

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004 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 (I.R.S. Employer Identification No.)
incorporation or organization)

25505 W. TWELVE MILE ROAD, SUITE 3000 48034-8339
SOUTHFIELD, MICHIGAN (Zip Code)
(Address of Principal Executive Offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☒ 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 ☒

The aggregate market value of 9,896,178 shares of the Registrant's common stock held by non-affiliates on June 30, 2004 was approximately \$149.1 million. For purposes of this computation all officers, directors and 10% beneficial owners of the Registrant are assumed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the Registrant.

At December 31, 2005, there were 37,027,286 shares of the Registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

CREDIT ACCEPTANCE CORPORATION
YEAR ENDED DECEMBER 31, 2004

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EXPLANATORY NOTE

This Annual Report on Form 10-K for the year ended December 31, 2004 reflects the restatement of Credit Acceptance's (the "Company") consolidated financial statements for the years ended December 31, 2003, December 31, 2002, December 31, 2001 and December 31, 2000, as previously filed. In addition, the Company has restated the consolidated financial statements for the year ended December 31, 2004 as reported in a March 24, 2005 press release announcing financial results for the year ended, and the consolidated financial statements for the quarters ended March 31, 2003, June 30, 2003, September 30, 2003, March 31, 2004, June 30, 2004, and September 30, 2004 as previously filed. Prior year financial statements have been restated due to the following reasons: On April 1, 2005, the Company's former independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), informed the Company that Deloitte's National Office was reviewing the Company's accounting for loans. On April 8, 2005, Deloitte informed the Company that it believed the Company should not account for loans as an originator of loans to consumers but should instead account for its loans as a lender to its dealer-partners. The Company had accounted for its loans as a loan originator to consumers since 1992, and believed such accounting was in accordance with generally accepted accounting principles in the United States of America ("GAAP"). On April 26, 2005, the Company submitted a letter to the staff of the Office of the Chief Accountant of the Securities and Exchange Commission ("the SEC") requesting guidance.

On June 24, 2005, the SEC informed the Company that its method for recording loans should be changed from that of an originator of consumer loans to that of a servicer of loans generated by dealer-partners and a lender to those dealer-partners. As a result of this determination, the Company was required to restate its previously issued financial statements and reported financial results.

In addition to the restatement for the new loan accounting methodology, the Company's consolidated financial statements have been restated to correct income taxes related primarily to its foreign subsidiaries. On March 10, 2005, the Company disclosed that it had discovered errors related to accounting for income taxes related primarily to its foreign operations during the 2004 year-end closing process. The correction of these errors had no impact on pre-tax income. Additionally, various adjustments have been made to income taxes in addition to these corrections as a result of the change in loan accounting previously discussed.

For additional information regarding the Company's restatement and new accounting treatment for its loan portfolio, see Note 2 to the consolidated financial statements, which is incorporated herein by reference.

The following items in the Company's 2004 10-K have been restated for prior years as a result of the change in accounting methodology for loans and correction of income taxes:

Part I - Item 1 - Business
Part II - Item 6 - Selected Financial Data
Part II - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations
Part II - Item 8 - Financial Statements and Supplementary Data

This Annual Report on Form 10-K for the year ended December 31, 2004 should be read in conjunction with the additional reports filed this same date. These include the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, and the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005.

PART I

ITEM 1. BUSINESS

GENERAL

Since 1972, Credit Acceptance (the "Company" or "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.

Without the Company's product, consumers are often unable to purchase a vehicle or they purchase an unreliable one and are not provided the opportunity to improve their credit standing. As the Company reports to the three national credit reporting agencies, a significant number of its customers improve their lives by improving their credit score and move on to more traditional sources of 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 and who share its commitment to changing customers' lives as "dealer-partners".

The Company's Internet address is www.creditacceptance.com. The Company makes available, free of charge on the web site, copies of reports it files with or furnishes to the Securities and Exchange Commission as soon as reasonably practicable after the Company electronically files or furnishes such reports.

Although the Company is the legal owner of the retail installment contracts upon acceptance, for accounting purposes, 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. For additional information see Note 1 to the consolidated financial statements, which is incorporated herein by reference.

PRINCIPAL BUSINESS

A customer who does not qualify for conventional automobile financing can purchase a used vehicle from a Credit Acceptance dealer-partner and finance the purchase through the Company. 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 ("dealer holdback").

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. Customers and dealer-partners benefit as follows:

Customers. The Company helps change the lives of customers who do not qualify for conventional automobile financing by helping them obtain quality transportation and, equally important, providing an opportunity to establish or reestablish their credit through the timely repayment of their Consumer Loan.

Dealer-Partners. The Company's program increases dealer-partners' profits in the following ways:

- Enables dealer-partners to sell cars to customers who may not be able to obtain financing without the Company's program. In addition, customers often become repeat customers by financing future vehicle purchases either through the Company's program or, after they have successfully established or reestablished their credit, through conventional financing.
- Allows dealer-partners to share in the profits not only from the sale of the vehicle, but also from its financing.
- Enables dealer-partners to attract customers by advertising "guaranteed credit approval", where allowed by law. The customers will often use other services of the dealer-partners and refer friends and relatives to them.
- Enables dealer-partners to attract customers who mistakenly assume they do not qualify for conventional financing.

Credit Acceptance derives its revenues from the following principal sources:

- (i) Finance charges, which are comprised of: (a) servicing fees earned as a result of servicing Consumer Loans assigned to the Company by dealer-partners and (b) fees earned from the Company's third party ancillary product offerings, which primarily consist of service contract programs;
- (ii) license fees, which represent monthly fees from the Company's patented Internet-based Credit Approval Processing System ("CAPS");
- (iii) lease revenue earned from investments in operating leases; and
- (iv) other income, which primarily consists of: premiums earned on credit life insurance programs; net gains resulting from lease terminations; and fees charged to dealer-partners at the time they enroll in the Company's program.

The following table sets forth the percent relationship to total revenue of each of these sources:

PERCENT OF TOTAL REVENUE	FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2002
Finance charges	87.6%	84.0%	72.9%
Lease revenue	0.9%	4.2%	10.1%
License fees	3.3%	2.5%	1.8%
Other income	8.2%	9.3%	15.2%
Total revenue	100.0%	100.0%	100.0%

The Company's business is seasonal with peak Consumer Loan acceptances occurring during February and March. However, this seasonality does not have a material impact on the Company's interim results.

The Company is organized into four primary business segments: United States, United Kingdom, Automobile Leasing and Other. In early 2002, the Company stopped originating automobile leases and effective June 30, 2003 stopped accepting Consumer Loans originated in the United Kingdom and Canada. The Company is in the process of liquidating these portfolios. For information regarding the Company's reportable segments, see Note 12 to the consolidated financial statements, which is incorporated herein by reference.

OPERATIONS

United States

Sales and Marketing. The Company's target market is a select group of the more than 70,000 independent and franchised automobile dealers in the United States. The marketing of the Company's program is intended to: (i) result in a network consisting of the highest quality dealer-partners who share the Company's commitment to changing lives and (ii) increase the value of the Company's program to the Company's dealer-partners. Dealer-partners pay a one-time enrollment fee of \$9,850 to join the Company's program. In return, the Company provides the dealer-partner with sales promotion kits, signs, training and the first month's access to CAPS.

Dealer-partner enrollments in the United States for each of the last five years are presented in the table below.

YEAR	NUMBER OF DEALER-PARTNER ENROLLMENTS
2000	293
2001	224
2002	143
2003	399
2004	534

A new dealer-partner is required to execute a dealer servicing agreement, which defines the legal relationship between the Company and the dealer-partner. The servicing agreement assigns the responsibilities for administering, servicing and collecting the amounts due on Consumer Loans to the Company. The servicing agreement provides that collections received by Credit Acceptance during a calendar month on Consumer Loans assigned by a dealer-partner are applied on a pool-by-pool basis as follows:

- First, to reimburse Credit Acceptance for certain collection costs;
- Second, to pay Credit Acceptance its servicing fee;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the dealer-partner to the Company; and
- Fourth, to the dealer-partner as payment for amounts contractually due under the servicing agreement.

Under the typical servicing agreement, a dealer-partner represents that it will only submit Consumer Loans to Credit Acceptance which satisfy criteria established by the Company, meet certain conditions with respect to the binding nature and the status of the security interest in the purchased vehicle, and comply with applicable state, federal and foreign laws and regulations. Dealer-partners receive a monthly statement from the Company, summarizing all activity on Consumer Loans assigned by such dealer-partner.

In the event that the Company discovers a misrepresentation by the dealer-partner relating to a Consumer Loan submitted 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 typical servicing agreement may be terminated by the Company or by the dealer-partner upon written notice. The Company may terminate the servicing agreement immediately in the case of an event of default by the dealer-partner. Events of default include, among other things:

- (1) the dealer-partner's refusal to allow the Company to audit its records relating to the Consumer Loans assigned to the Company;
- (2) the dealer-partner, without the Company's consent, is dissolved; merges or consolidates with an entity not affiliated with the dealer-partner; or sells a material part of its assets outside the course of its business to an entity not affiliated with the dealer-partner; or
- (3) the appointment of a receiver for, or the bankruptcy or insolvency of, the dealer-partner.

While a dealer-partner can cease submitting Consumer Loans to the Company at any time without terminating the servicing agreement, if the dealer-partner elects to terminate the servicing agreement or in the event of a default, the dealer-partner must immediately pay the Company:

- (i) any unreimbursed collection costs;
- (ii) any unpaid advances and all amounts owed by the dealer-partner to the Company; and
- (iii) a termination fee equal to 15% of the then outstanding amount of the Consumer Loans accepted by the Company.

Upon receipt of such amounts in full, the Company will reassign the Consumer Loan and its security interest in the financed vehicle to the dealer-partner. In the event of a termination by the Company (or any other termination if the Company and the dealer-partner agree), the Company may continue to service Consumer Loans accepted prior to termination in the normal course of business without charging a termination fee.

Consumer Loan Assignment. Once a dealer-partner has enrolled in the Company's program, the dealer-partner may begin submitting Consumer Loans to the Company for servicing, administration, and collection. A Consumer Loan occurs when a customer enters into a contract with a dealer-partner that sets forth the terms of the agreement between the customer and the dealer-partner for the payment of the purchase price of the automobile. The amount of the Consumer Loan consists of the total principal and interest that the customer is required to pay over the term of the Consumer Loan. During 2004 and 2003, virtually all of the Consumer Loans accepted by the Company in the United States were processed through CAPS. CAPS was offered to all dealer-partners located in the United States beginning in January 2001, and allows dealer-partners to input a consumer's credit application and view the response from the Company via the Internet. CAPS allows dealer-partners to: (i) receive an approval from the Company much faster than with traditional methods; and (ii) interact with the Company's credit scoring system to improve the structure of each transaction prior to delivery. All responses include the amount of the advance, as well as any stipulations required for funding. The amount of the advance is determined using a computer model which considers a number of factors including the timing and amount of cash flows expected on the related Consumer Loan and the Company's target return on capital at the time the Consumer Loan is assigned. The estimated future cash flows are determined based upon a proprietary credit scoring system, which considers numerous variables,

including the customer's credit bureau report, data contained in the customer's credit application, the structure of the proposed transaction, vehicle information and other factors, to calculate a composite credit score that corresponds to an expected collection rate. The Company's credit scoring system forecasts the collection rate based upon the historical performance of Consumer Loans in the Company's portfolio that share similar characteristics. The performance of the credit scoring system is evaluated monthly by comparing projected to actual Consumer Loan performance. Adjustments are made to the credit scoring system when necessary.

While a dealer-partner can assign any legally compliant Consumer Loan to the Company for servicing, administration and collection, the decision whether to pay an advance to the dealer-partner and the amount of any advance is made solely by the Company. The Company performs all significant functions relating to the processing of the Consumer Loan applications and bears certain costs of Consumer Loan acceptance, including the cost of assessing the adequacy of Consumer Loan documentation, compliance with underwriting guidelines and the cost of verifying employment, residence and other information submitted by the dealer-partner.

CAPS interfaces with the Company's Application and Contract System ("ACS"). Consumer Loan information included in CAPS is automatically entered into ACS through a download from CAPS. Additional Consumer Loan information is entered into ACS manually. ACS provides credit scoring capability as well as the ability to process Consumer Loan packages. ACS compares Consumer Loan data against information provided during the approval process and allows the funding analyst to check that all stipulations have been met prior to funding. Consumer Loan contracts are written on a contract form provided by the Company and the Consumer Loan transaction typically is not completed until the dealer-partner has received approval from the Company. The assignment of the Consumer Loan from the dealer-partner to the Company occurs after both the customer and dealer-partner sign the contract and the original contract is received and approved by the Company. Although the dealer-partner is named in the Consumer Loan contract, the dealer-partner does not have legal ownership of the Consumer Loan for more than a moment and the Company, not the dealer-partner, is listed as lien holder on the vehicle title. The customer's payment obligation is directly to the Company. Payments are generally made by the customer directly to the Company. The customer's failure to pay amounts due under the Consumer Loan will result in collection action by the Company.

The Company generally offers the dealer-partner a non-recourse advance against anticipated future collections on the Consumer Loan. Since typically the combination of the advance and the customer's down payment provides the dealer-partner with a cash profit at the time of sale, the dealer-partner's risk in the Consumer Loan is limited. The Company cannot demand repayment from the dealer-partner of the advance except in the event the dealer-partner is in default of the servicing agreement. Advances are made only after the Consumer Loan is approved, accepted by and assigned to the Company and all other stipulations required for funding have been satisfied.

Cash advanced to dealer-partners is automatically assigned to the originating dealer-partner's open pool of advances. 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. At the dealer-partner's option, a pool containing more than one hundred Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances due from a dealer-partner are secured by the future collections on the dealer-partner's portfolio of Consumer Loans assigned to the Company. Net collections on all related Consumer Loans within the pool, after payment of the Company's servicing fee and reimbursement of certain collection costs, are applied to reduce the aggregate advance balance owing against those Consumer Loans within the pool. Once the advance balance has been repaid, the dealer-partner is entitled to receive future net collections from Consumer Loans within that pool, after payment of the Company's servicing fee and reimbursement of certain collection costs. If the collections on Consumer Loans from a dealer-partner's pool are not sufficient to repay the advance balance, the dealer-partner will not receive dealer holdback. Additionally, for dealer-partners with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for dealer holdback.

Dealer-partners have an opportunity to receive a portion of the dealer holdback on an accelerated basis at the time a pool of one hundred or more Consumer Loans is closed. The eligibility to receive accelerated dealer holdback and the amount paid to the dealer-partner is calculated using a formula that considers the collection rate and the advance balance on the closed pool.

The Company's business model allows it to share the risk and reward of collecting on the Consumer Loans with the dealer-partners. Such sharing is intended to motivate the dealer-partner to assign better quality Consumer Loans, follow the Company's underwriting guidelines, and provide appropriate service and support to the customer after the sale. The Company believes this arrangement aligns the interests of the Company, the dealer-partner and the customer. The Company measures various criteria for each dealer-partner against other dealer-partners in their area as well as the top performing dealer-partners. Sales representatives are required to present the analysis to the dealer-partner and to develop an action plan on a quarterly basis with the dealer-partner to improve the dealer-partner's overall success with the Company's program.

Information on the Company's Consumer Loans accepted in the United States, the Company's only business segment that continues to accept assignments of new Consumer Loans, for each of the last five years is presented in the following table:

AVERAGE CONSUMER LOAN DATA	FOR THE YEARS ENDED DECEMBER 31,				
	2004	2003	2002	2001	2000
Average size of Consumer Loan accepted	\$12,634	\$12,143	\$11,202	\$10,397	\$7,868
Percentage growth in average size of Consumer Loan	4.0%	8.4%	7.7%	32.1%	(2.2)%
Average initial maturity (in months)	37	37	36	36	32
Average advance per Consumer Loan	\$ 6,105	\$ 5,649	\$ 5,115	\$ 4,988	\$4,010
Average advance as a percent of average Consumer Loan accepted	48.3%	46.5%	45.7%	48.0%	51.0%

Servicing and Collections. The Company's collectors are organized into teams. The Company's first payment missed team services Consumer Loans of customers who have failed to make one of their first three payments on time. A collection call is generally placed to these customers within one day after the payment is due. Once a customer has made their first three payments, a regional collection team services the Consumer Loan. Regional teams service all Consumer Loans assigned by dealer-partners within their geographic area. The Company has an incentive system to encourage collectors to collect the full amount due and eliminate the delinquency on Consumer Loans assigned to their team. Collectors may recommend repossession of the vehicle based on a variety of factors including the amount of the delinquency and the estimated value of the vehicle. These recommendations are typically reviewed by a collection team supervisor.

When a Consumer Loan is approved for repossession, the account is transferred to the Company's repossession team. Repossession personnel continue to service the Consumer Loan as it is being assigned to a third party repossession contractor, who works on a contingency fee basis. Once a vehicle has been repossessed, the customer can negotiate a redemption with the Company, whereby the vehicle is returned to the customer in exchange for paying off the Consumer Loan balance, or where appropriate or if required by law, the vehicle is returned to the customer and the Consumer Loan reinstated, in exchange for reducing or eliminating the past due balance. If the redemption process is not successful, the vehicle is typically sold at a wholesale automobile auction. Prior to sale, the vehicle is usually inspected by the Company's remarketing representatives who authorize repair and reconditioning work in order to maximize the net sale proceeds at auction.

If the vehicle sale proceeds are not sufficient to satisfy the balance owing on the Consumer Loan, the Consumer Loan is serviced by either: (i) the Company's senior collection team, in the event that the customer is willing to make payments on the deficiency balance; or (ii) where permitted by law, the Company's legal team, if it is believed that legal action is required to reduce the deficiency balance owing on the Consumer Loan. The Company's legal team assigns Consumer Loans to third party collection attorneys who file a claim and upon obtaining a judgment, garnish wages or other assets.

Collectors rely on two systems to service accounts, the Collection System ("CS") and the Loan Servicing System ("LSS"). The LSS and CS are connected through a batch interface. The present CS has been in service since June 2002. The CS interfaces with a predictive dialer and records all activity on a Consumer Loan, including details of past phone conversations with the customer, collection letters sent, promises to pay, broken promises, repossession orders and collection attorney activity. The LSS maintains a record of all transactions relating to Consumer Loans assigned after July 1990 and is the primary source of management reporting including data utilized to:

- (i) evaluate the Company's proprietary credit scoring system;
- (ii) forecast future collections;
- (iii) establish the amount of revenue recognized by the Company; and
- (iv) analyze the profitability of the Company's program.

SERVICE CONTRACTS AND INSURANCE PRODUCTS

The Company provides dealer-partners the ability to offer vehicle service contracts to customers. Under this program, the sales price of the service contract is added to the amount due under the Consumer Loan. The cost of the service contract, plus a commission earned by the dealer-partner on the sale of the service contract is added to the advance balance. A portion of the amount added to the advance balance is retained by the Company as a fee. Third party vehicle service contract administrators ("TPAs") bear all of the risk of loss on claims. During 2004, the Company entered into agreements with two new TPAs where the Company receives underwriting profits from the TPAs based on the level of future claims paid. Funds paid by the Company to the TPA to pay future claims are held in trusts. The assets and liabilities of the trusts have been consolidated on the Company's balance sheet in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). As of December 31, 2004, the trusts had \$4.8 million in cash available to pay claims and a related claims reserve of \$4.8 million. For additional information regarding the two new TPAs, see Note 1 to the consolidated financial statements, which is incorporated herein by reference. The Company previously offered a vehicle service contract program where the Company bore the risk of loss on claims relating to the service contracts. The Company discontinued offering this product effective November 1, 2003, as the product was not competitive with the third party vehicle service contract products offered by the Company. The Company's reserve for these vehicle service contract claims was \$5,000 and \$64,000 at December 31, 2004 and 2003, respectively.

