give us more detail about the changes made to your collections forecasting model? Why would there be a negative adjustment of 0.3% to 1999 vintage when 99.5% of the expected $ collections are done?

As of December 31, 2007 (the date we transitioned to the new forecasting method) we had realized 99.1% of forecasted collections relating to 1999 originations. Our forecast (using the prior method) for 1999 originations as of December 31, 2007 was 72.3% which means we expected to collect 0.65% over the remaining life of the loans. The new forecasting methodology reduced our forecast for 1999 originations from 72.3% to 72.0% meaning we now expect to collect 0.35% over the remaining life.

By way of background, our forecast covers collections expected to be received over the period that starts with the date the loan is originated and ends 120 months after this date.

Although collections are received after 120 months, these are treated as recoveries and are accounted for as received.

On average, loans originated in 1999 had been on the books for 101 months as of December 31, 2007 meaning our forecast for these loans at December 31, 2007 covers 19 months (102-120 months after the origination date). Historically, when segmented by year of origination, the actual amount collected over months 102-120 ranges from 0.50% to 0.80% (data from loans originated 1991-1997).

As a result, our old forecast of 0.65% was roughly in the center of this historical average while the new forecast assumes remaining collections will be slightly worse than were actually recovered on loans in our historical data set. However, because the new forecast uses additional data fields not utilized by the prior forecast, we have reason to believe the new forecast is more accurate.

Although your question is a good one, we do not view the 0.30% revision as material. By way of comparison, collections after 120 months, which are not included in the forecast at all, historically have exceeded 1.00%.

5) How are you measuring and managing Purchase Loans differently then your traditional advance-dealer holdback program?

Other than eligibility requirements, which are more selective for the Purchase Program, the programs are managed in the same way.

6) With greater risk, can one assume that the capital invested in the Purchase program will generate significantly higher returns?

As we said in our press release, Purchased Loans written to date have lower returns than Dealer Loans written over the same period, but are expected to produce higher per unit Economic Profit. Up until recently, we have viewed the additional Economic Profit per loan to be adequate compensation for the additional risk. However, in response to the current capital environment, we are currently transitioning to a different pricing strategy that will increase the premium received on Purchased Loans.

7) Your purchase loan unit volume generated in 2007 came to 17.3% of total unit loans and this figure rose to 29.7% in the first quarter of 2008. Do you plan to cap this program at a set percentage of your total unit loan volume?

We prefer to manage the Purchase Program through pricing adjustments rather than by capping the volume at a set percentage.

8) Finally, your purchased loan program provides for no backend payments to the dealer that originates them. Given that they have "no skin in the game" once the loan has been sold, should the stockholders be concerned about the quality of these loans? Does the CACC/dealer partnership become diluted because of the loan purchase program?

The lack of "skin in the game", was one reason we decided to carefully test the viability of the Purchase program through a pilot program in early 2005. After accumulating enough performance data to gain confidence that we could forecast Purchase Loan performance accurately, we began to expand the program. In early 2007, we accelerated the expansion of the Purchase Program as another way to grow loan volume profitably in a difficult competitive environment. Because the spread between the return on capital and the cost of capital is significant, we believe that it is very likely that Purchase Loans would provide incremental profitability, even if the loans performed worse than we expected.

<u>Select Inquiries Received through March 19, 2008</u>

1) Please discuss how the dislocations in the credit markets are affecting CACC. Specifically, your last asset-backed non-recourse secured financing took place at the end of October of 2007. Do you expect to do a similar transaction in the next two months? If not, what alternatives does CACC have in financing its origination of used car loans? Will these alternatives require you to slow down your origination loan growth (dollar and unit volumes) or affect your return on invested capital and your per share earning growth rate?

We ended 2007 with $797 million of invested capital. Capital grew rapidly in 2007 (32.4%) and we believe we have an opportunity to invest additional capital in our business at attractive rates of return. To do so will require us to raise additional debt in 2008.

The $797 million of capital at year end was comprised of $532 million of debt and $265 million in shareholder's equity. Although the precise amount of debt we require will depend on profitability and rates of growth, our current plans call for a minimum of $750 million in total debt capacity by year-end.

Since the start of the year we have renewed our $325 million warehouse line of credit through February 11, 2009 and increased our bank line of credit to $153.5 million. This line of credit matures on June 20, 2009 and will be automatically extended to June 22, 2010 provided that we report net income of at least $5.0 million for the first quarter of 2008. In addition, we expect to have $100 million of term asset-backed debt outstanding at year-end. As a result, we will need to secure an additional $171.5 million to reach our target ($750 million – ($325 million + $153.5 million + $100 million).

We are currently working on a number of alternatives to secure the debt financing we need. These alternatives include further increasing the size of our bank line of credit, increasing the size of our warehouse line of credit, accessing capital through the long-term debt market, or an asset-backed securitization. It is difficult to characterize the probability of success at this time, except to say we have an excellent business with high returns on capital and a conservative balance sheet. We offer our lenders a very low risk financing opportunity since the amount we borrow is very conservative relative to the cash flows we expect from our assets.

If we are unsuccessful in this effort, we will be required to reduce origination levels. The impact of lower loan origination levels on our financial performance depends on the specific assumptions that are applied.

We are working diligently through each of the alternatives and are attempting to secure the capital we need as soon as possible. We will make public announcements at such time as we have additional news to report.

2) Could you please comment on the competitive environment since the beginning of the New Year?