The Company maintains relationships with certain insurance carriers which provide dealer-partners the ability to offer customers credit life and disability insurance. Should the customer elect to purchase this insurance, the premium on the insurance policy is added to the amount due under the Consumer Loan and to the advance balance. The Company is not involved in the actual sale of the insurance; however, the insurance carrier cedes the premiums, less a fee, to a wholly-owned subsidiary of the Company, which reinsures the coverage under the policy. As a result, the Company, through its subsidiary, bears the risk of loss, and earns revenues from premiums ceded and the investment of such funds. The Company's reserve for insurance claims was \$384,000 and \$455,000 at December 31, 2004 and 2003, respectively.

BUSINESSES IN LIQUIDATION

United Kingdom

Effective June 30, 2003, the Company decided to stop originating Consumer Loans in the United Kingdom. Prior to this decision, the Company originated and serviced Consumer Loans in the United Kingdom. As of December 31, 2004, the amount of capital invested in this business was \$6.4 million.

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.

Automobile Leasing

In January 2002, the Company decided to exit the automobile leasing business. Prior to this decision, the Company assumed ownership of automobile leases from dealer-partners for an amount based on the value of the vehicle as determined by an industry guidebook, assumed ownership of the related vehicle from the dealer-partner and received title to the vehicle. This program differed from the Company's principal business in that, the Company assumed ownership of the vehicles and assumed no liability to the dealer-partner for dealer holdback payments. As of December 31, 2004, the amount of capital invested in this business was \$0.3 million.

Other

Canada. Effective June 30, 2003, the Company decided to cease accepting Consumer Loans in Canada. Prior to this decision, the Company accepted and serviced Consumer Loans in Canada on approximately the same basis as in the United States. As of December 31, 2004, the amount of capital invested in this business was \$1.4 million.

Floorplan Financing. Floorplan financing is offered on a limited basis to certain dealers, most of which participate in the Company's core program. Under these financing arrangements, loans are provided to finance the dealer's inventory. Dealers are charged documentation fees in connection with each vehicle financed, plus interest on the unpaid balance at rates that generally range from 12% to 18% per annum. Security for these loans generally consists of:

- (i) a lien on the financed inventory;
- (ii) a security interest in the dealer's assets, including the dealer-partner's portfolio of Consumer Loans serviced by the Company; and
- (iii) the personal guarantee of the owner.

Since 2001, the Company has significantly reduced its investment in the floorplan portfolio after concluding this business was not likely to generate an acceptable return on capital. As of December 31, 2004, the amount of capital invested in this business was \$0.7 million.

Secured Line of Credit Loans. The Company offered line of credit arrangements to certain dealers who were not participating in the Company's core program. These lines of credit are secured primarily by loans, originated and serviced by the dealer, with additional security provided by the personal guarantee of the dealership's owner. The effective interest rate on these loans varies based upon the amount loaned to the dealer and the percentage of collections on the loan portfolio required to be remitted to the Company. During the third quarter of 2001, the Company discontinued offering this program to new dealers, and is in the process of reducing the amount of capital invested in this business. As of December 31, 2004, the amount of capital invested in this business was \$1.6 million.

Beginning in 2002, entities owned by the Company's majority shareholder and Chairman began offering secured line of credit loans in a manner similar to the Company's prior program, at his dealerships and at two other dealerships, one of whom also does business with the Company. The Company's majority shareholder and Chairman does not intend to expand his line of credit lending activities to additional dealers, except to dealerships which he owns or controls.

CREDIT LOSS POLICY

For information regarding the Company's accounting policy for the allowance for credit losses, see Note 1 to the consolidated financial statements, which is incorporated herein by reference.

COMPETITION

The market for customers who do not qualify for conventional automobile financing is large and highly competitive. The Company's largest competition comes from "buy here, pay here" dealerships where the dealer finances the customer's purchase and services the Consumer Loan themselves. The market is also currently served by banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater resources than the Company. These companies typically target higher credit tier customers within the Company's market. While the Company is only aware of a few companies that offer guaranteed credit approval, there is the potential that significant direct competition could emerge and that the Company may be unable to compete successfully.

CUSTOMER AND GEOGRAPHIC CONCENTRATIONS

No single dealer-partner accounted for more than 10% of total revenues during any of the last three years. Additionally, no single dealer-partner's Dealer Loan accounted for more than 10% of total Dealer Loans as of December 31, 2004 or as of December 31, 2003. The following table provides information regarding the five states that are responsible for the largest dollar amount of Consumer Loans accepted in the United States during 2004:

(Dollars in thousands)	CONSUMER LOANS ACCEPTED		ACTIVE DEALER-PARTNERS (1)	
	AMOUNT	% OF TOTAL	NUMBER	% OF TOTAL
Michigan	\$ 77,923	8.1%	114	9.4%
Alabama	62,081	6.5	35	2.9
Mississippi	58,840	6.1	44	3.6
Virginia	57,066	5.9	64	5.3
Maryland	56,119	5.8	60	4.9
All other states	647,588	67.6	898	73.9
Total	\$959,617	100.0%	1,215	100.0%

(1) Active dealer-partners are dealer-partners who submitted at least one Consumer Loan during the year.

The following table provides information regarding the five states that are responsible for the largest dollar amount of Consumer Loans accepted in the United States during 2003:

(Dollars in thousands)	CONSUMER LOANS ACCEPTED		ACTIVE DEALER-PARTNERS (1)	
	AMOUNT	% OF TOTAL	NUMBER	% OF TOTAL
Michigan	\$ 75,551	10.0%	100	10.9%
Virginia	54,247	7.2	49	5.3
Maryland	50,323	6.6	48	5.2
New York	48,411	6.4	78	8.5
Tennessee	46,900	6.2	34	3.7
All other states	481,463	63.6	607	66.4
Total	\$756,895	100.0%	916	100.0%

(1) Active dealer-partners are dealer-partners who submitted at least one Consumer Loan during the year.

While not considered to be a concentration, the Company's transactions with related parties are significant. For information regarding the Company's transactions with related parties, see Note 9 to the consolidated financial statements, which is incorporated herein by reference.

GEOGRAPHIC FINANCIAL INFORMATION

The following table sets forth, for each of the last three years for the Company's domestic and foreign operations, the amount of revenues, and long-lived assets:

(In thousands)	AS OF AND FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2002
		(RESTATED)	(RESTATED)
Revenues			
United States	\$170,332	\$137,673	\$133,602
United Kingdom	4,354	10,789	20,182
Other foreign	2,029	3,765	5,354
Total revenues	\$176,715	\$152,227	\$159,138
Long-lived assets			
United States	\$ 19,474	\$ 18,045	\$ 19,169
United Kingdom	232	496	667
Total long-lived assets	\$ 19,706	\$ 18,541	\$ 19,836

The Company's operations are structured to achieve consolidated objectives. As a result, significant interdependencies and overlaps exist among the Company's domestic and foreign operations. Accordingly, the revenue and identifiable assets shown may not be indicative of the amounts which would have

been reported if the domestic and foreign operations were independent of one another.

REGULATION

The Company's businesses are subject to various state, federal and foreign laws and regulations, which:

- (i) require licensing and qualification,
- (ii) regulate interest rates, fees and other charges,
- (iii) require specified disclosures to customers,
- (iv) govern the sale and terms of the ancillary products; and
- (v) define the Company's rights to collect Consumer Loans and repossess and sell collateral.

Failure to comply with, or an adverse change in, these laws or regulations could have a material adverse effect on the Company by, among other things, limiting the states or countries in which the Company may operate, restricting the Company's ability to realize the value of the collateral securing the Consumer Loans and leases, or resulting in potential liability related to the servicing of Consumer Loans and leases accepted from dealer-partners. In addition, governmental regulations depleting the supply of used vehicles, such as environmental protection regulations governing emissions or fuel consumption, could have a material adverse effect on the Company. The Company is not aware of any such legislation currently pending that could have a material adverse effect on the Company.

The sale of insurance products in connection with Consumer Loans and leases assigned to the Company by dealer-partners is also subject to state laws and regulations. As the legal owner of the Consumer Loans and leases that contain these products, some of these state laws and regulations may apply to the Company's servicing and collection of the Consumer Loans and leases. However, as the Company does not deal directly with customers in the sale of insurance products, it does not believe that such laws and regulations significantly affect its business. Nevertheless, there can be no assurance that insurance regulatory authorities in the jurisdictions in which such products are offered by dealer-partners will not seek to regulate the Company or restrict the operation of the Company's business in such jurisdictions. Any such action could materially adversely affect the income received from such products. The Company's credit life and disability reinsurance and property and casualty insurance subsidiaries are licensed and subject to regulation in the Turks and Caicos Islands.

The Company's operations in the United Kingdom and Canada are also subject to various laws and regulations. Generally, these requirements tend to be no more restrictive than those in effect in the United States.

The Company believes that it maintains all material licenses and permits required for its current operations and is in substantial compliance with all applicable laws and regulations. The Company's servicing agreement with dealer-partners provides that the dealer-partner shall indemnify the Company with respect to any loss or expense the Company incurs as a result of the dealer-partner's failure to comply with applicable laws and regulations.

EMPLOYEES

As of December 31, 2004, the Company had 757 employee team members. The Company's team members have no union affiliations and the Company believes its relationship with its team members is good. The table below presents team members by department:

DEPARTMENT	NUMBER OF TEAM MEMBERS	

	DECEMBER 31,	
	2004	2003
-----	----	----
Collection and Servicing	482	439
Loan Origination and Processing	43	48
Sales and Marketing	81	66
Finance and Accounting	32	38
Information Systems	57	51
Management and Support	62	52
	---	---
TOTAL	757	694
	===	===

ITEM 2. PROPERTIES

United States, Automobile Leasing, and Other

The Company's headquarters are located at 25505 West Twelve Mile Road, Southfield, Michigan 48034. The Company purchased the office building in 1993 and has a mortgage loan from a commercial bank that is secured by a first mortgage lien on the property. The office building includes approximately 118,000 square feet of space on five floors. The Company occupies approximately 72,000 square feet of the building, with most of the remainder of the building leased to various tenants.

The Company leases approximately 20,000 square feet of office space in Henderson, Nevada. The lease expires in October 2009.

United Kingdom

The Company leases space in an office building in Worthing, West Sussex, in the United Kingdom. The building includes approximately 10,000 square feet of space. The Company occupies approximately 6,900 square feet of the building under a lease expiring in September 2007.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business and as a result of the customer-oriented nature of the industry in which the Company operates, industry participants are frequently subject to various customer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, customer protection, warranty, debt collection, insurance and other customer-oriented laws and regulations, including claims seeking damages for physical and mental damages relating to the Company's repossession and sale of the customer's vehicle and other debt collection activities. As the Company accepts assignments of Consumer Loans originated by dealer-partners, it may also be named as a co-defendant in lawsuits filed by customers principally against dealer-partners. Many of these cases are filed as purported class actions and seek damages in large dollar amounts. An adverse ultimate disposition in any such action could have a material adverse impact on the Company's financial position, liquidity and results of operations.

For a description of material pending litigation to which the Company is a party, see Note 13 to the consolidated financial statements, which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the shareholders during the fourth quarter of 2004. The Company's annual meeting typically occurs during the second quarter of each fiscal year and the results of such matters submitted to a vote of the shareholders at the meeting normally appears in the Quarterly Report on Form 10-Q for the quarter in which the meeting occurred. There was no annual meeting held in 2005 due to the ongoing restatement of the Company's consolidated financial statements.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

STOCK PRICE

During 2003 and 2004, the Company's common stock was traded on The Nasdaq Stock Market(R) ("the Nasdaq") under the symbol CACC. The high and low sale prices for the common stock for each quarter during the two year period ending December 31, 2004 as reported by the Nasdaq are set forth in the following table:

QUARTER ENDED	2004		2003	
	HIGH	LOW	HIGH	LOW
March 31	\$20.65	\$14.97	\$ 6.79	\$4.75
June 30	19.25	12.55	12.10	4.75
September 30	20.00	12.65	12.59	8.35
December 31	26.92	18.52	15.77	8.99

As of July 19, 2005, the Company's common stock was delisted from the Nasdaq and is currently traded on the Pink Sheets Electronic Quotation Service under the symbol CACC.PK.

The following table sets forth the high and low sale prices as reported by the Nasdaq for the common stock for each quarter during 2005 that the common stock was traded on the Nasdaq (through July 19, 2005) and the high and low [bid] prices for the common stock for the remainder of 2005 as reported by the Pink Sheets Electronic Quotation Service. [Such bid information reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.]

QUARTER ENDED	2005	
	HIGH	LOW
March 31	\$26.46	\$19.16
June 30	20.09	12.90
September 30	16.25	12.08
December 31	17.90	14.50

As of December 31, 2005, the number of beneficial holders and shareholders of record of the common stock was approximately 1,356 based upon securities position listings furnished to the Company.

DIVIDENDS

The Company has not paid any cash dividends during the periods presented. The Company's credit agreements contain financial covenants pertaining to the Company's ratio of liabilities to tangible net worth and amount of tangible net worth, which may indirectly limit the payment of dividends on common stock.

EQUITY COMPENSATION PLANS

The Company's Incentive Compensation Plan (the "Incentive Plan"), which was approved by shareholders on May 13, 2004, provides for the granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, and directors. The Company also has two stock option plans pursuant to which it has granted stock options with time or performance-based vesting requirements to employees, officers, and directors. The Company's 1992 Stock Option Plan (the "1992 Plan") was approved by shareholders in 1992 prior to the Company's initial public offering and was terminated as to future grants on May 13, 2004, when shareholders approved the Incentive Plan. The Company's Director Stock Option Plan (the "Director Plan") was approved by shareholders in 2002 and was terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan. The following table sets forth, with respect to each of the option plans, (i) the number of shares of common stock to be issued upon the exercise of outstanding options, (ii) the weighted average exercise price of outstanding options, and (iii) the number of shares remaining available for future issuance, as of December 31, 2004:

PLAN CATEGORY	NUMBER OF SHARES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF SHARES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (A)
-----	-----	-----	-----
Equity compensation plans approved by shareholders:			
1992 Plan	3,506,519	\$ 6.98	--
Director Plan	200,000	12.13	--
Incentive Plan	--	--	1,000,000
	-----		-----
Total	3,706,519	\$ 7.26	1,000,000
	=====		=====

For additional information regarding the Company's stock compensation plans, see Note 11 to the consolidated financial statements, which is incorporated herein by reference.

STOCK REPURCHASES

The following table summarizes the Company's stock repurchases for the three months ended December 31, 2004:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (A)
-----	-----	-----	-----	-----
October 2004	--	\$ --	--	756,231
November 2004	93,211	24.37	93,211	663,020
December 2004	27,887	25.16	27,887	635,133
	-----		-----	
	121,098	\$24.55	121,098	
	=====		=====	

- (a) On August 5, 1999, the Company announced a stock repurchase program of up to 1.0 million shares of the Company's common stock. The program authorized the Company to repurchase common shares in the open market or in privately negotiated transactions at price levels the Company deems attractive. Since August 1999, the Company's board of directors has authorized several increases to the stock repurchase program, the most recent occurring on March 10, 2004, which increased the total number of shares authorized to be repurchased to 7.0 million shares. As of December 31, 2004, the Company has repurchased approximately 6.4 million shares under this program at a cost of \$51.9 million.

ITEM 6. SELECTED FINANCIAL DATA

The selected income statement and balance sheet data presented below are derived from the Company's audited consolidated financial statements for the years ended December 31, 2004, 2003, and 2002, and should be read in conjunction with the Company's consolidated financial statements and notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", included elsewhere in this Annual Report. Certain amounts for prior periods have been reclassified to conform to the current presentation. For information regarding the restatement of the Company's consolidated financial statements, see Note 2 to the consolidated financial statements, which is incorporated herein by reference.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)					
	2004	2003 (RESTATED)	2002 (RESTATED)	2001 (RESTATED) (UNAUDITED)	2000 (RESTATED) (UNAUDITED)
INCOME STATEMENT DATA:					
Revenue	\$ 176,715	\$ 152,227	\$ 159,138	\$ 149,230	\$ 129,025
Costs and expenses (A)	90,483	97,913	107,779	107,951	94,628
Operating income	86,232	54,314	51,359	41,279	34,397
Foreign exchange gain (loss)	1,650	(2,767)	(3)	(42)	(11)
Income before income taxes	87,882	51,547	51,356	41,237	34,386
Provision for income taxes	30,557	26,878	21,582	16,566	11,923
Net income	\$ 57,325	\$ 24,669	\$ 29,774	\$ 24,671	\$ 22,463
Net income per common share:					
Basic	\$ 1.48	\$ 0.58	\$ 0.70	\$ 0.59	\$ 0.51
Diluted	\$ 1.40	\$ 0.57	\$ 0.69	\$ 0.57	\$ 0.51
Weighted average shares outstanding:					
Basic	38,617,787	42,195,340	42,438,292	42,140,961	43,879,577
Diluted	41,017,205	43,409,007	43,362,741	43,150,804	44,219,876
BALANCE SHEET DATA:					
Loans receivable, net	\$ 526,011	\$ 476,128	\$ 456,908	\$ 501,535	\$ 411,905
All other assets	65,302	68,720	68,251	87,782	92,428
Total assets	\$ 591,313	\$ 544,848	\$ 525,159	\$ 589,317	\$ 504,333
Total debt	\$ 193,547	\$ 106,447	\$ 109,663	\$ 202,290	\$ 156,121
Dealer reserve payable, net	15,675	35,198	47,262	61,013	58,565
Other liabilities	81,201	59,908	52,222	45,469	31,686
Total liabilities	290,423	201,553	209,147	308,772	246,372
Shareholders' equity (B)	300,890	343,295	316,012	280,545	257,961
Total liabilities and shareholders' equity	\$ 591,313	\$ 544,848	\$ 525,159	\$ 589,317	\$ 504,333

(A) Includes impairment expenses of \$10.5 million recognized in 2003 following the decision to liquidate the United Kingdom operation.

(B) No dividends were paid during the periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company has changed its method for recording loans in the United States and Canada, from that of an originator of Consumer Loans to that of a servicer of loans generated by dealer-partners and a lender to those dealer-partners. As a result of this determination, the Company was required to restate its previously reported financial results. For information regarding the restatement of the Company's consolidated financial statements, see Note 2 to the consolidated financial statements, which is incorporated herein by reference.

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 in the United Kingdom is structured differently, the Company's United Kingdom business is accounted for as a consumer lender. 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. 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 1 to the consolidated financial statements, which is incorporated herein by reference.

An initial yield is assigned to each dealer advance. The yield is the rate that, when applied to expected future cash flows, result in a present value equal to the initial cash amount of the advance. The expected future cash flows are the expected collections from the Consumer Loan, less the amount of expected future dealer holdback payments.

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. Dealer Loan originations increased 27.3% in 2004 due to an increase in the number of active dealer-partners and an increase in the average transaction size. 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 December 31, 2004. The Company currently funds its business through a bank line of credit facility, privately placed secured financings and commercial bank conduit-financed secured financings.

The ability to accurately forecast Consumer Loan performance is critical to the Company. At the time of Consumer Loan acceptance, the Company forecasts future expected cash flows from the Consumer Loan. Based on these forecasts, an advance is made to the related dealer-partner at a level that allows the Company to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds the Company's original expectation, it is likely the Company's target return on capital will be achieved.

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 as 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.

December 31, 2004				
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%	99.7%
1996	55.0%	46.9%	8.1%	99.1%
1997	58.4%	47.9%	10.5%	98.3%
1998	67.7%	46.1%	21.6%	97.7%
1999	72.8%	48.9%	23.9%	96.8%
2000	73.2%	48.0%	25.2%	95.8%
2001	67.2%	45.8%	21.4%	93.3%
2002	70.2%	42.2%	28.0%	83.7%
2003	74.0%	43.4%	30.6%	58.4%
2004	73.4%	44.0%	29.4%	21.2%

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 96.8% 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 collections. 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. The Company made no material changes in credit policy or pricing during 2004, other than routine changes designed to maintain current profitability levels.

RESULTS OF OPERATIONS

The tables on pages 19 through 25 present income statement data on a consolidated basis as well as for the Company's four business segments, United States, United Kingdom, Automobile Leasing, and Other.

CONSOLIDATED

(Dollars in thousands)	YEAR ENDED DECEMBER 31, 2004	% OF REVENUE	YEAR ENDED DECEMBER 31, 2003 (RESTATED)	% OF REVENUE	YEAR ENDED DECEMBER 31, 2002 (RESTATED)	% OF REVENUE
	-----	-----	-----	-----	-----	-----
REVENUE:						
Finance charges	\$154,859	87.6%	\$127,853	84.0%	\$115,957	72.9%
Lease revenue	1,507	0.9	6,432	4.2	16,101	10.1
License fees	5,835	3.3	3,836	2.5	2,906	1.8
Other income	14,514	8.2	14,106	9.3	24,174	15.2
	-----	-----	-----	-----	-----	-----
Total revenue	176,715	100.0	152,227	100.0	159,138	100.0
	-----	-----	-----	-----	-----	-----
COSTS AND EXPENSES:						
Salaries and wages	34,961	19.8	31,970	21.0	28,142	17.7
General and administrative	22,195	12.6	20,705	13.6	24,908	15.7
Sales and marketing	11,915	6.7	8,949	5.9	7,987	5.0
Provision for credit losses	5,757	3.3	9,639	6.3	23,807	15.0
Interest	11,660	6.6	8,057	5.3	9,058	5.7
Stock-based compensation expense	2,725	1.5	3,583	2.4	2,072	1.3
United Kingdom asset impairment expense	--	--	10,493	6.9	--	--
Other expense	1,270	0.7	4,517	3.0	11,805	7.4
	-----	-----	-----	-----	-----	-----
Total costs and expenses	90,483	51.2	97,913	64.4	107,779	67.8
	-----	-----	-----	-----	-----	-----
Operating income	86,232	48.8	54,314	35.6	51,359	32.2
Foreign exchange gain (loss)	1,650	0.9	(2,767)	(1.8)	(3)	--
	-----	-----	-----	-----	-----	-----
Income before provision for income taxes	87,882	49.7	51,547	33.8	51,356	32.2
Provision for income taxes	30,557	17.3	26,878	17.7	21,582	13.6
	-----	-----	-----	-----	-----	-----
Net income	\$ 57,325	32.4 %	\$ 24,669	16.1%	\$ 29,774	18.6%
	=====	=====	=====	=====	=====	=====
Net income per common share:						
Basic	\$ 1.48		\$ 0.58		\$ 0.70	
	=====		=====		=====	
Diluted	\$ 1.40		\$ 0.57		\$ 0.69	
	=====		=====		=====	

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

For the year ended December 31, 2004, consolidated net income increased to \$57.3 million, or \$1.40 per diluted share, compared to \$24.7 million, or \$0.57 per diluted share, for the same period in 2003. The increase in consolidated net income was primarily due to: (i) a 21.1% increase in finance charge income due to an increase in the size of the Dealer Loan portfolio during 2004 and an increase in the yield due to an increase in forecasted collection rates on these Dealer Loans, (ii) impairment expenses of \$10.5 million recognized in 2003 following the decision to liquidate the United Kingdom operation, (iii) a decrease in the Company's effective tax rate to 34.8% from 52.1% primarily due to a change in the Company's international tax structure during 2004 and the impact of the repatriation of foreign earnings in 2003, and (iv) a foreign exchange gain of \$1.7 million in 2004 compared to a loss of \$2.8 million in 2003. The foreign exchange gains and losses were primarily the result of changes in the fair value of forward contracts entered into during the third quarter of 2003.

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, Automobile Leasing, 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 \$11.7 million in 2004 from \$8.1 million in 2003. The increase in consolidated interest expense was due to an increase in average outstanding debt as a result of stock repurchases and an increase in Dealer Loans outstanding funded using the warehouse financing, partially offset by a decrease in the weighted average interest rate to 7.0% in 2004 from 7.8% in 2003. The decrease in the weighted average interest rate is primarily the result of the decreased impact of fixed fees on the Company's secured financings and line of credit facility due to higher average outstanding borrowings.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

For the year ended December 31, 2003, consolidated net income decreased to \$24.7 million, or \$0.57 per diluted share, compared to \$29.8 million, or \$0.69 per diluted share, for the same period in 2002. The decrease in consolidated net income was primarily due to: (i) impairment expenses of \$10.5 million recognized in 2003 following the decision to liquidate the United Kingdom operation, and (ii) a decrease in other income primarily due to interest income of \$4.8 million received from the Internal Revenue Service in the third quarter of 2002 in connection with a refund related to a change in tax accounting methods that affected the characterization and timing of revenue recognition for tax purposes. Partially offsetting these items were: (i) a decrease in the provision for credit losses 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, and (ii) an increase in finance charge income primarily due to an increase in the size of the Dealer Loan portfolio and an increase in the average yield due to an increase in forecasted collection rates on these Dealer Loans.

Interest. Consolidated interest expense decreased to \$8.1 million in 2003 from \$9.1 million in 2002. The decrease in consolidated interest expense was primarily the result of a decrease in average outstanding debt, partially offset by an increase in the weighted average interest rate to 7.8% in 2003 from 5.6% in 2002. This increase was primarily the result of the increased impact of fixed fees on the Company's secured financings and line of credit facility due to lower average outstanding borrowings.

UNITED STATES

(Dollars in thousands)	YEAR ENDED DECEMBER 31, 2004	% OF REVENUE	YEAR ENDED DECEMBER 31, 2003 (RESTATED)	% OF REVENUE	YEAR ENDED DECEMBER 31, 2002 (RESTATED)	% OF REVENUE
REVENUE:						
Finance charges	\$149,998	89.5%	\$116,156	89.3%	\$ 96,472	83.6%
License fees	5,835	3.5	3,836	2.9	2,906	2.5
Other income	11,721	7.0	10,086	7.8	15,996	13.9
	-----	-----	-----	-----	-----	-----
Total revenue	167,554	100.0	130,078	100.0	115,374	100.0
COSTS AND EXPENSES:						
Salaries and wages	32,111	19.2	27,136	20.9	22,844	19.8
General and administrative	20,304	12.1	17,435	13.4	19,557	17.0
Sales and marketing	11,915	7.1	7,944	6.1	6,886	6.0
Provision for credit losses	5,332	3.2	6,003	4.6	11,443	9.9
Interest	11,009	6.6	6,329	4.9	5,462	4.7
Stock-based compensation expense	2,580	1.5	3,316	2.5	1,685	1.5
Other expense	344	0.2	541	0.4	1,863	1.6
	-----	-----	-----	-----	-----	-----
Total costs and expenses	83,595	49.9	68,704	52.8	69,740	60.5
	-----	-----	-----	-----	-----	-----
Operating income	83,959	50.1	61,374	47.2	45,634	39.5
Foreign exchange gain (loss)	1,661	1.0	(2,862)	(2.2)	(5)	--
	-----	-----	-----	-----	-----	-----
Income before provision for income taxes	85,620	51.1	58,512	45.0	45,629	39.5
Provision for income taxes	29,767	17.8	27,237	20.9	19,805	17.2
	-----	-----	-----	-----	-----	-----
Net income	\$ 55,853	33.3%	\$ 31,275	24.1%	\$ 25,824	22.3%
	=====	=====	=====	=====	=====	=====

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Finance Charges. Finance charges increased to \$150.0 million in 2004 from \$116.2 million in 2003 primarily due to an increase in the size of the Dealer Loan portfolio resulting from an increase in the number of active dealer-partners 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 twelve months ended December 31, 2004 and 2003:

	TWELVE MONTHS ENDED DECEMBER 31, 2004			TWELVE MONTHS ENDED DECEMBER 31, 2003		
	UNIT			UNIT		
	DEALER-PARTNERS	VOLUME	AVERAGE	DEALER-PARTNERS	VOLUME	AVERAGE
Production from year ended December 31 of the prior year	916	62,334	68.1	784	49,463	63.1
Attrition (1)	(182)	(4,459)	24.5	(231)	(3,604)	15.6
Volume change from dealer-partners active in both periods	n/a	2,875	n/a	n/a	4,487	n/a
Current period volume from dealer-partners active both periods	734	60,750	82.8	553	50,346	91.0
New dealer-partners (2)	460	14,482	31.5	333	11,267	33.8
Restarts (3)	21	723	34.4	30	721	24.0
Current period production	1,215	75,955	62.5	916	62,334	68.1

(1) Dealer-partner attrition is measured according 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.

License Fees. License fees increased to \$5.8 million in 2004 from \$3.8 million in 2003 due to an increase in the number of active dealer-partners. License fees represent monthly fees charged to dealer-partners for access to CAPS.

Salaries and Wages. Salaries and wages, as a percentage of revenue, decreased to 19.2% in 2004 from 20.9% in 2003 primarily due to: (i) a decrease in servicing salaries, as a percentage of revenue, of 1.4% due to increased operational efficiencies and (ii) a decrease in corporate support salaries, as a percentage of revenue, of 0.7% in 2004, 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.

Sales and Marketing. Sales and marketing expenses, as a percentage of revenue, increased to 7.1% in 2004 from 6.1% in 2003 primarily due to: (i) an increase in dealer-partner support products and services, as a percentage of revenue, of 0.3%, (ii) an increase in expenses related to the Company's national dealer-partner convention, as a percentage of revenue, of 0.2%, and (iii) an increase in sales commissions, as a percentage of revenue, of 0.1%. The increase in expenses related to dealer-partner support products and services was primarily due to: (i) the introduction of new dealer-partner inventory acquisition support products and customer lead generation services in 2004 and (ii) an increase in sales promotion kits and signs primarily due to an increase in dealer-partner enrollments. The increase in expenses related to dealer-partner support products and services was offset by an approximately equal increase in other income resulting from the fees charged to dealer-partners for these products and services.

Provision for Credit Losses. The provision for credit losses decreased to \$5.3 million in 2004 from \$6.0 million in 2003. 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 decrease in the provision for credit losses in 2004 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 \$2.6 million in 2004 from \$3.3 million in 2003 primarily due to: (i) additional expense recognized during 2003 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.

Foreign Exchange Gain (Loss). The Company recognized a foreign exchange gain of \$1.7 million in 2004 compared to a loss of \$2.9 million in 2003. The foreign exchange gains and losses 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 1 to the consolidated financial statements, incorporated herein by reference.

Provision for Income Taxes. The effective tax rate decreased to 34.8% in 2004 from 46.5% in 2003 primarily due to a change made to the Company's tax structure in 2004 to treat the Company's foreign subsidiaries as branches subject to United States tax jurisdiction and the impact of the repatriation of foreign earnings in 2003.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Finance Charges. Finance charges increased to \$116.2 million in 2003 from \$96.5 million in 2002 primarily due to an increase in the size of the Dealer Loan portfolio. The increase in Dealer Loans originations in the United States in 2003 is due to an increase in the number of active dealer-partners due to an increase in dealer-partner enrollments and reduced levels of dealer-partner attrition.

Other Income. Other income decreased to \$10.1 million in 2003 from \$16.0 million in 2002 primarily due to: (i) interest income of \$4.8 million received from the Internal Revenue Service in the third quarter of 2002 in connection with a change in tax accounting methods that affected the characterization and timing of revenue recognition for tax purposes and (ii) a decrease in premiums earned in 2003 of \$1.5 million primarily due to a decrease in the penetration rate on the Company's in-house service contract product. The decrease in the penetration rate was a result of this product not being competitive with the third party service contract products offered by the Company.

Salaries and Wages. Salaries and wages, as a percentage of revenue, increased to 20.9% in 2003 from 19.8% in 2002 primarily due to: (i) an increase in employee bonus expense, as a percentage of revenue, of 0.7% due to improved financial and operational performance and (ii) an increase in benefits, as a percentage of revenue, of 0.3%.

General and Administrative. General and administrative expenses, as a percentage of revenue, decreased to 13.4% in 2003 from 17.0% in 2002 primarily due to: (i) a decrease, as a percentage of revenue, of 1.1% due to losses on the disposal of computer hardware in 2002, (ii) a decrease in occupancy and equipment expense, as a percentage of revenue, of 0.8% due to a reduction in depreciation expense and (iii) a decrease in legal expenses, as a percentage of revenue, of 0.7% resulting from a reduction in the frequency and severity of legal proceedings in which the Company is engaged.

Provision for Credit Losses. The provision for credit losses decreased to \$6.0 million in 2003 from \$11.4 million in 2002. 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. The decrease in the provision for credit losses in 2003 compared to 2002 was primarily due to a decrease in the provision required to maintain the initial yield established at the inception of the Dealer Loan.

Stock-based Compensation Expense. Stock-based compensation expense increased to \$3.3 million in 2003 from \$1.7 million in 2002. While the number of stock options outstanding declined in 2003, stock-based compensation expense increased as a result of a change in assumptions that reduced the period over which certain performance based stock options are expected to vest.

Foreign exchange loss. The foreign exchange loss increased to \$2.9 million in 2003 from zero in 2002 primarily due to the changes in the fair value of forward contracts entered into during the third quarter of 2003, as discussed in Note 1 to the consolidated financial statements, incorporated herein by reference.

Provision for Income Taxes. The effective tax rate increased to 46.5% in 2003 from 43.4% in 2002 due primarily to the impact of taxes on undistributed and distributed foreign earnings. During 2002, the Company determined that the undistributed earnings of its United Kingdom and Ireland subsidiaries should no longer be considered to be permanently reinvested, and during 2003, the Company determined that the undistributed earnings of its Canadian subsidiary should no longer be considered to be permanently reinvested. As a result of these determinations, the Company recorded the amount of U.S. federal income taxes and withholding taxes related to the repatriation of these foreign earnings.

UNITED KINGDOM

(Dollars in thousands)	YEAR ENDED DECEMBER 31, 2004	% OF REVENUE	YEAR ENDED DECEMBER 31, 2003 (RESTATED)	% OF REVENUE	YEAR ENDED DECEMBER 31, 2002 (RESTATED)	% OF REVENUE
REVENUE:						
Finance charges	\$4,208	90.6%	\$10,095	90.3%	\$17,671	83.9%
Other income	436	9.4	1,090	9.7	3,397	16.1
	-----	-----	-----	-----	-----	-----
Total revenue	4,644	100.0	11,185	100.0	21,068	100.0
COSTS AND EXPENSES:						
Salaries and wages	2,241	48.3	3,593	32.1	3,620	17.2
General and administrative	1,471	31.7	2,132	19.1	2,499	11.9
Sales and marketing	--	--	943	8.4	849	4.0
(Benefit) provision for credit losses	(769)	(16.6)	804	7.2	4,489	21.3
Interest	--	--	--	--	594	2.8
Stock-based compensation expense	145	3.1	267	2.4	387	1.8
United Kingdom asset impairment expense	--	--	10,493	93.8	--	--
	-----	-----	-----	-----	-----	-----
Total costs and expenses	3,088	66.5	18,232	163.0	12,438	59.0
	-----	-----	-----	-----	-----	-----
Income (loss) before provision (credit) for income taxes	1,556	33.5	(7,047)	(63.0)	8,630	41.0
Provision (credit) for income taxes	484	10.4	(491)	(4.4)	2,835	13.5
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$1,072	23.1%	\$(6,556)	(58.6)%	\$ 5,795	27.5%
	=====	=====	=====	=====	=====	=====

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 were primarily a result of this decision, except as discussed below.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Provision for Credit Losses. The negative provision for credit losses of \$0.8 million in 2004 is the result of the recognition of recoveries on previously charged-off Consumer Loans.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Salaries and Wages. Salaries and wages remained relatively consistent at \$3.6 million in 2003 and 2002. The impact of a reduction in staffing levels resulting from the decision to stop Consumer Loan originations in the United Kingdom was partially offset by increases of: (i) \$250,000 in expenses related to employee severance costs and (ii) \$200,000 in employee bonus expense.

Sales and Marketing. Sales and marketing expenses increased to \$900,000 in 2003 from \$800,000 in 2002 primarily due to employee severance costs of \$250,000 associated with the Company's decision to stop Consumer Loan originations in the United Kingdom. This increase was partially offset by the elimination of sales and marketing activities after the decision to stop Consumer Loan originations.

United Kingdom Asset Impairment Expense. As a result of the decision to stop originating Consumer Loans in the United Kingdom, the Company recorded an expense in the second quarter of 2003 consisting of: (i) \$9.8 million to reduce the carrying value of the operation's net asset value of the Consumer Loan portfolio to the present value (using a discount rate of 13%) of the forecasted cash flows relating to the Consumer Loan portfolio less estimated future servicing expenses and (ii) a write-off of \$700,000 of fixed assets that would no longer be used in the operation. In determining the impairment of the Consumer Loan portfolio, the Company analyzed the expected cash flows from this operation assuming lower collection rates than were assumed before the decision to liquidate. These lower collection rates reflect uncertainties (such as potentially higher employee turnover or reduced morale) in the servicing environment that may arise as a result of the decision to liquidate. For further discussion on the impairment analysis performed in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", see Note 1 to the consolidated financial statements, which is incorporated herein by reference.

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.

AUTOMOBILE LEASING

(Dollars in thousands)	YEAR ENDED DECEMBER 31, 2004	% OF REVENUE	YEAR ENDED DECEMBER 31, 2003 (RESTATED)	% OF REVENUE	YEAR ENDED DECEMBER 31, 2002 (RESTATED)	% OF REVENUE
	-----	-----	-----	-----	-----	-----
REVENUE:						
Finance charges	\$ 4	0.1%	\$ 9	0.2%	\$ 6	--%
Lease revenue	1,507	41.6	6,432	78.8	16,101	92.3
Other income	2,109	58.3	1,717	21.0	1,335	7.7
	-----	-----	-----	-----	-----	-----
Total revenue	3,620	100.0	8,158	100.0	17,442	100.0
COSTS AND EXPENSES:						
Salaries and wages	502	13.8	1,000	12.3	1,409	8.2
General and administrative	198	5.5	781	9.6	2,048	11.7
Sales and marketing	--	--	--	--	23	0.1
Provision for credit losses	--	--	1,688	20.7	5,135	29.4
Interest	517	14.3	1,136	13.9	1,991	11.4
Other expense	926	25.6	3,976	48.7	9,942	57.0
	-----	-----	-----	-----	-----	-----
Total costs and expenses	2,143	59.2	8,581	105.2	20,548	117.8
	-----	-----	-----	-----	-----	-----
Operating income (loss)	1,477	40.8	(423)	(5.2)	(3,106)	(17.8)
Foreign exchange (loss) gain	(11)	(0.3)	95	1.2	2	--
	-----	-----	-----	-----	-----	-----
Income (loss) before provision (credit) for income taxes	1,466	40.5	(328)	(4.0)	(3,104)	(17.8)
Provision (credit) for income taxes	416	11.5	(115)	(1.4)	(1,102)	(6.3)
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$1,050	29.0%	\$ (213)	(2.6)%	\$(2,002)	(11.5)%
	=====	=====	=====	=====	=====	=====

In January 2002, the Company decided to stop originating automobile leases. As a result, the average size of the lease portfolio has declined significantly. The declines in the revenues and expenses were primarily a result of this decision, except as discussed below.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Other Income. Other income, as a percent of revenue, increased to 58.3% in 2004 from 21.0% in 2003 due to an increase in gains on lease terminations, as a percentage of revenue, during 2004 resulting from an increase in the proportion of lease terminations to total leases outstanding during 2004.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Other Income. Other income, as a percent of revenue, increased to 21.0% in 2003 from 7.7% in 2002 due to an increase in gains on lease terminations, as a percentage of revenue, during 2003 resulting from an increase in the proportion of lease terminations to total leases outstanding during 2003.