Unit volumes are up 14.6% for the first two months of 2008, as compared to the same period of the prior year. The increase is at the high-end of our expectations since our pricing is more conservative than a year ago, and we experienced very high growth rates in January and February of 2007 (27.4%). We believe the growth rate so far this year is at least partially the result of a more favorable competitive environment.

3) And finally, do you expect the Economic Stimulus Act of 2008 to benefit the company in any meaningful way?

Loan originations and collections have historically been positively impacted by tax refunds received in the first quarter of each year. As a result, we are optimistic that tax refunds generated as a result of the Economic Stimulus Act will have a similarly positive impact on our mid-year results.

Select Inquiries Received through March 17, 2008

1) The CEO and other executives recently exercised expiring stock options. Were any shares subsequently sold?

Since January 1, 2008, two officers have exercised stock options. The details of these exercises and related sales of stock, if any, are detailed below:

Name	Title	Options Exercised	Shares Sold	Shares Held
Brett Roberts	CEO	100,000	-	100,000
Mike Knoblauch	Senior V.P. - Loan Servicing	50,000	13,964	36,036

For additional information regarding these transactions, please refer to the Form 4 filings for each of the individuals names above. Such filings are available in the "Investors" section of our web site.

Select Inquiries Received through February 14, 2008

1) Personal bankruptcies continue to rise and your loans receivable increased 25% year over year but there was almost no change in your allowance for credit losses. In fact this figure fell to 14.2% from 17.1% year over year. This is counter to what others in your industry are reporting. Can you please explain the discrepancy?

The following table summarizes loans receivable and the allowance for credit losses for the past three years:

	12/31/2005	**12/31/2006**	**12/31/2007**
Loans receivable	694,939	754,571	944,698
Allowance for credit losses	(131,411)	(128,791)	(134,145)
Allowance for credit losses as % of loans receivable	18.9%	17.1%	14.2%

As you point out, our allowance for credit losses has declined as a percentage of loans receivable over the past three years.

In order to explain why this has occurred we first need to explain the mechanics of our GAAP loan accounting.

Credit Acceptance is an indirect lender, which means that the loans are originated by an automobile dealer and immediately assigned to us. We compensate the automobile dealer for the loan through two types of payments. The first payment is made at the time of origination. The remaining compensation is paid over time based on the performance of the loan.

Finance charge revenue equals the cash we collect from the loan, less the amounts we pay to the dealer. In other words, finance charge revenue equals the cash inflows from the loan less the cash outflows to acquire the loan.

Under GAAP accounting, finance charge revenue is recognized on a level-yield basis. That is, the amount of the loan revenue recognized in a given period, divided by the loan asset, is a constant percentage.

An allowance for credit losses is recorded when our expectation of cash inflows from a group of loans declines from the expectation we had at the time of loan origination. For this purpose loans are pooled by dealer, in the case of loans recorded as dealer loans, and by origination month, for loans recorded as purchased loans. The allowance is recorded in an amount necessary to reduce the net asset value (loan balance less the allowance) to the net present value of future cash flows discounted at the yield expected when the loan was acquired.

In other words, if we expected a pool of loans to produce a 30% yield, and subsequently revise this expectation to 25%, we continue to record revenue at 30% over the life of the loan pool, and immediately record an expense for the reduction in cash flows that is expected to occur based on our revised estimate. The expense is recorded with a debit to the provision for credit losses and a credit to the allowance for credit losses.

Based on this explanation, you should expect that the allowance for credit losses would be higher in periods where a relatively high percentage of loan pools fail to meet our initial expectations and lower in periods when loan pools generally perform in accordance with our expectations.

The allowance is eventually removed from our balance sheet at such time that no additional cash flows from the loan pool are expected. This transaction ("a write-off") is recorded by reducing the loan receivable and the allowance for credit losses by an equivalent amount. This generally occurs 120 months after the loan pool has been originated consistent with the period of time our initial forecast covers. As a result, the allowance for credit losses reflects the accuracy of our forecasts over a long-period of time.

The reduction in the allowance for credit losses reflects a reduction in the percentage of loan pools that under perform our initial estimate. Our improvement in this regard reflects the implementation of empirical credit scoring in 1998, and subsequent improvements to this credit scoring capability as well as improved risk management processes which were not well developed 10 years ago.

We should also point out that the allowance for credit losses is not something we find particularly important in evaluating our financial performance for the following reason: GAAP treats positive and negative changes in forecasted cash flows inconsistently. Positive changes are recorded as revenue over time while negative changes are recorded immediately as an expense.

For example, if forecasted cash flows from one dealer-partner loan pool increase by $1,000 and forecasted cash flows from another dealer-partner loan pool decrease by $1,000, no change in our shareholders' economic position has occurred. GAAP, however, requires us to record the $1,000 decrease as an expense in the current period and the $1,000 favorable change as income over the remaining life of the loan pool.

Because of this distortion, each reporting period we provide adjusted financial results which treat both favorable and unfavorable changes in forecasted cash flows consistently. Our adjusted financial results treat both favorable and unfavorable changes as an adjustment to the loan yield and no allowance for credit losses is therefore required.

For more information on adjusted earnings, please refer to our quarterly earnings releases.

2) Could you please announce ahead of time when your earnings releases will be and hold quarterly conference calls. That would be very helpful to your valued shareholders, especially in these uncertain times.

We release earnings after the market has closed on the first day that we have completed our internal process. Our preference is to release information when ready in order to provide the information to shareholders as soon as possible. While we have an internal target date, we have released both earlier and later than our internal target over the past few years.

Related to holding conference calls, see our answer from May 6, 2006.