OTHER

(Dollars in thousands)	YEAR ENDED DECEMBER 31, 2004	% OF REVENUE	YEAR ENDED DECEMBER 31, 2003 (RESTATED)	% OF REVENUE	YEAR ENDED DECEMBER 31, 2002 (RESTATED)	% OF REVENUE
	-----	-----	-----	-----	-----	-----
REVENUE:						
Finance charges	\$ 649	72.4%	\$1,593	56.8%	\$1,808	34.4%
Other income	248	27.6	1,213	43.2	3,446	65.6
	-----	-----	-----	-----	-----	-----
Total revenue	897	100.0	2,806	100.0	5,254	100.0
COSTS AND EXPENSES:						
Salaries and wages	107	11.9	241	8.6	269	5.1
General and administrative	222	24.7	357	12.7	804	15.3
Sales and marketing	--	--	62	2.2	229	4.4
Provision for credit losses	1,194	133.1	1,144	40.8	2,740	52.2
Interest	134	14.9	592	21.1	1,011	19.2
	-----	-----	-----	-----	-----	-----
Total costs and expenses	1,657	184.6	2,396	85.4	5,053	96.2
	-----	-----	-----	-----	-----	-----
(Loss) income before provision for income taxes	(760)	(84.6)	410	14.6	201	3.8
(Credit) provision for income taxes	(110)	(12.1)	247	8.8	44	0.8
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$ (650)	(72.5)%	\$ 163	5.8%	\$ 157	3.0%
	=====	=====	=====	=====	=====	=====

The Other segment consists of the Company's Canadian indirect auto loan business (accounted for as Dealer Loans), floorplan financing, and secured line of credit financing businesses. Effective June 30, 2003, the Company decided to stop originating Dealer Loans in Canada. As a result, the average size of the Dealer Loan portfolio in Canada has declined significantly. The Company significantly reduced its floorplan and secured line of credit portfolios since 2001. The declines in the revenues and expenses were primarily a result of these decisions.

CRITICAL ACCOUNTING POLICIES AND LOSS EXPERIENCE

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. 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 ongoing basis, the Company evaluates its estimates, including those related to the allowance for credit losses, finance charge revenue, stock-based compensation expense, impairment of various assets, contingencies, and taxes. The Company believes the following critical accounting policies involve a high degree of judgment and complexity, and the use of different estimates or assumptions could produce materially different financial results.

Finance Charge Revenue

Balance Sheet Caption:	Loans receivable
Income Statement Caption:	Finance charges
Nature of Estimates Required:	Estimating revenue recognition using the interest rate method of accounting.
Assumptions and Approaches Used:	The Company recognizes finance charge income in accordance with the provisions of an approach similar to SOP 03-3 "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 requires the Company to recognize 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 over time, the Company prospectively adjusts the rate upwards for positive changes but recognizes impairment for negative changes in the current period.
Key Factors:	Variances in the amount and timing of future collections and dealer holdback payments from current estimates could materially impact earnings in future periods.

Allowance for Credit Losses

Balance Sheet Caption:	Allowance for credit losses
Income Statement Caption:	Provision for credit losses
Nature of Estimates Required:	Estimating the amount and timing of future collections and dealer holdback payments.
Assumptions and Approaches Used:	The Company maintains an allowance for credit losses for any Dealer Loan balance that, based on current expectations, is not expected to achieve the weighted average initial yield established at the inception of the Dealer Loan. The Company compares the present value (discounted at the weighted average initial yield) of estimated future collections less the present value of the estimated related dealer holdback payments for each Dealer Loan to the recorded net investment in that Dealer Loan. If the present value of such cash flows is less than the carrying amount of the Dealer Loan, an allowance for credit losses is established to reduce the carrying amount to the calculated present value. The estimates of future collections and the related dealer holdback payments use various assumptions based on a dealer-partner's actual loss data and the Company's historical loss and collection experience. At December 31, 2004, a 1% decline in the forecasted future collections would result in approximately a \$1.8 million pre-tax charge to the provision for credit losses. For additional information, see Note 1 to the consolidated financial statements, which is incorporated herein by reference.
Key Factors:	Variances in the amount and timing of future collections and dealer holdback payments from current estimates could materially impact earnings in future periods.

Stock-Based Compensation Expense

Balance Sheet Caption:	Paid-in capital
Income Statement Caption:	Stock-based compensation expense
Nature of Estimates Required:	Compensation expense for stock options is based on the fair value of the options on the date of grant, which is estimated by the Company, and is recognized over the vesting period of the options.

Assumptions and Approaches Used: The Company uses the Black-Scholes option pricing model to estimate the fair value of stock option grants. This model calculates the fair value using various assumptions, including the expected life of the option, the expected volatility of the underlying stock, and the expected dividend yield on the underlying stock. In recognizing stock-based compensation expense, the Company makes assumptions regarding the expected forfeiture rate of stock options and the expected vesting date of performance-based options. For additional information, see Notes 1 and 11 to the consolidated financial statements, which are incorporated herein by reference.

Key Factors: Changes in the expected vesting dates of performance-based stock options would impact the amount and timing of stock-based compensation expense recognized in future periods.

Impairment of Assets

Balance Sheet Caption: Various assets

Income Statement Caption: Impairment expense

Nature of Estimates Required: Estimating impairment for businesses in liquidation on a quarterly basis.

Assumptions and Approaches Used: The Company estimates impairment for each business in liquidation by comparing its future forecasted net cash flows to its net asset value. In estimating the future net cash flows of the business, the Company makes assumptions regarding the amount and timing of cash flows. For additional information, see Note 1 to the consolidated financial statements, which is incorporated herein by reference.

Key Factors: Negative variances in future forecasted net cash flows from current estimates may result in the recognition of impairment expenses in future periods.

Litigation and Contingent Liabilities

Balance Sheet Caption: Accrued liabilities

Income Statement Caption: General and administrative expense

Nature of Estimates Required: Estimating the likelihood of adverse legal judgments and any resulting damages owed.

Assumptions and Approaches Used: The Company, with assistance from its legal counsel, determines if the likelihood of an adverse judgment for various claims and litigation is remote, reasonably possible, or probable. To the extent the Company believes an adverse judgment is probable and the amount of the judgment is estimable, the Company recognizes a liability. For information regarding the potential various customer claims against the Company, see Note 13 to the consolidated financial statements, which is incorporated herein by reference.

Key Factors: Negative variances in the ultimate disposition of claims and litigation outstanding from current estimates could result in additional expense in future periods.

Taxes

Balance Sheet Caption: Deferred income taxes, net

Income Statement Caption: Provision for income taxes

Nature of Estimates Required: Estimating the recoverability of deferred tax assets.

Assumptions and Approaches Used: The Company, based on historical and projected future financial results by tax jurisdiction, determines if it is more likely than not a deferred tax asset will

be realized. To the extent the Company believes the recovery of all or a portion of a deferred tax asset is not likely, a valuation allowance is established. For additional information, see Note 10 to the consolidated financial statements, which is incorporated herein by reference.

Key Factors:

Changes in tax laws and variances in projected future results from current estimates that impact judgments made on valuation allowances could impact the Company's provision for income taxes in future periods.

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 flow requirements are dependent on levels of Dealer Loan originations. In 2004, the Company experienced an increase in Dealer Loan originations from 2003 primarily due to: (i) an increase in the number of active dealer-partners due to increased dealer-partner enrollments and reduced levels of dealer-partner attrition and (ii) an increase in the average transaction size.

The Company currently finances its operations through: (i) a bank line of credit facility; (ii) term secured financings; (iii) revolving secured financings; (iv) a mortgage loan; and (v) capital lease obligations. For information regarding these financings and the covenants included in the related documents, see Note 8 to the consolidated financial statements, which is incorporated herein by reference. The Company was not in compliance with certain covenants under its debt agreements due to its inability to timely file its Annual Report on Form 10-K for the year ended December 31, 2004 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005 due to the ongoing restatement of the Company's consolidated financial statements. The Company has received waivers of this requirement on its debt facilities and these waivers become permanent upon the filing of such reports.

The Company's total balance sheet indebtedness increased to \$193.5 million at December 31, 2004 from \$106.5 million at December 31, 2003. In addition to the balance sheet indebtedness as of December 31, 2004, the Company also has contractual obligations resulting in future minimum payments under operating leases.

A summary of the total future contractual obligations requiring repayments as of December 31, 2004 is as follows (in thousands):

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term debt obligations (1)	\$191,916	\$176,677	\$ 9,965	\$5,274	\$--
Capital lease obligations	1,631	491	1,140	--	--
Operating lease obligations	2,723	672	1,736	315	--
Purchase obligations	--	--	--	--	--
Other long-term obligations (2) (3)	--	--	--	--	--
Total contractual obligations	\$196,270	\$177,840	\$12,841	\$5,589	\$--
	=====	=====	=====	=====	=====

- (1) Long-term debt obligations included in the above table consists solely of principal repayments. The Company is also obligated to make interest payments at the applicable interest rates, as discussed in Note 8 in the consolidated financial statements, which is herein incorporated by reference.
- (2) 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 advances, these obligations are excluded from the above table.
- (3) The Company has entered into a series of forward contracts to deliver British pound sterling in exchange for United States dollars. As the forward contracts are derivatives that are recorded on the balance sheet at their fair value and as this fair value does not represent the amounts that will ultimately be received or paid under these contracts, these obligations are excluded from the above table.

LIQUIDATION OF NON-CORE BUSINESSES

As a result of the decision in the second quarter of 2003 to stop Consumer Loan originations in the United Kingdom and Dealer Loan originations in Canada, and the decision to stop lease originations in January 2002, the Company expects to receive approximately \$15.0 million from the liquidation of its United Kingdom, Canadian, and Automobile Leasing business segments. 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 cash flows from the liquidation of these business segments is shown in the following table:

(In thousands)	AS OF DECEMBER 31, 2004

United Kingdom	\$12,200
Canada	2,000
Automobile Leasing	800

	\$15,000
	=====

The Company intends to utilize proceeds from businesses being liquidated to: (i) fund Dealer Loan originations in the United States and (ii) fund common stock repurchases. During 2004, the Company received \$27.9 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 million.

Repurchase and Retirement of Common Stock - For information regarding the Company's stock repurchase program, see Note 11 to the consolidated financial statements, which is incorporated herein by reference.

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.

MARKET RISK

The Company is exposed primarily to market risks associated with movements in interest rates and foreign currency exchange rates. The Company's policies and procedures prohibit the use of financial instruments for trading purposes. A discussion of the Company's accounting policies for derivative instruments is included in the Summary of Significant Accounting Policies in Note 1 to the consolidated financial statements, which is incorporated herein by reference.

Interest Rate Risk. The Company relies on various sources of financing, some of which is at floating rates of interest and exposes the Company to risks associated with increases in interest rates. The Company manages such risk primarily by entering into interest rate cap agreements.

As of December 31, 2004, the Company had \$7.7 million of floating rate debt outstanding on its bank credit facilities, with no interest rate cap protection, and \$76.0 million in floating rate debt outstanding under its secured financing, with an interest rate cap of 6.25%. Based on the difference between the Company's rates on its secured financing at December 31, 2004 and the interest rate cap, the Company's maximum interest rate risk on the September 2003 secured financing is 3.3%. This maximum interest rate risk would reduce annual after-tax earnings by approximately \$1.6 million in 2004. For every 1% increase in rates on the Company's bank credit facilities, annual after-tax earnings would decrease by approximately \$50,000 in 2004. This analysis assumes the Company maintains a level amount of floating rate debt.

Foreign Currency Risk. The Company is exposed to changes in foreign exchange rates that could have a negative impact on earnings or asset and liability values from operations in foreign countries. The Company's most significant foreign currency exposure relates to the United Kingdom.

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. As of December 31, 2004, the Company had contracts outstanding to deliver 3.3 million British pounds sterling to the commercial bank which will be 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. The Company believes that this transaction will minimize the currency exchange risk associated with an adverse change in the relationship between the United States dollar and the British pound sterling as it repatriates cash from the United Kingdom operation. As the Company has 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 will increase or decrease net income. As of December 31, 2004, the fair value of the forward contracts was \$1.2 million less than the notional amount of the contracts due to the weakening of the United States dollar versus the British pound sterling since the date the contracts were entered into.

At December 31, 2004, an immediate 10% weakening of the United States dollar would have decreased shareholders' equity by approximately \$0.2 million and decreased net income by approximately \$0.4 million.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchange of Nonmonetary Assets" ("SFAS 153"). This Statement amends Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Nonmonetary Transactions" ("APB No. 29") which established the requirement that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB No. 29, however, included certain exceptions to that principle. SFAS 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. SFAS 153 is not expected to have material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all shares-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statement of income based on their fair values. Pro forma disclosure, as was allowed under APB No. 25, will no longer be an alternative. As the Company began recognizing stock based compensation expense under the fair value recognition and measurement provisions of SFAS No. 123 during 2003, the adoption of SFAS No. 123R will not have a material impact on the Company.

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 "may," "will," "should," "believes," "expects," "anticipates," "assumes," "forecasts," "estimates," "intends," "plans" 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 automobile Consumer 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 and 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 7A is incorporated by reference from the information in Item 7 under the caption "Market Risk" in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Shareholders' Equity for the years ended December 31, 2004, 2003, and 2002	37
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and
Shareholders of Credit Acceptance Corporation

We have audited the accompanying consolidated balance sheets of Credit Acceptance Corporation and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Credit Acceptance Corporation as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Credit Acceptance Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Since we were unable to apply other procedures to satisfy ourselves as to the effectiveness of the Company's internal control over financial reporting at December 31, 2004, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion either on management's assessment or on the effectiveness of the Company's internal control over financial reporting in our report dated January 27, 2006.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its consolidated financial statements as of December 31, 2003, and for the two years ended December 31, 2003.

/s/ GRANT THORNTON LLP

Southfield, Michigan
January 27, 2006

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	(DOLLARS IN THOUSANDS)	
	DECEMBER 31,	
	2004	2003 (RESTATED)
ASSETS:		
Cash and cash equivalents	\$ 614	\$ 1,136
Restricted cash	23,927	37,275
Restricted securities available for sale	928	--
Loans receivable (including \$18,353 and \$16,783 from affiliates in 2004 and 2003, respectively)	667,394	619,437
Allowance for credit losses	(141,383)	(143,309)
Loans receivable, net	526,011	476,128
Property and equipment, net	19,706	18,541
Income taxes receivable	9,444	--
Other assets	10,683	11,768
Total Assets	\$ 591,313	\$ 544,848
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 49,384	\$ 38,862
Dealer reserve payable, net	15,675	35,198
Line of credit	7,700	--
Secured financing	176,000	100,000
Mortgage note and capital lease obligations	9,847	6,447
Income taxes payable	--	2,086
Deferred income taxes, net	31,817	18,960
Total Liabilities	290,423	201,553
CONTINGENCIES (NOTE 12)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	--	--
Common stock, \$.01 par value, 80,000,000 shares authorized, 36,897,242 and 42,128,087 shares issued and outstanding at year-end 2004 and 2003, respectively	369	421
Paid-in capital	25,640	125,077
Retained earnings	271,912	214,587
Accumulated other comprehensive income, net of tax of \$2 and \$1,760 at year-end 2004 and 2003, respectively	2,969	3,210
Total Shareholders' Equity	300,890	343,295
Total Liabilities and Shareholders' Equity	\$ 591,313	\$ 544,848

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE DATA)
FOR THE YEARS ENDED DECEMBER 31,

	2004	2003 (RESTATED)	2002 (RESTATED)
REVENUE:			
Finance charges	\$ 154,859	\$ 127,853	\$ 115,957
Lease revenue	1,507	6,432	16,101
License fees	5,835	3,836	2,906
Other income	14,514	14,106	24,174
Total revenue	176,715	152,227	159,138
COSTS AND EXPENSES:			
Salaries and wages	34,961	31,970	28,142
General and administrative	22,195	20,705	24,908
Sales and marketing	11,915	8,949	7,987
Provision for credit losses	5,757	9,639	23,807
Interest	11,660	8,057	9,058
Stock-based compensation	2,725	3,583	2,072
United Kingdom asset impairment expense	--	10,493	--
Other expense	1,270	4,517	11,805
Total costs and expenses	90,483	97,913	107,779
Operating income	86,232	54,314	51,359
Foreign exchange gain (loss)	1,650	(2,767)	(3)
Income before provision for income taxes	87,882	51,547	51,356
Provision for income taxes	30,557	26,878	21,582
Net income	\$ 57,325	\$ 24,669	\$ 29,774
Net income per common share:			
Basic	\$ 1.48	\$ 0.58	\$ 0.70
Diluted	\$ 1.40	\$ 0.57	\$ 0.69
Weighted average shares outstanding:			
Basic	38,617,787	42,195,340	42,438,292
Diluted	41,017,205	43,409,007	43,362,741

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS)	COMMON STOCK		PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
	-----	-----	NUMBER	AMOUNT	-----	-----	-----
Balance, January 1, 2002, as previously reported	\$ 290,887		42,163	\$422	\$ 126,111	\$170,493	\$(6,139)
Effect of restatement	(10,342)		--	--	--	(10,349)	7
	-----		-----	-----	-----	-----	-----
Balance, January 1, 2002, as restated	280,545		42,163	422	126,111	160,144	(6,132)
Comprehensive income:							
Net income	29,774	\$29,774				29,774	
Other comprehensive income:							
Foreign currency translation adjustment, net of tax of \$431	7,110	7,110					7,110
Tax on permanently reinvested other comprehensive loss		(2,209)					

Other comprehensive income		4,901					

Total comprehensive income		\$34,675					
		=====					
Recognition of deferred taxes on foreign currency translation adjustment related to the United Kingdom and Ireland operations	(77)						(77)
Stock-based compensation	2,072				2,072		
Repurchase and retirement of common stock	(7,018)		(586)	(6)	(7,012)		
Stock options exercised	3,606		749	7	3,599		
	-----		-----	-----	-----	-----	-----
Balance, December 31, 2002	316,012		42,326	423	124,770	189,918	901
Comprehensive income:							
Net income	24,669	\$24,669				24,669	
Other comprehensive income:							
Foreign currency translation adjustment, net of tax of \$1,252	2,309	2,309					2,309
Tax on permanently reinvested other comprehensive loss		(69)					

Other comprehensive income		2,240					

Total comprehensive income		\$26,909					
		=====					
Stock-based compensation	3,583				3,583		
Repurchase and retirement of common stock	(5,316)		(464)	(5)	(5,311)		
Stock options exercised	2,038		266	3	2,035		
	-----		-----	-----	-----	-----	-----
Balance, December 31, 2003	343,295		42,128	421	125,077	214,587	3,210
Comprehensive income:							
Net income	57,325	\$57,325				57,325	
Other comprehensive loss:							
Unrealized loss on securities available for sale, net of tax of \$2	(4)	(4)					(4)
Foreign currency translation adjustment, net of tax of (\$1,760)	(237)	(237)					(237)

Total comprehensive income		\$57,084					
		=====					
Stock-based compensation	2,725				2,725		
Repurchase and retirement of common stock	(107,236)		(5,752)	(57)	(107,179)		
Stock options exercised	5,022		521	5	5,017		
	-----		-----	-----	-----	-----	-----
Balance, December 31, 2004	\$ 300,890		36,897	\$369	\$ 25,640	\$271,912	\$ 2,969
	=====		=====	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN
THOUSANDS) FOR
THE YEARS ENDED
DECEMBER 31, ----

----- 2004
2003 2002
(RESTATED)
(RESTATED) -----

CASH FLOWS FROM
OPERATING

ACTIVITIES: Net
Income \$ 57,325 \$
24,669 \$ 29,774
Adjustments to
reconcile cash
provided by
operating
activities:
Provision for
credit losses
5,757 9,639
23,807
Depreciation
5,781 8,502
14,643 Loss on
retirement of
property and
equipment 230 73
1,500 Foreign
currency (gain)
loss on forward
contracts (1,661)
2,817 --
Provision
(credit) for
deferred income
taxes 12,857
(2,555) 23,257
Stock-based
compensation
2,725 3,583 2,072
United Kingdom
asset impairment
-- 10,493 --
Change in
operating assets
and liabilities:
Accounts payable
and accrued
liabilities
11,715 5,338
(8,674) Income
taxes
receivable/payable
(11,530) 11,845
(17,630) Other
assets 621 8,555
13,101 -----

----- Net
cash provided by
operating
activities 83,820
82,959 81,850 ---

- CASH FLOWS FROM
INVESTING

ACTIVITIES:
Decrease
(increase) in
restricted cash
13,348 (27,203)
5,109 Increase in
restricted
securities
available for
sale (928) -- --
Principal
collected on
loans receivable
397,091 362,575
377,892 Advances
to dealers and
accelerated

payments		
(427,866)		
(334,720)		
(249,434)		
Originations and purchases of new consumer loans		
(7,938)	(42,621)	
(71,391)	Payments of dealer holdbacks	
(34,421)	(28,127)	
(32,698)		
Purchases of property and equipment	(3,567)	
(3,273)	(4,444)	-

---	Net cash (used in) provided by investing activities	
(64,281)	(73,369)	
25,034	-----	
-		

-----	CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings under line of credit		
314,000	68,400	
129,963		
Repayments under line of credit		
(306,300)		
(111,955)		
(159,623)		
Proceeds from secured financings		
288,000	100,000	
75,045	Repayments of secured financings	
(212,000)		
(58,153)		
(139,288)		
Principal payments under mortgage and capital lease obligations		
(2,821)	(1,540)	
(851)	Proceeds from mortgage note refinancing	
3,540	-- --	
Repurchase of common stock		
(107,236)	(5,316)	
(7,018)	Proceeds from stock options exercised	
5,022	2,038	3,606

----	Net cash used in financing activities	
(17,795)	(6,526)	
(98,166)	-----	
-		

Effect of exchange rate changes on cash		
(2,266)	(7,055)	
(4,488)	-----	

-----	Net (decrease) increase in cash and cash equivalents	
(522)		
(3,991)	4,230	
Cash and cash equivalents, beginning of period	1,136	
5,127	898	-----
-		

Cash and cash equivalents, end		

of period \$ 614 \$
1,136 \$ 5,128
=====

=====

Supplemental
Disclosure of
Cash Flow
Information: Cash
paid during the
period for
interest \$ 10,920
\$ 7,969 \$ 7,729
=====

=====

===== Cash
paid during the
period for income
taxes \$ 26,855 \$
16,081 \$ 16,509
=====

=====

=====

Supplemental
Disclosure of
Non-Cash
Transactions:
Property and
equipment
acquired through
capital lease
obligations \$
2,038 \$ 32 \$
2,168
=====

=====

=====

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Principal Business. Since 1972, Credit Acceptance (the "Company" or "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.

The Company refers to dealers who participate in its program as "dealer-partners". Upon enrollment in the Company's financing program, the dealer-partner enters into a servicing agreement with Credit Acceptance that defines the legal relationship between Credit Acceptance and the dealer-partner. The servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as "Consumer Loans") from the dealer-partners to the Company.

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.

Loans receivable in the United States and Canada. The Company is not considered the originator of Consumer Loans in the United States and Canada for accounting purposes. Instead the Company is a lender to dealer-partners. At the time of acceptance, Consumer Loans that meet certain criteria are eligible for a non-recourse cash payment to the dealer-partner (referred to as an "advance"), which is computed on a formula basis. Upon acceptance of an assigned Consumer Loan, the Company records the cash amount advanced to the dealer-partner as a Dealer Loan ("Dealer Loan") classified in Loans receivable in the consolidated financial statements.

Cash advanced to dealer-partners is automatically assigned to the originating dealer-partner's open pool of business. At the dealer-partner's option, a pool containing more than one hundred Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances due from a dealer-partner are secured by the future collections on the dealer-partner's portfolio of Consumer Loans that have been assigned to the Company. Net collections on all related Consumer Loans within the pool, after payment of the Company's servicing fee and reimbursement of certain collection costs, are applied to reduce the aggregate advance balance owing against those Consumer Loans. Once the advance balance has been repaid, the dealer-partner is entitled to receive future collections from Consumer Loans within that pool, after payment of the Company's servicing fee and reimbursement of certain collection costs. If the collections on Consumer Loans from a dealer-partner's pool are not sufficient to repay the advance balance, the dealer-partner will not receive the portion of compensation that is paid based on the performance of the Consumer Loan ("dealer holdback"). Additionally, for dealer-partners with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for holdback payments.

Loans receivable in the United Kingdom. Upon origination of a Consumer Loan, the Company records the total payments due under the Consumer Loan as a Loan receivable and the amount of its servicing fee as an unearned finance charge, which, for balance sheet purposes, is netted from the gross amount of the Consumer Loan and represents the interest element on the Consumer Loan from the Company's perspective. The Company records the remaining portion of the Consumer Loan (the gross amount of the Consumer Loan less the unearned finance charge) in Dealer reserve payable in the consolidated financial statements. At the time of acceptance, Consumer Loans that meet certain criteria are eligible for a cash advance to the dealer-partner, which is computed on a formula basis.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Cash advanced to dealer-partners is automatically assigned to the originating dealer-partner's open pool of advances. At the dealer-partner's option, a pool containing more than one hundred Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances due from a dealer-partner are secured by the future collections on the dealer-partner's portfolio of Consumer Loans that have been assigned to the Company. Collections on all related Consumer Loans within the pool, after payment of the Company's servicing fee and reimbursement of certain collection costs, are applied to reduce the aggregate advance balance related to that pool. Once the advance balance has been repaid, the dealer-partner is entitled to receive future collections from Consumer Loans within that pool, after payment of the Company's servicing fee and reimbursement of certain collection costs. If the collections on Consumer Loans from a dealer-partner's pool are not sufficient to repay the advance balance, the dealer-partner will not receive the dealer holdback. Dealer-partner advances are netted against dealer holdbacks in the accompanying consolidated financial statements.

Businesses in Liquidation. Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", an impairment analysis is performed on the net asset value of the United Kingdom, Canadian, and Automobile Leasing operations on a quarterly basis. This analysis compares the undiscounted forecasted future net cash flows (including future servicing expenses and any payments due to dealer-partners under servicing agreements) of each operation to the operation's net asset value at the balance sheet date. If this analysis indicates impairment (i.e. the net asset value exceeds the undiscounted forecasted future net cash flows), the Company is required to write down the value of the asset to the present value of the forecasted net cash flows.

Effective June 30, 2003, the Company decided to stop originating Consumer Loans in the United Kingdom. In analyzing the expected cash flows from this operation, the Company assumed lower collection rates than assumed before the decision to liquidate. These lower collection rates reflect uncertainties (such as potentially higher employee turnover or reduced morale) in the servicing environment that may arise as a result of the decision to liquidate. As a result of this analysis, in the second quarter of 2003, the net asset value of the operation's Consumer Loan portfolio was deemed to be impaired and the Company recorded an after-tax expense of \$6.4 million to reduce the carrying value of its Consumer Loan portfolio to the present value (using a discount rate of 13%) of the forecasted cash flows relating to the Consumer Loan portfolio less estimated future servicing expenses. Based upon management's analysis as of December 31, 2004, no additional reduction of the carrying value of the United Kingdom Consumer Loan portfolio is required.

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.

Effective June 30, 2003, the Company decided to stop originating Dealer Loans in Canada. Since Dealer Loans originated in Canada are serviced in the United States, the Company evaluated cash flows related to the Canadian operation based on the same collection rate assumptions as were used before the decision to liquidate. Based upon management's analysis as of December 31, 2004, no reduction of the carrying value of the Canadian Dealer Loan portfolio is required.

In January 2002, the Company decided to stop originating automobile leases. Based upon management's analysis as of December 31, 2004, no reduction of the carrying value of the Automobile Leasing's net assets is required.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which supercedes Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in Restructuring)." SFAS No. 146 requires a liability for a cost associated with an exit or disposal activity to be recognized and measured initially at its fair value in the period in which the liability is incurred, rather than at the time of commitment to an exit plan. The Company adopted this standard for exit or disposal activities initiated after December 31, 2002. As a result of the Company's decision to exit the United Kingdom business in the second quarter of 2003, the Company recognized: (i) \$300,000 after-tax increase in salaries and wages resulting from employee severance expenses and (ii) \$100,000 after-tax reduction in other income due to a refund of profit sharing income on ancillary products to an ancillary product provider which was based on volume targets no longer attainable due to the decision to stop Consumer Loan originations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated. The Company's primary subsidiaries are: Buyer's Vehicle Protection Plan, Inc., CAC Leasing, Inc., Credit Acceptance Corporation UK Limited, CAC of Canada Company, and Credit Acceptance Corporation Ireland Limited.

REPORTABLE BUSINESS SEGMENTS

The Company is organized into four primary business segments: United States, United Kingdom, Automobile Leasing, and Other. See Note 12 - Business Segment Information for information regarding the Company's reportable segments.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounts which are subject to significant estimation include the allowance for credit losses, finance charge revenue, stock-based compensation expense, impairment of various assets, contingencies, and taxes. Actual results could materially differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of amounts held in accordance with secured financing arrangements and reinsurance agreements.

RESTRICTED SECURITIES

Restricted securities consist of amounts held in accordance with secured financing arrangements and reinsurance agreements. 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 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
	=====	===	===	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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 DECEMBER 31, 2004	

	COST	ESTIMATED FAIR VALUE
	----	-----
Contractual Maturity		
Within one year	\$ --	\$ --
Over one year to five years	857	852
Over five years to ten years	77	76
Over ten years	--	--
	----	----
Total restricted securities available for sale	\$934	\$928
	=====	=====

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." SOP 03-3 requires the Company to recognize 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 would prospectively adjust the rate upwards for positive changes but would recognize impairment for negative changes in the current period.

Buyers Vehicle Protection Plan, Inc. ("BVPP"), a wholly owned subsidiary of 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. BVPP receives a commission for all such vehicle service contracts sold by its dealer-partners where the vehicle service contract is financed by the Company, and does not bear any risk of loss for claims covered on these third party service contracts. The commission is included in the purchase price of the vehicle service contract included in the Consumer Loan. The Company advances to dealer-partners an amount equal to the purchase price of the vehicle service contract on Consumer Loans accepted by the Company that include vehicle service contracts. In addition, BVPP had its own short-term limited extended service contract product offered by participating dealer-partners. In connection therewith, BVPP bears the risk of loss for any repairs covered under the service contract. The Company recognizes income and related expense for this service contract program on an accelerated basis over the life of the service contract. The Company stopped offering this product effective November 1, 2003.

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 as finance charge income at the time the commissions are 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 December 31, 2004, the trusts had \$4.8 million in cash and cash equivalents available to pay claims and a related claims reserve of \$4.8 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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. 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.

FINANCE CHARGES - UNITED KINGDOM

The Company recognizes finance charge income in the United Kingdom in accordance with the provisions of 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.

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 consolidated 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.

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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

Effective July 1, 2003, the Company retroactively eliminated the reserve for advance losses balance, which was previously classified within dealer holdbacks, net and transferred the balance into the allowance for credit losses which is classified within Loans receivable, net. In addition, the Company prospectively eliminated its charge-off policy related to dealer advances and modified its Loans receivable charge-off policy to require charge-off of Loans receivable after 270 days of no payment against dealer holdbacks, net and, if such holdback is insufficient, against the allowance for credit losses. In effect, the Company combined its advance and Loans receivable charge-off policies into a single policy whereby the Consumer Loan and related advance are charged-off at the same time. For the first six months of 2003, advances were charged-off when the Company's analysis forecasted no future collections on Consumer Loans relating to the dealer-partner advance pool. Prior to January 1, 2003, advances were charged-off or partially charged-off when the Company's analysis determined that the expected discounted cash flows associated with the related Consumer Loans were insufficient to recover the outstanding advance balance in the pool.

The Company records the gross amount of the Consumer Loan less the unearned finance charges as dealer holdbacks. 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.

PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are generally as follows: buildings - 40 years, building improvements - 10 years, data processing equipment - 3 years, software - 5 years, office furniture and equipment - 7 years, and leasehold improvements - the lesser of the lease term or 10 years. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts at the time of disposition and any resulting gain or loss is included in operations. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and improvements are capitalized. Software developed for internal use is capitalized and generally amortized on a straight-line basis. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

OTHER ASSETS

Leased assets are depreciated to their residual values on a straight-line basis over the scheduled lease term. The Company established its residual values based upon an industry guidebook and data from repossessed vehicles sold at auction. Realization of the residual values is dependent on the Company's future ability to market the vehicles under then prevailing market conditions.

As of December 31, 2004 and 2003, deferred debt issuance costs were \$3.5 million and \$3.0 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

INCOME TAXES

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. The Company establishes reserves for income tax when, despite the belief that our tax positions are fully supportable, there remain certain positions that are probable to be challenged and possibly disallowed by various authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimate will impact the income tax provision in the period in which such determination is made.

DERIVATIVE INSTRUMENTS

Interest Rate Caps. The Company purchases interest rate cap agreements to manage its interest rate risk on its secured financings. As the Company has not designated these agreements 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 agreements will increase or decrease net income.

As of December 31, 2004, the following interest rate cap agreements were outstanding (in thousands):

NOTIONAL AMOUNT	COMMERCIAL PAPER CAP RATE	TERM	FAIR VALUE
- - - - -	- - - - -	- - - - -	- - - - -
\$100,000	6.25%	September 2004 through January 2007	\$30
100,000	6.25%	September 2004 through February 2007	13
- - - - -			- - -
\$200,000			\$43
=====			===

As of December 31, 2003, the following interest rate cap agreements were outstanding (in thousands):

NOTIONAL AMOUNT	COMMERCIAL PAPER CAP RATE	TERM	FAIR VALUE
- - - - -	- - - - -	- - - - -	- - - - -
\$ 6,663	7.50%	July 2002 through January 2004	\$--
8,218	6.50%	July 2002 through January 2004	--
31,250	6.25%	October 2002 through October 2004	--
100,000	6.25%	November 2003 through March 2006	17
- - - - -			- - -
\$146,131			\$17
=====			===

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Foreign Currency 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. As of December 31, 2004 and 2003, the Company had contracts outstanding to deliver 3.3 million British pounds sterling and 16.9 million British pounds sterling, respectively, to the commercial bank which will be exchanged into United States dollars at weighted average exchange rates of 1.57 and 1.58 United States dollars per British pound sterling, respectively, on a monthly basis through June 30, 2005. The Company believes that this transaction will minimize the currency exchange risk associated with an adverse change in the relationship between the United States dollar and the British pound sterling as it repatriates cash from the United Kingdom operation. As the Company has not designated these contracts as hedges as defined under SFAS No. 133, changes in the fair value of these forward contracts will increase or decrease net income. The fair value of the forward contracts was less than the notional amount of the contracts outstanding as of December 31, 2004 and 2003 by \$1,156,000 and \$2,817,000, respectively, 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 \$1,661,000 for 2004 related to the change in the fair value of the forward contracts primarily due to a decrease in the notional amount of the forward contracts from December 31, 2003 to December 31, 2004, partially offset by the weakening of the United States dollar versus the British pound sterling during 2004. The Company recognized a foreign currency loss of \$2,817,000 for 2003 related to the change in the fair value of the forward contracts due to the weakening of the United States dollar versus the British pound sterling since the date the contracts were entered into.

STOCK COMPENSATION PLANS

At December 31, 2004, the Company has three stock-based compensation plans for employees and directors, which are described more fully in Note 11 - Capital Transactions. Prior to April 1, 2003, the Company accounted for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. In the second quarter of 2003, the Company adopted the fair value recognition and measurement provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" for stock-based employee compensation. Under the retroactive restatement transition method selected by the Company described in SFAS No. 148, the Company restated all prior periods to reflect the stock-based compensation expense that would have been recognized had the recognition provisions of SFAS No. 123 been applied to all options granted to employees or directors after January 1, 1995.

FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of the Company's foreign operations are measured using the local currency as the functional currency. Revenues and expenses are translated at average exchange rates during the year and assets and liabilities are translated at current exchange rates at the balance sheet date. Translation adjustments are reflected in accumulated other comprehensive income, as a separate component of shareholders' equity. Realized foreign currency transaction gains and losses are included in the statement of income.

Deferred income taxes are recognized for foreign currency translation adjustments when the Company's investments in its foreign subsidiaries are considered temporary and the differences will reverse in the foreseeable future. Prior to 2002, the Company considered all of its investments in its foreign subsidiaries to be permanent. During the first quarter of 2002, the Company determined that its investments in its United Kingdom subsidiary was no longer considered permanent, and during the second quarter of 2003, the Company determined that its investment in its Canadian subsidiary was no longer considered permanent. Upon these determinations, the Company recognized deferred income taxes related to the foreign currency translation adjustments of these subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

LEASE REVENUE

Income from operating lease vehicles is recognized on a straight-line basis over the scheduled lease term. Revenue recognition is suspended at the point the customer becomes 90 days past due on a recency basis.

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.

OTHER INCOME

Other income consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		
	2004	2003	2002
	(RESTATED)	(RESTATED)	(RESTATED)
Premiums earned	\$ 2,457	\$ 2,986	\$ 4,512
Dealer enrollment fees	1,449	781	847
Net gains on lease terminations	1,497	1,073	973
Rental revenue	788	900	1,044
Interest and fees on floorplan receivables, lines of credit, and notes receivable	792	1,416	3,675
Interest income - tax refund (1)	--	--	4,800
Other	7,531	6,950	8,323
	\$14,514	\$14,106	\$24,174
	=====	=====	=====

(1) Interest income from the Internal Revenue Service was received in 2002 in connection with a refund related to a change in tax accounting methods that affected the characterization and timing of revenue recognition for tax purposes.

Premiums earned include credit life and disability premiums and premiums from the Company's non-TPA service contract program. CAC Reinsurance, Ltd. ("Credit Acceptance Reinsurance"), a wholly owned subsidiary of the Company, is engaged primarily in the business of reinsuring credit life and disability insurance policies issued to borrowers under Consumer Loans assigned by participating dealer-partners. The Company advances to dealer-partners an amount equal to the credit life and disability insurance premium. The policies insure the customer for the outstanding balance payable in the event of death or disability of the customer. Premiums are ceded to Credit Acceptance Reinsurance on both an earned and written basis and are earned over the life of the Consumer Loans using pro rata and sum-of-digits methods. Credit Acceptance Reinsurance bears the risk of loss related to claims under the coverage ceded to it. The Company recognizes income and related expense for the service non-TPA contract program on an accelerated basis over the life of the service contract.

Enrollment fees of \$9,850 are generally paid by each dealer-partner signing a servicing agreement. In return for the enrollment fee, the Company provides the dealer-partner with sales promotion kits, signs, training and the first month's access to CAPS. Beginning in the fourth quarter of 2002, the enrollment fee in the United States is 100% refundable for 180 days. The fees and the related direct incremental costs of enrolling these dealer-partners are deferred and amortized on a straight-line basis over the estimated life of the dealer-partner relationship. The Company estimates the amount of fees that will not be refunded and begins amortizing this portion of the deferred fees and costs immediately. After the 180-day refund period expires, the Company begins amortizing any remaining fees that have not been refunded along with the related costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONCLUDED)

The Company recognizes gains on lease terminations when the proceeds from the sale of previously leased vehicles at auctions exceed the carrying values of the vehicles.

The Company leases part of its headquarters to outside parties under non-cancelable operating leases. This activity is not a significant part of its business activities.

Dealer-partners are charged an initial fee to floorplan a vehicle, and interest is recognized monthly based on the number of days a vehicle remains on the floorplan, with interest rates generally ranging from 12% to 18% per annum. Income from secured lines of credit is recognized under the interest method of accounting. Interest on notes receivable is recognized as income based on the outstanding monthly balance and is generally 5% to 18% per annum. When a floorplan receivable, line of credit, or note receivable is determined to be impaired, the recognition of income is suspended and the Company records a provision for losses equal to the difference between the carrying value and the present value of the expected cash flows.

Other income consists primarily of remarketing and repossession fees, NSF fees, Credit Acceptance University training fees and income earned from sales of the Company's marketing materials.

EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) plan that covers substantially all of its employees. Employees may elect to contribute to the plan from 1% to 20% of their salary subject to statutory limitations. The Company makes matching contributions equal to 50% of the employee contributions, up to a maximum of \$1,250 per employee. Prior to 2004, the Company made matching contributions equal to 25% of the employee contributions, up to a maximum of \$625 per employee. The Company recognized compensation expense of \$302,000, \$131,000, and \$123,000 in 2004, 2003, and 2002, respectively, for its matching contributions to the plan.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchange of Nonmonetary Assets" ("SFAS 153"). This Statement amends Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Nonmonetary Transactions" ("APB No. 29") which established the requirement that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB No. 29, however, included certain exceptions to that principle. SFAS 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. SFAS 153 is not expected to have material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all shares-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statement of income based on their fair values. Pro forma disclosure, as was allowed under APB No. 25, will no longer be an alternative. As the Company began recognizing stock based compensation expense under the fair value recognition and measurement provisions of SFAS No. 123 during 2003, the adoption of SFAS No. 123R will not have a material impact on the Company.

RECLASSIFICATION

Certain amounts for prior periods have been reclassified to conform to the current presentation.

(2) RESTATEMENT OF PRIOR PERIODS

On April 1, 2005, the Company's former independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), informed the Company that Deloitte's National Office was reviewing the Company's accounting for loans. On April 8, 2005, Deloitte informed the Company that it believed the Company should not account for loans as an originator of loans to consumers but should instead account for its loans as a lender to its dealer-partners. The Company had accounted for its loans as a loan originator to consumers since 1992, and believed such accounting was in accordance with generally accepted accounting principles in the United States ("GAAP"). On April 26, 2005, the Company submitted a letter to the staff of the Office of the Chief Accountant of the Securities and Exchange Commission ("the SEC") requesting guidance.

On June 24, 2005, the SEC informed the Company that its method for recording loans should be changed from that of an originator of Consumer Loans to that of a servicer of loans generated by dealer-partners and a lender to those dealer-partners. As a result of this determination, the Company was required to restate its previously issued financial statements and reported financial results.

In addition to the restatement for the new loan accounting methodology, the Company's consolidated financial statements have been restated to correct income taxes related primarily to its foreign subsidiaries. On March 10, 2005, the Company disclosed that it had discovered errors related to accounting for income taxes related primarily to its foreign operations during the 2004 year-end closing process. The restatement of these errors decreased net income for the year ended December 31, 2003 by \$2.3 million and increased net income for the three months ended June 30, 2004 by \$2.7 million. The correction of these errors had no impact on pre-tax income. Additionally, various adjustments have been made to income taxes in addition to these corrections as a result of the change in loan accounting previously discussed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(2) RESTATEMENT OF PRIOR PERIODS - (CONTINUED)

The restatement impacted the consolidated financial statements as follows:

DECEMBER 31,
2003 DECEMBER
31, (AS
ORIGINALLY 2003
REPORTED)
ADJUSTMENTS
(RESTATED) -----

REVENUE:
Finance charges
\$ 103,125 \$
24,728 \$
127,853 Lease
revenue 6,432 -
- 6,432 License
fees 3,836 --
3,836 Other
income 32,395
(18,289) 14,106

Total revenue
145,788 6,439
152,227 COSTS
AND EXPENSES:
Salaries and
wages 33,655
(1,685) 31,970
General and
administrative
20,034 671
20,705 Sales
and marketing
8,494 455 8,949
Provision for
credit losses
10,459 (820)
9,639 Interest
8,057 -- 8,057
Stock-based
compensation
3,583 -- 3,583
United Kingdom
asset
impairment
expense 10,493
-- 10,493 Other
expense 4,756
(239) 4,517 ---

Total costs and
expenses 99,531
(1,618) 97,913
Operating
income 46,257
8,057 54,314
Foreign
exchange loss
(2,767) --
(2,767) -----

Income before
provision for
income taxes
43,490 8,057
51,547
Provision for
income taxes
15,309 11,569
26,878 -----

----- Net
income \$ 28,181
\$ (3,512) \$
24,669
=====

Net income per
common share:

Basic \$ 0.67 \$
(0.09) \$ 0.58
=====

=====

Diluted \$ 0.65
\$ (0.08) \$ 0.57
=====

=====

Weighted
average shares
outstanding:

Basic
42,195,340
42,195,340
42,195,340
Diluted
43,409,007
43,409,007
43,409,007

DECEMBER 31,
2002 DECEMBER
31, (AS
ORIGINALLY 2002
REPORTED)
ADJUSTMENTS
(RESTATED) ----

REVENUE:

Finance charges
\$ 97,744 \$
18,213 \$
115,957 Lease
revenue 16,101
-- 16,101
License fees
2,906 -- 2,906
Other income
37,583 (13,409)
24,174 -----

----- Total
revenue 154,334
4,804 159,138

COSTS AND
EXPENSES:

Salaries and
wages 29,042
(900) 28,142
General and
administrative
24,551 357
24,908 Sales
and marketing
7,623 364 7,987
Provision for
credit losses
23,935 (128)
23,807 Interest
9,058 -- 9,058
Stock-based
compensation
2,072 -- 2,072
Other expense
11,530 275
11,805 -----

----- Total
costs and
expenses
107,811 (32)
107,779
Operating
income 46,523
4,836 51,359
Foreign
exchange gain
(loss) -- (3)
(3) -----

----- Income
before
provision for
income taxes
46,523 4,833
51,356
Provision for
income taxes
18,158 3,424

21,582 -----

----- Net
income \$ 28,365
\$ 1,409 \$
29,774
=====

=====

Net income per
common share:
Basic \$ 0.67 \$
0.03 \$ 0.70
=====

=====

Diluted \$ 0.65
\$ 0.04 \$ 0.69
=====

=====

Weighted
average shares
outstanding:
Basic
42,438,292
42,438,292
42,438,292
Diluted
43,362,741
43,362,741
43,362,741

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(2) RESTATEMENT OF PRIOR PERIODS - (CONCLUDED)

	DECEMBER 31, 2003 (AS ORIGINALLY REPORTED)	ADJUSTMENTS	DECEMBER 31, 2003 (RESTATED)
Loans receivable	\$872,970	\$(253,533)	\$ 619,437
Allowance for credit losses	(17,615)	(125,694)	(143,309)
Loans receivable, net	855,355	(379,227)	476,128
Income taxes receivable	5,795	(5,795)	--
All other assets	82,630	(13,910)	68,720
Total assets	943,780	(398,932)	544,848
Dealer reserve payable, net	423,861	(388,663)	35,198
Income taxes payable	--	2,086	2,086
Deferred income taxes, net	22,770	(3,810)	18,960
Other liabilities	139,584	5,725	145,309
Total liabilities	586,215	(384,662)	201,553
Shareholders' equity	357,565	(14,270)	343,295
Total liabilities and shareholders' equity	\$943,780	\$(398,932)	\$ 544,848

See Note 14 for additional information on the restatement impact on quarterly data.

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate their value.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents. The carrying amount of cash and cash equivalents and restricted cash and cash equivalents approximate their fair value due to the short maturity of these instruments.

Net Investment in Loans. Loans receivable, net less dealer holdbacks, net represent the Company's net investment in Dealer Loans and Consumer Loans. The fair value is determined by calculating the present value of future loan payment inflows and dealer holdback outflows estimated by the Company utilizing a discount rate comparable with the rate used to calculate the Company's allowance for credit losses.

Floorplan, Lines of Credit, and Notes Receivable. The carrying values of floorplan, lines of credit, and notes receivable approximate their fair values as the interest rates on these instruments approximate the interest rates the Company would charge on similar instruments as of December 31, 2004 and 2003.

Debt. The fair value of debt is determined using quoted market prices, if available, or calculated using the estimated value of each debt instrument based on current rates offered to the Company for debt with similar maturities.

Derivative Instruments. The fair value of interest rate caps and foreign currency forward contracts are based on quoted market values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS - (CONCLUDED)

A comparison of the carrying value and estimated fair value of these financial instruments is as follows (in thousands):

	AS OF DECEMBER 31,			
	2004		2003 (RESTATED)	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS				
Cash and cash equivalents and restricted cash	\$ 25,469	\$ 25,469	\$ 38,411	\$ 38,411
Net investment in Loans receivable	510,336	519,532	440,930	447,690
Notes, lines of credit and floorplan receivables, net	4,339	4,339	6,562	6,562
Derivative instruments	43	43	17	17
LIABILITIES				
Lines of credit	7,700	7,700	--	--
Secured financing	176,000	175,543	100,000	100,158
Mortgage note	8,216	7,876	5,418	5,470
Derivative instruments	1,156	1,156	2,817	2,817

(4) LOANS RECEIVABLE

Loans receivable consists of the following (in thousands):

	AS OF DECEMBER 31,		
	2004	2003	2002
Dealer Loans receivable	\$626,284	\$537,671	\$462,509
Consumer Loans receivable	43,008	88,446	145,682
Other Loans receivable	4,350	6,668	12,326
Unearned finance charges	(4,275)	(10,791)	(19,722)
Unearned insurance premiums, insurance reserves and fees	(1,973)	(2,557)	(3,394)
Loans receivable	\$667,394	\$619,437	\$597,401
	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(4) LOANS RECEIVABLE

Loans receivable consists of the following (in thousands):

	AS OF DECEMBER 31,		
	2004	2003	2002
Dealer Loans receivable	\$ 626,284	\$ 537,671	\$ 462,508
Consumer Loans receivable	43,008	88,446	145,682
Other Loans receivable	4,350	6,668	12,326
Unearned finance charges	(4,275)	(10,791)	(19,722)
Unearned insurance premiums, insurance reserves and fees	(1,973)	(2,557)	(3,393)
Loans receivable	<u>\$ 667,394</u>	<u>\$ 619,437</u>	<u>\$ 597,401</u>

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

	Years Ended December 31, YEAR ENDED DECEMBER 31, 2004			
	DEALER LOANS	CONSUMER LOANS	OTHER LOANS	TOTAL
Balance, beginning of period	\$ 537,671	\$ 75,098	\$ 6,668	\$ 619,437
New loans	427,866	7,938	--	435,804
Dealer holdback payments	33,326	--	--	33,326
Net cash collections on loans	(365,119)	(27,615)	--	(392,734)
Write-offs	(7,104)	(23,783)	--	(30,887)
Recoveries	--	2,157	--	2,157
Net change in floorplan receivables, notes receivable and lines of credit	--	--	(2,318)	(2,318)
Other	--	584	--	584
Currency translation	(356)	2,381	--	2,025
Balance, end of period	<u>\$ 626,284</u>	<u>\$ 36,760</u>	<u>\$ 4,350</u>	<u>\$ 667,394</u>

YEAR ENDED
DECEMBER
31, 2003 --

DEALER
LOANS
CONSUMER
LOANS OTHER
LOANS TOTAL

Balance,
beginning
of period \$
462,508 \$
122,567 \$
12,326 \$
597,401 New
loans
334,720
27,519 --
362,239
Dealer
holdback
payments
27,403 -- -
- 27,403
Net cash
collections

on loans
 (285,522)
 (46,221) --
 (331,743)
 Write-offs
 (2,468)
 (39,106) --
 (41,574)
 Recoveries
 -- 1,168 --
 1,168 Net
 change in
 floorplan
 receivables,
 notes
 receivable
 and lines
 of credit -
 - --
 (5,658)
 (5,658)
 Other --
 837 -- 837
 Currency
 translation
 1,030 8,334
 -- 9,364 --

 Balance,
 end of
 period \$
 537,671 \$
 75,098 \$
 6,668 \$
 619,437
 =====
 =====
 =====
 =====

YEAR ENDED DECEMBER 31, 2002 -----
 ----- DEALER LOANS CONSUMER LOANS OTHER LOANS TOTAL -----
 ----- Balance, beginning of period \$ 446,580 \$
 168,657 \$ 19,045 \$ 634,282 New loans 249,434 44,692 -- 294,126 Dealer holdback
 payments 31,937 -- -- 31,937 Net cash collections on loans (263,362) (68,949) -
 - (332,311) Write-offs (2,149) (36,197) -- (38,346) Recoveries -- 61 -- 61 Net
 change in floorplan receivables, notes receivable and lines of credit -- --
 (6,719) (6,719) Other -- 2,850 -- 2,850 Currency translation 68 11,453 --
 11,521 ----- Balance, end of
 period \$ 462,508 \$ 122,567 \$ 12,326 \$ 597,401 =====
 ===== 53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (4) LOANS
 RECEIVABLE - (CONCLUDED) A summary of changes in the Allowance for credit
 losses is as follows (in thousands): FOR THE YEAR ENDED DECEMBER 31, 2004 -----
 ----- DEALER LOANS CONSUMER
 OTHER LOANS TOTAL ----- Balance,
 beginning of period \$136,514 \$ 6,689 \$ 106 \$143,309 Provision for credit losses
 (1) 5,094 (978) 1,174 5,290 Write-offs (7,104) (1,305) -- (8,409) Recoveries --
 2,023 -- 2,023 Other change in floorplan receivables, notes receivable, and
 lines of credit -- -- (1,270) (1,270) Currency translation 95 345 -- 440 -----
 -- ----- Balance, end of period \$134,599 \$ 6,774 \$ 10
 \$141,383 ===== FOR THE YEAR ENDED DECEMBER 31, 2003
 ----- DEALER LOANS CONSUMER
 LOANS OTHER LOANS TOTAL -----
 Balance, beginning of period \$132,658 \$ 6,550 \$ 1,285 \$140,493 Provision for
 credit losses (2) 6,109 744 1,100 7,953 Write-offs (2,468) (2,179) -- (4,647)
 Recoveries -- 1,123 -- 1,123 Other change in floorplan receivables, notes
 receivable, and lines of credit -- -- (2,279) (2,279) Currency translation 215
 451 -- 666 ----- Balance, end of period \$136,514 \$
 6,689 \$ 106 \$143,309 ===== FOR THE YEAR ENDED
 DECEMBER 31, 2002 ----- DEALER
 LOANS CONSUMER LOANS OTHER LOANS TOTAL -----
 ----- Balance, beginning of period \$124,368 \$ 5,916 \$ 2,463 \$132,747
 Provision for credit losses (3) 10,433 4,999 3,241 18,673 Write-offs (2,149)
 (4,922) -- (7,071) Recoveries -- 61 -- 61 Other change in floorplan
 receivables, notes receivable, and lines of credit -- -- (4,419) (4,419)
 Currency translation 6 496 -- 502 ----- Balance,
 end of period \$132,658 \$ 6,550 \$ 1,285 \$140,493 =====
 ===== (1) Does not include a provision of \$467 for earned but unpaid revenue
 related to license fees. (2) Does not include a provision of \$1,686 primarily
 related to the Company's lease portfolio. (3) Does not include a provision of
 \$5,134 primarily related to the Company's lease portfolio. 54

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (5) LEASED PROPERTIES
The Company leases offices and office equipment. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

Total rental expense on all operating leases was \$484,000, \$391,000, and \$373,000 for 2004, 2003, and 2002, respectively. Contingent rentals under the operating leases were insignificant. Minimum future lease commitments under operating leases as of December 31, 2004 are as follows (in thousands): MINIMUM FUTURE LEASE COMMITMENTS - ----- 2005 \$ 672 2006 684 2007 628 2008 424 2009 315 ----- \$2,723 =====

(6) INVESTMENTS IN OPERATING LEASES The net investment in operating leases consists of the following (in thousands): AS OF DECEMBER 31, ----- 2004 2003 ----- (RESTATED) Gross leased assets \$ 2,037 \$10,273 Accumulated depreciation (1,535) (6,703) Gross deferred costs 226 1,513 Accumulated amortization of deferred costs (212) (1,307) Lease payments receivable 558 631 ----- Investment in operating leases, net \$ 1,074 \$ 4,407 =====

===== A summary of changes in the investment in operating leases is as follows (in thousands): YEARS ENDED DECEMBER 31, ----- 2004 2003 2002 ----- - ----- (RESTATED) (RESTATED) Balance, beginning of period \$ 4,407 \$17,669

\$ 42,774 Gross operating leases originated -- -- 1,075 Depreciation of operating leases (928) (3,974) (9,941) Lease payments receivable 1,723 6,513 16,062 Collections on operating leases (1,769) (7,132) (15,031) Provision for lease losses -- (1,703) (5,252) Operating lease liquidations (2,393) (7,387) (12,037) Currency translation 34 421 19 ----- Balance, end of period \$ 1,074 \$ 4,407 \$ 17,669 ===== Future minimum rentals on leased vehicles at December 31, 2004 are \$274,000 in 2005. 55

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (7) PROPERTY AND EQUIPMENT Property and equipment consists of the following (in thousands): AS OF DECEMBER 31, ----- 2004 2003 ----- (RESTATED)

Land	\$ 2,586	\$ 2,587	Building and improvements	9,639	8,848	Data processing equipment and software	30,921	27,737	Office furniture and equipment	2,047	2,025
Leasehold improvements	369	995				45,562	42,192	Less:			
Accumulated depreciation on property and equipment	(24,969)	(22,768)									
Accumulated depreciation on leased assets	(887)	(883)						Total			
accumulated depreciation	(25,856)	(23,651)						\$ 19,706	\$ 18,541		

===== Property and equipment included capital leased assets of \$2,447,000 and \$1,934,000 as of December 31, 2004 and 2003, respectively. Depreciation expense on property and equipment was \$4,853,000, \$4,528,000 and \$4,702,000 in 2004, 2003 and 2002, respectively. (8) DEBT LINES OF CREDIT At December 31, 2004, 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 December 31, 2004, the agreement provided that, at the Company's option, interest is payable at either the eurodollar rate plus 130 basis points (3.68% at December 31, 2004), or at the prime rate (5.25% at December 31, 2004). 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. As of December 31, 2004, there was \$121.9 million available under the line of credit. 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 December 31, 2004, there was \$7.7 million outstanding under this facility. There were no amounts outstanding under this facility as of December 31, 2003. The maximum amount outstanding was approximately \$118.1 and \$82.9 million in 2004 and 2003, respectively. The weighted average balance outstanding was \$49.6 and \$59.0 million in 2004 and 2003, respectively. The weighted average interest rate on line of credit borrowings outstanding on December 31, 2004 was 3.7%. 56

SECURED FINANCING The secured financing agreements described below that were in place at December 31, 2004 used terminology corresponding to the Company's historical method of accounting as described in Note 2. The agreements, as drafted, include 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 second quarter of 2003, the Company's wholly-owned subsidiary, Credit Acceptance Funding LLC 2003-1 ("Funding 2003-1"), completed a secured financing transaction, in which Funding 2003-1 received \$100.0 million in financing. In connection with this transaction, the Company conveyed, for cash and the sole membership interest in Funding 2003-1, Dealer Loans having a net book value of approximately \$134.0 million to Funding 2003-1, 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 a financial insurance policy in connection with the transaction. The policy guaranteed the timely payment of interest and ultimate repayment of principal on the final scheduled distribution date. The notes were rated "AA" by Standard & Poor's Rating Services and bore interest at a fixed rate of 2.77%. The proceeds of the conveyance to Funding 2003-1 were used by the Company to reduce outstanding borrowings under the Company's line of credit. At December 31, 2003, there was \$100.0 million outstanding under this secured financing transaction. In the third quarter of 2004, the Company, as servicer for Funding 2003-1, 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 2003-1 as the sole beneficiary of the trust and then distributed to the Company as the sole member of Funding 2003-1. As a result, this secured financing transaction was terminated after a total term of 15 months. 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 70% (increased to 75% in January 2005) 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 December 31, 2004 was 2.97%. 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 December 31, 2004, there was \$76.0 million outstanding under this facility. There were no amounts outstanding under this facility as of December 31, 2003. 57

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (8) DEBT - (CONTINUED)

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 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 December 31, 2004, additional Dealer Loans having a net book value of approximately \$8.4 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 December 31, 2004 there was \$100.0 million 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 December 31, 2004. Information about the outstanding secured financing transactions is as follows (dollars in thousands):

Balance as Issued	Percent of Issue	Balance at	Original Number	Close Date	Limit
December 31, 2004	December 31, 2004	Balance	-	-----	--
-----	-----	-----	2004-1	August 2004	\$100,000
\$100,000	\$134,534	100%	2003-2	September 2003	* \$200,000 76,000 116,731 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (8) DEBT - (CONCLUDED)

MORTGAGE LOAN PAYABLE 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 \$8.2 million and \$5.4 million outstanding on this loan as of December 31, 2004 and December 31, 2003, 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 December 31, 2004, the Company has various capital lease obligations outstanding for computer equipment, with monthly payments totaling \$67,000. The total amount of capital lease obligations outstanding as of December 31, 2004 and 2003 was \$1.6 million and \$1.0 million, respectively. These capital lease obligations bear interest at rates ranging from 7.28% to 9.31% and have maturity dates between October 2005 and March 2008.

LETTERS OF CREDIT Letters of credit are issued by a commercial bank and reduce amounts available under the Company's line of credit. As of December 31, 2004, the Company has four letters of credit relating to reinsurance agreements totaling \$5.4 million. Such letters of credit expired on May 26, 2005, at which time they were extended for the period of one year until May 26, 2006.

PRINCIPAL DEBT MATURITIES The scheduled principal maturities of the Company's debt at December 31, 2004 are as follows (in thousands):

2005	\$177,168
2006	9,008
2007	1,204
2008	893
2009	5,274
-----	\$193,547
=====	

Included in scheduled principal maturities are anticipated maturities of secured financing debt. The maturities of this debt are dependent on the timing of cash collections on the Dealer Loans, the amounts due to dealer-partners for payments of dealer holdbacks and changes in interest rates on the secured financing. Such amounts included in the table above are \$176.0 million for 2005.

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 Reports 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (9) 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 December 31, 2004 As of December 31, 2003 -----

	Affiliated	Affiliated	dealer-partner % of dealer-
partner % of balance consolidated	balance consolidated		
	Dealer loan balance	\$16,700 2.7%	\$15,200 2.8%

For the Year ended For the Year ended For the Year ended December 31, 2004
December 31, 2003 December 31, 2002 -----

	Affiliated	Affiliated	Affiliated
dealer-partner % of dealer-partner % of dealer-partner % of activity	consolidated activity	consolidated activity	consolidated activity
	Advances	\$14,300	
3.3%	\$10,600 3.2%	\$8,200 3.3%	Affiliated Dealer revenue \$ 4,200 2.9%
3.2%	\$3,200 3.5%		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 \$1,099,000 and \$1,054,000 as of December 31, 2004 and December 31, 2003, respectively. In addition, pursuant to the employment agreement, the Company loaned the President approximately \$478,000. The note, including all principal and interest, is due on April 19, 2011, bears interest at 5.22% beginning January 1, 2002, and is unsecured. The balance of the note including accrued interest was approximately \$554,000 and \$529,000 as of December 31, 2004 and December 31, 2003, respectively. Total CAPS and dealer enrollment fees earned from affiliated dealer-partners were \$95,000, \$66,000, and \$34,000 for the years ended December 31, 2004, 2003, and 2002, respectively. The Company paid for air transportation services provided by a company owned by the Company's majority shareholder and Chairman totaling \$227,000, \$159,000 and \$77,000 for the years ended December 31, 2004, 2003, and 2002, 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 line of credit loans in a manner similar to the Company's prior program, at his dealerships and at two other dealerships, one of whom also does business with the Company. 60

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(CONTINUED) (10) INCOME TAXES The income tax provision consists of the following (in thousands): YEARS ENDED DECEMBER 31, ----- 2004 2003 2002 -----

-- (RESTATED) (RESTATED) Income (loss) before provision (credit) for income taxes: Domestic \$85,428 \$57,480 \$42,561 Foreign 2,454 (5,933) 8,795 ----

-- \$87,882 \$51,547 \$51,356 ===== Current provision (credit) for income taxes: Federal \$12,013 \$27,956 \$(1,081) State 787 1,511 (3,120) Foreign 3,138 1,217 3,034 ----- 15,938 30,684 (1,167) ----- Deferred provision (credit) for income taxes: Federal 15,993 (2,385) 21,537 State 911 (218) 1,331 Foreign (2,285) (1,203) (119) ----- 14,619 (3,806) 22,749 -----

Provision for income taxes \$30,557 \$26,878 \$21,582 ===== The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities consist of the following (in thousands): AS OF DECEMBER 31, ----- 2004 2003 -----

----- (RESTATED) Deferred tax assets: Allowance for credit losses \$51,818 \$51,719 United Kingdom asset impairment 3,858 2,095 Accrued liabilities 1,366 1,010 Deferred Dealer Enrollment Fees 788 459 Net Operating Losses 433 555 Stock-based compensation 1,575 2,649 Unrealized loss on currency 420 1,022 Other, net 368 879 ----- Total deferred tax assets 60,626 60,388 ----

--- Deferred tax liabilities: Valuation of receivables 85,577 69,519 Unearned finance charges 2,767 2,997 Depreciable assets 2,455 3,130 Deferred Origination Costs 441 219 Foreign currency translation adjustment -- 1,760 Other, net 1,203 1,723 ----- Total deferred tax liabilities 92,443 79,348 ----- Net deferred tax liability \$31,817 \$18,960 =====

===== 61

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(CONTINUED) (10) INCOME TAXES -
 (CONCLUDED) A reconciliation of the U.S. Federal statutory rate to the
 Company's effective tax rate is as follows: YEARS ENDED DECEMBER 31, -----
 ----- 2004 2003 2002 ---- (RESTATED)
 (RESTATED) U.S. federal statutory rate 35.0% 35.0% 35.0% State income taxes 1.3
 1.6 (2.3) Foreign income taxes -- 4.1 (0.3) Undistributed/distributed foreign
 earnings (2.2) 12.5 8.3 Other 0.7 (1.1) 1.3 ---- ---- ---- Provision for income
 taxes 34.8% 52.1% 42.0% ==== ==== ==== The effective tax rate decreased in 2004
 from 2003 due to a change made to the Company's tax structure in 2004 to treat
 the Company's foreign subsidiaries as branches subject to United States tax
 jurisdiction and due to the provision of U.S. taxes related to the repatriated
 foreign earnings in 2003. The effective tax rate for 2002 and 2003 differed
 from the federal statutory tax rate of 35 % primarily due to the provision of
 U.S. taxes related to the repatriation of foreign earnings. During 2002, the
 Company determined that the undistributed earnings of its United Kingdom and
 Ireland subsidiaries should no longer be considered to be permanently
 reinvested, and during 2003, the Company determined that the undistributed
 earnings of its Canadian subsidiary should no longer be considered to be
 permanently reinvested. As a result of these determinations, the Company
 recorded the amount of U.S. federal income taxes and withholding taxes related
 to the repatriation of these earnings. During 2002, 2003 and 2004, the Company
 remitted substantially all of its accumulated earnings as profits to the U.S.
 and accrued or paid U.S. income taxes accordingly. (11) CAPITAL TRANSACTIONS
 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 of
 the weighted average number of common shares and dilutive common shares
 outstanding. Dilutive common shares 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: YEARS ENDED DECEMBER 31, ----- 2004
 2003 2002 ----- Weighted average common shares
 outstanding 38,617,787 42,195,340 42,438,292 Dilutive effect of stock options
 2,399,418 1,213,667 924,449 ----- Weighted average
 common shares and dilutive common shares 41,017,205 43,409,007 43,362,741
 ===== The computations of diluted net income per
 share for 2003 and 2002 exclude the effects of the potential exercise of stock
 options to purchase 423,000 and 378,000 shares, respectively, because the
 effects of including them would have been anti-dilutive. There were no anti-
 dilutive potential shares for 2004. 62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (11) CAPITAL TRANSACTIONS - (CONTINUED) STOCK REPURCHASE PROGRAM On August 5, 1999, the Company announced a stock repurchase program of up to 1.0 million shares of the Company's common stock. The program authorized the Company to purchase common shares in the open market or in privately negotiated transactions at price levels the Company deems attractive. Since August 1999, the Company's board of directors has authorized several increases to the stock repurchase program, the most recent occurring on March 10, 2004, which increased the total number of shares authorized to be repurchased to 7.0 million shares. As of December 31, 2004, the Company has repurchased approximately 6.4 million shares under this program at a cost of \$51.9 million. In addition to the above stock repurchase program, the Company repurchased 4.9 million shares of its common stock at a cost of \$91.0 million through two modified Dutch auction tender offers completed during 2004. On November 26, 2003, the Company announced a modified Dutch auction tender offer to purchase up to 2.6 million shares of its common stock at a purchase price of not less than \$12.50 per share and not greater than \$17.00 per share. Upon the expiration of the tender offer on January 6, 2004, the Company repurchased all of the 2.2 million tendered shares of its common stock at \$17.00 per share. On August 11, 2004, the Company announced a modified Dutch auction tender offer to purchase up to 3.0 million shares of its common stock at a purchase price of not less than \$14.00 per share and not greater than \$20.00 per share. Upon the expiration of the tender offer on September 9, 2004, the Company repurchased all of the 2.7 million tendered shares of its common stock at a price of \$20.00 per share. STOCK OPTION PLANS 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. All of the terms relating to vesting or other restrictions of restricted stock awards or restricted stock unit grants will be determined by the Company's compensation committee. Options granted under the Incentive Plan may be either incentive stock options or nonqualified stock options. The terms of options granted under the Incentive Plan will be set forth in agreements between the Company and the recipients and will be determined by the Company's compensation committee. The exercise price will not be less than the fair market value of the shares on the date of grant and, for incentive stock options, the exercise price must be at least 110% of fair market value if the recipient is the holder of more than 10% of the Company's common stock. All of the terms relating to the satisfaction of performance goals, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award, and any other terms and conditions of any performance award will be determined by the Company's compensation committee and included in an agreement between the recipient and the Company. As of December 31, 2004, the Company has made no grants under the Incentive Plan. 63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (11) CAPITAL TRANSACTIONS - (CONTINUED) Pursuant to the Company's 1992 Stock Option Plan (the "1992 Plan"), the Company had reserved 8.0 million shares of its common stock for the future granting of options to officers and other employees. The exercise price of the options is no less than the fair market value on the date of the grant. Options under the 1992 Plan generally become exercisable over a three to five year period, or the Company's attainment of certain performance related criteria, or immediately upon a change of Company control. The Company issued 15,000, 138,500, and 629,969 options in 2004, 2003, and 2002, respectively, that will vest only if certain performance targets are met. In addition, the Company issued 234,810 options in 2002 that will vest over a three to five year period. Nonvested options are forfeited upon termination of employment and otherwise expire ten years from the date of grant. Shares available for future grants totaled 1,647,225 and 1,607,615 as of December 31, 2003 and 2002, respectively. The 1992 Plan was terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan. Pursuant to the Company's Director Stock Option Plan (the "Director Plan"), the Company had reserved 200,000 shares of its common stock for future granting of options to members of its Board of Directors. The exercise price of the options is equal to the fair market value on the date of grant. In 2004, the Company granted 100,000 options that will vest only if the Company meets certain performance targets. Nonvested options are forfeited if the participant should cease to be a director and otherwise expire ten years from the date of grant. Shares available for future grants totaled 100,000 as of December 31, 2003 and 2002. The Director Plan was terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan. Pursuant to the Company's Stock Option Plan for Dealers (the "Dealer Plan"), the Company had reserved 1.0 million shares of its common stock for the future granting of options to participating dealer-partners. Effective January 1, 1999, the Company suspended the granting of future options under the Dealer Plan. During 2003, the Dealer Plan was cancelled and all previously outstanding options under the Dealer Plan were either exercised or forfeited. The Company accounts for the compensation costs related to its grants under the stock option plans in accordance with SFAS No. 123. The Company recognized stock-based compensation expense of \$2,725,000, \$3,583,000 and \$2,072,000 for 2004, 2003 and 2002, respectively, for the 1992 Plan and Director Plan. 64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (11) CAPITAL TRANSACTIONS - (CONTINUED)									
The fair value of each option granted used in determining the above stock-based compensation expense is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average assumptions used in the option-pricing model as well as the resulting weighted-average fair value of options granted are as follows: YEARS ENDED DECEMBER 31,									
		2004	2003	2002					
-----	1992 PLAN	Risk-free interest rate	3.00%	3.50%	4.00%	Expected life	5.0 years	4.0 years	4.0 years
		Expected volatility	53.35%	63.03%	63.03%	Dividend yield	--	--	--
		Fair value of options granted	\$ 8.07	\$ 5.05	\$ 5.58	DIRECTOR PLAN			
		Risk-free interest rate	2.71%	--	--	Expected life	5.0 years	--	--
		Expected volatility	52.49%	--	--	Dividend yield	--	--	--
		Fair value of options granted	\$ 8.29	--	--	Additional information relating to the stock option plans is as follows: 1992 PLAN DIRECTOR PLAN DEALER PLAN			

									WEIGHTED AVERAGE
	WEIGHTED AVERAGE	WEIGHTED AVERAGE	NUMBER EXERCISE PRICE	NUMBER EXERCISE PRICE	NUMBER EXERCISE PRICE				
	NUMBER EXERCISE PRICE OF OPTIONS PER SHARE	NUMBER EXERCISE PRICE OF OPTIONS PER SHARE	NUMBER EXERCISE PRICE OF OPTIONS PER SHARE	NUMBER EXERCISE PRICE OF OPTIONS PER SHARE	NUMBER EXERCISE PRICE OF OPTIONS PER SHARE				

		Outstanding at January 1, 2002	4,569,261	\$ 6.53	100,000	\$ 7.00			
		184,400 \$10.02 Options granted	864,779	9.83	--	--	--	--	Options exercised
		(742,420) 4.77	--	--	(6,100) 8.45	Options forfeited	(317,366)	8.37	--
		(109,200) 11.69							
		Outstanding at December 31, 2002							
		4,374,254 7.35 100,000 7.00 69,100 7.51	Options granted	138,500	10.10	--	--	--	--
		-- Options exercised (262,744)	7.69	--	--	(2,900) 7.13	Options forfeited		
		(178,110) 9.71	--	--	(66,200) 7.53				
		Outstanding at December 31, 2003	4,071,900	7.32	100,000	7.00	--	--	Options granted
		16.45 100,000 17.25	--	--	Options exercised (521,034)	9.64	--	--	Options forfeited
		(59,347) 8.88	--	--					
		Outstanding at December 31, 2004	3,506,519	\$ 6.98	200,000	\$12.13	--	--	=====
=====		Exercisable at December 31: 2002	1,640,094	\$ 7.66	--	--	--	--	69,100 \$ 7.51
		2003	1,660,184	7.60	--	--	--	--	2004
			2,131,528	6.79	50,000	7.00	--	--	65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (11) CAPITAL
TRANSACTIONS - (CONCLUDED) The following tables summarize information about
options outstanding at December 31, 2004: OPTIONS OUTSTANDING OPTIONS

EXERCISABLE -----											
----- WEIGHTED-AVERAGE WEIGHTED-AVERAGE WEIGHTED-AVERAGE RANGE											
OF OUTSTANDING AS REMAINING EXERCISE EXERCISABLE AS EXERCISE PRICE PER											
EXERCISABLE PRICES OF 12/31/2004 CONTRACTUAL LIFE PRICE PER SHARE OF 12/31/2004											
SHARE - -----											
----- 1992 PLAN \$ 3.63 - \$ 5.99 385,759 4.9 Years \$											
4.03	223,509	\$ 4.25	6.00	- 8.99	2,292,511	4.8	6.45	1,570,762	6.50	9.00	- 11.99
776,749	7.2	9.58	313,107	9.55	12.00	- 14.99	36,500	5.8	12.68	18,150	12.67 15.00
- 17.05	15,000	9.1	16.45	6,000	16.45	-----	-----	Totals	3,506,519	5.4	\$
6.98	2,131,528	\$ 6.79	=====	=====	DIRECTOR PLAN	\$ 7.00	100,000	6.5			
Years	\$ 7.00	50,000	\$ 7.00	17.25	100,000	9.2	17.25	-- --			
Totals	200,000	7.8	\$12.13	50,000	\$ 7.00	=====	=====	(12) BUSINESS			

SEGMENT INFORMATION The Company classifies its operations into four reportable business segments: United States, United Kingdom, Automobile Leasing, and Other. REPORTABLE SEGMENT OVERVIEW In the second quarter of 2003, the Company re-evaluated its business segments as a result of the decision to stop originating Consumer Loans in the United Kingdom and Dealer Loans in Canada. Business decisions, including resources to be allocated, are based on the financial performance of the operations that will continue to accept new business, separate from those that do not. The chief operating decision maker reviews financial information combined into six components: United States, United Kingdom, Automobile Leasing, Canada, Floorplan and Lines of Credit. Each component is an operating segment, however, Canada, Floorplan and Lines of Credit are combined in an "all other" category as none meet the quantitative thresholds of a reportable segment. As a result, the Company has four reportable business segments: United States, United Kingdom, Automobile Leasing, 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 Consumer Loan operation. The Automobile Leasing segment consists of the Company's automobile leasing operation. The Other segment consists of the Company's Canadian Dealer Loan operation and secured lines of credit and floorplan financing programs. The Company is currently liquidating its operations in all segments other than the United States. 66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTST - (CONTINUED) (12) BUSINESS SEGMENT INFORMATION - (CONTINUED) MEASUREMENT The table below presents information for each reportable segment (in thousands): UNITED UNITED AUTOMOBILE TOTAL STATES KINGDOM LEASING OTHER COMPANY -----

YEAR ENDED DECEMBER 31, 2004	Finance charges	\$149,998	\$ 4,208	\$ 4	\$ 649
\$154,859	Lease revenue	-- --	1,507	-- 1,507	License fees 5,835 -- -- -- 5,835
	Other income	11,721	436	2,109	248 14,514 Provision for credit losses 5,332
(769)	-- 1,194	5,757	Interest expense	11,009	-- 517 134 11,660 Depreciation
expense 4,515	270	949	47 5,781	Provision (credit) for income taxes	29,767 484
416 (110)	30,557	Net income (loss)	55,853	1,072	1,050 (650) 57,325 Segment
assets 563,497	22,960	719	4,137	591,313	YEAR ENDED DECEMBER 31, 2003 -
(RESTATED)	Finance charges	\$116,156	\$ 10,095	\$ 9 \$ 1,593	\$127,853 Lease revenue
-- --	6,432	-- 6,432	License fees 3,836	-- -- -- 3,836	Other income 10,086
1,090	1,717	1,213	14,106	Provision for credit losses	6,003 804 1,688 1,144
9,639	United Kingdom asset impairment expense	-- 10,493	-- -- 10,493	Interest expense 6,329	-- 1,136 592 8,057 Depreciation expense 4,060
	Provision (credit) for income taxes	27,237	(491) (115)	247 26,878	Net income (loss) 31,275 (6,556) (213) 163 24,669 Segment assets 464,021 67,302 4,547
8,978	544,848	YEAR ENDED DECEMBER 31, 2002 - (RESTATED)	Finance charges	\$ 96,472	\$ 17,671 \$ 6 \$ 1,808 \$115,957 Lease revenue -- -- 16,101 -- 16,101
License fees 2,906	-- -- -- 2,906	Other income 15,996	3,397 1,335	3,446	24,174
Provision for credit losses	11,443	4,489 5,135	2,740 23,807	Interest expense 5,462	594 1,991 1,011 9,058 Depreciation expense 4,241 310 10,043 49 14,643
Provision (credit) for income taxes	19,805	2,835 (1,102)	44 21,582	Net income (loss) 25,824	5,795 (2,002) 157 29,774 Segment assets 369,659 122,983 18,394
					14,123 525,159 67

NOTES TO CONSOLIDATED FINANCIAL STATEMENTST - (CONTINUED) (12) BUSINESS SEGMENT INFORMATION - (CONCLUDED) The Company operates primarily in the United States and the United Kingdom (excluding Ireland). The table below presents the key financial information by geographic location (in thousands): UNITED UNITED ALL TOTAL STATES KINGDOM OTHER COMPANY ----- Year Ended

December 31, 2004	Finance charges	\$150,002	\$ 3,918	\$ 939	\$154,859	Lease revenue	728	--	779	1,507	License fees	5,835	--	--	5,835	Other income	13,767	436	311	
14,514	Net income	55,724	770	831	57,325	Property and equipment, net	19,474	232	--	19,706	YEAR ENDED DECEMBER 31, 2003 - (RESTATED)	Finance charges	\$116,165	\$ 9,699	\$1,989	\$127,853	Lease revenue	5,019	--	
--	1,413	6,432	License fees	3,836	--	--	3,836	Other income	12,653	1,090	363	14,106	Net income (loss)	30,611	(6,631)					
689	24,669	Property and equipment, net	18,045	496	--	18,541	YEAR ENDED DECEMBER 31, 2002 - (RESTATED)	Finance charges	\$ 96,478	\$16,785	\$2,694	\$115,957	Lease revenue	13,885	--	2,216	16,101	License fees	2,906	--
--	--	2,906	Other income	20,333	3,397	444	24,174	Net income (loss)	23,896	6,483	(605)	29,774	Property and equipment, net	19,169	667	--	19,836			

INFORMATION ABOUT PRODUCTS AND SERVICES
The Company manages its product and service offerings primarily through those reportable segments. Therefore, in accordance with the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", no enterprise-wide disclosures of information about products and services are necessary. MAJOR CUSTOMERS The Company did not have any dealer-partners that provided 10% or more of the Company's revenue during 2004, 2003, or 2002. Additionally, no single dealer-partner's Dealer Loan accounted for more than 10% of total Dealer Loans as of December 31, 2004 or as of December 31, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (13) LITIGATION AND CONTINGENT LIABILITIES In the normal course of business and as a result of the customer-oriented nature of the industry in which the Company operates, industry participants are frequently subject to various customer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, customer protection, warranty, debt collection, insurance and other customer-oriented laws and regulations, including claims seeking damages for physical and mental damages relating to the Company's repossession and sale of the customer's vehicle and other debt collection activities. The Company, as the assignee of Consumer Loans originated by dealer-partners, may also be named as a co-defendant in lawsuits filed by customers principally against dealer-partners. Many of these cases are filed as purported class actions and seek damages in large dollar amounts. An adverse ultimate disposition in any such action could have a material adverse impact on the Company's financial position, liquidity and results of operations. The Company is currently a defendant in a class action proceeding commenced on October 15, 1996 in the Circuit Court of Jackson County, Missouri and removed to the United States District Court for the Western District of Missouri. The complaint seeks unspecified money damages for alleged violations of a number of state and federal consumer protection laws. On October 9, 1997, the District Court certified two classes on the claims brought against the Company, one relating to alleged overcharges of official fees, the other relating to alleged overcharges of post-maturity interest. On August 4, 1998, the District Court granted partial summary judgment on liability in favor of the plaintiffs on the interest overcharge claims based upon the District Court's finding of certain violations but denied summary judgment on certain other claims. The District Court also entered a number of permanent injunctions, which among other things, restrained the Company from collecting on certain class accounts. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. Because the entry of an injunction is immediately appealable, the Company appealed the summary judgment order to the United States Court of Appeals for the Eighth Circuit. Oral argument on the appeals was heard on April 19, 1999. On September 1, 1999, the United States Court of Appeals for the Eighth Circuit overturned the August 4, 1998 partial summary judgment order and injunctions against the Company. The Court of Appeals held that the District Court lacked jurisdiction over the interest overcharge claims and directed the District Court to sever those claims and remand them to state court. On February 18, 2000, the District Court entered an order remanding the post-maturity interest class to the Circuit Court of Jackson County, Missouri while retaining jurisdiction on the official fee class. The Company then filed a motion requesting that the District Court reconsider that portion of its order of August 4, 1998, in which the District Court had denied the Company's motion for summary judgment on the federal Truth-In-Lending Act ("TILA") claim. On May 26, 2000, the District Court entered summary judgment in favor of the Company on the TILA claim and directed the Clerk of the Court to remand the remaining state law official fee claims to the appropriate state court. On September 18, 2001, the Circuit Court of Jackson County, Missouri mailed an order assigning this matter to a judge. On October 28, 2002, the plaintiffs filed a fourth amended complaint. The Company filed a motion to dismiss the plaintiff's fourth amended complaint on November 4, 2002. On November 18, 2002, the Company filed a memorandum urging the decertification of the classes. On February 21, 2003, the plaintiffs filed a brief opposing the Company's November 4, 2002 motion to dismiss the case. On May 19, 2004, the court released an order, dated January 9, 2004, that denied the Company's motion to dismiss. On November 16, 2005 the Court issued an order that, among other things, adopted the District Court's order certifying classes. The Company will continue its vigorous defense of all remaining claims. However, an adverse ultimate disposition of this litigation could have a material negative impact on the Company's financial position, liquidity and results of operations. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (14) QUARTERLY
FINANCIAL DATA (UNAUDITED) The following is a summary of the quarterly
financial position and results of operations as of and for the years ended
December 31, 2004 and 2003, which have been prepared in accordance with
accounting principles generally accepted in the United States of America.
Certain amounts for prior periods have been reclassified to conform to the
current presentation. (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA) 2004 ----
----- 1ST Q 2ND Q 3RD Q 4TH Q -----
----- (RESTATED) (RESTATED) (RESTATED)
BALANCE SHEETS Loans receivable, net \$ 509,696 \$ 515,000 \$ 527,235 \$ 526,011
All other assets 51,199 62,862 54,299 65,302 -----
- ----- Total assets \$ 560,895 \$ 577,862 \$ 581,534 \$ 591,313 =====
===== Total debt \$ 156,458 \$ 171,282 \$ 208,848 \$
193,547 Dealer reserve payable, net 29,606 24,232 19,919 15,675 Other
liabilities 69,265 59,498 64,669 81,201 -----
----- Total liabilities 255,329 255,012 293,436 290,423 Shareholders' equity
305,566 322,850 288,098 300,890 -----
Total liabilities and shareholders' equity \$ 560,895 \$ 577,862 \$ 581,534 \$
591,313 =====
===== INCOME STATEMENTS
Revenue \$ 40,680 \$ 43,647 \$ 45,474 \$ 46,914 Costs and expenses 22,146 21,904
22,982 23,451 ----- Operating income
18,534 21,743 22,492 23,463 Foreign exchange gain (loss) 151 906 674 (81) -----
----- Income before income taxes 18,685
22,649 23,166 23,382 Provision for income taxes 6,733 5,476 8,898 9,450 -----
----- Net income \$ 11,952 \$ 17,173 \$ 14,268
\$ 13,932 =====
===== Net income per common
share: Basic \$ 0.29 \$ 0.44 \$ 0.37 \$ 0.38 =====
===== Diluted \$ 0.29 \$ 0.41 \$ 0.35 \$ 0.35 =====
===== Weighted average shares outstanding: Basic 39,791,700
39,240,321 38,679,011 36,819,410 Diluted 42,159,338 41,413,308 40,943,604
39,473,105 70

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (14) QUARTERLY
FINANCIAL DATA (UNAUDITED) - (CONTINUED) (IN THOUSANDS, EXCEPT SHARE AND PER
SHARE DATA) 2003 ----- 1ST Q
2ND Q 3RD Q 4TH Q ----- (RESTATED)
(RESTATED) (RESTATED) (RESTATED) BALANCE SHEETS Loans receivable, net \$ 461,378
\$ 477,372 \$ 479,453 \$ 476,128 All other assets 52,370 61,927 59,626 68,720 ----
----- Total assets \$ 513,748 \$ 539,299 \$
539,079 \$ 544,848 =====
96,263 \$ 115,656 \$ 106,876 \$ 106,447 Dealer reserve payable, net 38,546 45,190
39,736 35,198 Other liabilities 55,040 54,156 61,965 59,908 -----
----- Total liabilities 189,849 215,002 208,577 201,553
Shareholders' equity 323,899 324,297 330,502 343,295 -----
----- Total liabilities and shareholders' equity \$ 513,748 \$
539,299 \$ 539,079 \$ 544,848 =====
INCOME STATEMENTS Revenue \$ 37,247 \$ 37,112 \$ 38,326 \$ 39,542 Costs and
expenses 22,419 34,760 21,073 19,661 -----
----- Operating income 14,828 2,352 17,253 19,881 Foreign exchange gain (loss)
15 14 (1,066) (1,730) ----- Income
before income taxes 14,843 2,366 16,187 18,151 Provision for income taxes 6,621
2,845 9,245 8,167 ----- Net income
(loss) \$ 8,222 \$ (479) \$ 6,942 \$ 9,984 =====
===== Net income per common share: Basic \$ 0.19 \$ (0.01) \$ 0.16 \$ 0.24
===== Diluted \$ 0.19 \$ (0.01) \$ 0.16
\$ 0.23 =====
===== Weighted average shares
outstanding: Basic 42,328,841 42,321,170 42,315,027 42,040,063 Diluted
42,407,981 42,868,265 43,959,924 43,958,520 71

3/31/2004
3/31/2003 (AS
ORIGINALLY
3/31/2004 (AS
ORIGINALLY
3/31/2003
REPORTED)
ADJUSTMENTS
(RESTATED)
REPORTED)
ADJUSTMENTS
(RESTATED) --

-	REVENUE:
Finance	
charges \$	29,754 \$
	5,522 \$
	35,276 \$
	24,256 \$
	5,254 \$
29,510 Lease	
revenue 647 -	
- 647 2,336 -	
- 2,336	
License fees	
1,266 --	
1,266 832 --	
832 Other	
income 6,128	
(2,637) 3,491	
9,505 (4,936)	
4,569 -----	

----- Total	
revenue	
37,795 2,885	
40,680 36,929	
318 37,247	
COSTS AND	
EXPENSES:	
Salaries and	
wages 8,796 9	
8,805 8,517	
(304) 8,213	
General and	
administrative	
5,507 (33)	
5,474 5,484	
162 5,646	
Sales and	
marketing	
2,543 246	
2,789 2,177	
56 2,233	
Provision for	
credit losses	
15,068	
(13,802)	
1,266 4,188	
(1,239) 2,949	
Interest	
2,600 226	
2,826 1,596	
32 1,628	
Stock-based	
compensation	
567 -- 567	
375 -- 375	
Other expense	
457 (38) 419	
1,647 (272)	
1,375 -----	

----- Total	
costs and	
expenses	
35,538	
(13,392)	
22,146 23,984	

(1,565)	
22,419	
Operating	
income	2,257
16,277	18,534
12,945	1,883
14,828	
Foreign	
exchange gain	
151	-- 151 15
-- 15	--
--	--
--	--
--	--
-----	Income
	before
provision for	
income taxes	
2,408	16,277
18,685	12,960
1,883	14,843
Provision for	
income taxes	
878	5,855
6,733	4,367
2,254	6,621
--	--
--	--
--	--
--	--
Net income \$	1,530 \$
	10,422 \$
	11,952 \$
8,593	\$ (371)
	\$ 8,222
=====	
=====	
=====	
=====	
=====	
Net income	
(loss) per	
common share:	
Basic \$ 0.04	
\$ 0.25	\$ 0.29
\$ 0.20	\$
(0.01)	\$ 0.19
=====	
=====	
=====	
=====	
Diluted \$	
0.04	\$ 0.25 \$
0.29	\$ 0.20 \$
(0.01)	\$ 0.19
=====	
=====	
=====	
=====	
Weighted	
average	
shares	
outstanding:	
Basic	
39,791,700	
39,791,700	
39,791,700	
42,328,841	
42,328,841	
42,328,841	
Diluted	
42,159,338	
42,159,338	
42,159,338	
42,407,981	
42,407,981	
42,407,981	
72	

6/30/2004
6/30/2003 (AS
ORIGINALLY
6/30/2004 (AS
ORIGINALLY
6/30/2003
REPORTED)
ADJUSTMENTS
(RESTATED)
REPORTED)
ADJUSTMENTS
(RESTATED) --

-	REVENUE:
Finance	
charges \$	
33,731	\$
4,827	\$
38,558	\$
26,431	\$
5,316	\$
31,747	Lease
revenue	405 -
-	405 1,784 -
-	1,784
License fees	
1,362	--
1,362	938 --
938	Other
income	5,791
(2,469)	3,322
6,893	(4,250)
2,643	-----

-----	Total
revenue	
41,289	2,358
43,647	36,046
1,066	37,112
COSTS AND	
EXPENSES:	
Salaries and	
wages	8,963
(488)	8,475
8,687	(227)
8,460	General
and	
administrative	
5,214	(227)
4,987	5,272
12	5,284
Sales and	
marketing	
2,474	301
2,775	2,483
76	2,559
Provision for	
credit losses	
2,187	(193)
1,994	2,863
864	3,727
Interest	
2,373	112
2,485	1,401
32	1,433
Stock-based	
compensation	
864	-- 864
1,428	--
1,428	United
Kingdom asset	
impairment	
expense	-- --
--	10,493 --
10,493	Other
expense	324 -
-	324 1,376 -
-	1,376 -----

-----	Total
costs and	

expenses			
22,399	(495)		
21,904	34,003		
757	34,760		
Operating			
income	18,890		
2,853	21,743		
2,043	309		
2,352	Foreign		
exchange	gain		
loss	906	--	
906	14	--	14

Income before			
provision for			
income taxes			
19,796	2,853		
22,649	2,057		
309	2,366		
Provision for			
income taxes			
7,190	(1,714)		
5,476	1,049		
1,796	2,845	-	

Net income			
(loss)	\$		
12,606	\$		
4,567	\$		
17,173	\$		
1,008	\$		
(1,487)	\$		
(479)			
=====			
=====			
=====			
=====			
=====			
=====			
Net income			
(loss) per			
common share:			
Basic	\$ 0.32		
\$ 0.12	\$ 0.44		
\$ 0.02	\$		
(0.03)	\$		
(0.01)			
=====			
=====			
=====			
=====			
=====			
=====			
Diluted	\$		
0.30	\$ 0.11	\$	
0.41	\$ 0.02	\$	
(0.03)	\$		
(0.01)			
=====			
=====			
=====			
=====			
=====			
=====			
Weighted			
average			
shares			
outstanding:			
Basic			
39,240,321			
39,240,321			
39,240,321			
42,321,170			
42,321,170			
42,321,170			
Diluted			
41,413,308			
41,413,308			
41,413,308			
42,868,265			
42,868,265			
42,868,265			

FINANCIAL DATA (UNAUDITED) - (CONTINUED)

[illegible]

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

Provision for credit losses		
2,098 (632)		
1,466 2,303		
(115) 2,188		
Interest		
2,846 100		
2,946 2,267		
33 2,300		
Stock-based compensation		
747 -- 747		
1,027 --		
1,027 Other expense		
270 --		
270 1,182		
1,182 ----		

	- - - - -	- - - - -
	- - - - -	- - - - -
	- - - - -	- - - - -
	- - - - -	- - - - -
	- - - - -	- - - - -
	- - - - -	- - - - -
	- - - - -	- - - - -
	Total	
	costs and	
	expenses	
	23,975 (993)	
	22,982 21,360	
	(287) 21,073	
	Operating	

income	19,224
3,268	22,492
14,639	2,614
17,253	
Foreign	
exchange gain	
(loss)	674 --
674	(1,066) -
-	(1,066) ---
-----	----
-----	----
-----	----
-----	----
-----	----
Income before	
provision for	
income taxes	
19,898	3,268
23,166	13,573
2,614	16,187
Provision for	
income taxes	
7,156	1,742
8,898	4,755
4,490	9,245 -
-----	----
-----	----
-----	----
-----	----
-----	----
Net income	
(loss)	\$
12,742	\$
1,526	\$
14,268	\$
8,818	\$
(1,876)	\$
6,942	
=====	
=====	
=====	
=====	
=====	
=====	
Net income	
(loss) per	
common share:	
Basic	\$ 0.33
\$ 0.04	\$ 0.37
\$ 0.21	\$
(0.05)	\$ 0.16
=====	
=====	
=====	
=====	
=====	
=====	
Diluted	\$
0.31	\$ 0.04 \$
0.35	\$ 0.20 \$
(0.04)	\$ 0.16
=====	
=====	
=====	
=====	
=====	
=====	
Weighted	
average	
shares	
outstanding:	
Basic	
38,679,011	
38,679,011	
38,679,011	
42,315,027	
42,315,027	
42,315,027	
Diluted	
40,943,604	
40,943,604	
40,943,604	
43,959,924	
43,959,924	
43,959,924	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (14) QUARTERLY
FINANCIAL DATA (UNAUDITED) - (CONCLUDED) CONSOLIDATED BALANCE SHEETS (IN

THOUSANDS)
MARCH 31,
MARCH 31,
2004 MARCH
31, 2003
MARCH 31,
(AS
ORIGINALLY
2004 (AS
ORIGINALLY
2003
REPORTED)
ADJUSTMENTS
(RESTATED)
REPORTED)
ADJUSTMENTS
(RESTATED) -
----- -
----- -
----- -
----- -
----- -
----- -

Loans
receivable \$
956,867 \$
(304,159) \$
652,708 \$
811,961 \$
(208,814) \$
603,147
Allowance
for credit
losses
(34,521)
(108,491)
(143,012)
(22,929)
(118,840)
(141,769) --
----- --
----- --
----- --
----- --
----- --
----- --

Loans
receivable,
net 922,346
(412,650)
509,696
789,032
(327,654)
461,378
Income taxes
receivable
251 (251) --
-- 3,238
3,238 All
other assets
60,240
(9,041)
51,199
61,342
(12,210)
49,132 -----
----- -----
----- -----
----- -----
----- -----
----- -----

----- Total
assets
982,837
(421,942)
560,895
850,374
(336,626)
513,748
Dealer
reserve
payable, net
466,779
(437,173)
29,606
371,509
(332,963)
38,546
Income taxes
payable --
7,326 7,326
10,826
(10,826) --
Deferred

Loans
receivable \$
976,315 \$
(317,918) \$
658,397 \$
851,201 \$
(230,840) \$
620,361
Allowance
for credit
losses
(36,567)
(106,830)
(143,397)
(24,461)
(118,528)
(142,989) --

```

-----
-----
-----
-----
Loans
receivable,
net 939,748
(424,748)
515,000
826,740
(349,368)
477,372
Income taxes
receivable
7,458
(5,633)
1,825 --
3,188 3,188
All other
assets
70,148
(9,111)
61,037
71,440
(12,701)
58,739 -----
-----
-----
-----
-----
-----
----- Total
assets
1,017,354
(439,492)
577,862
898,180
(358,881)
539,299
Dealer
reserve
payable, net
475,415
(451,183)
24,232
397,682
(352,492)
45,190
Income taxes
payable -- -
- -- 11,700
(11,700) --
Deferred
income
taxes, net
13,820 620
14,440 4,010
12,827
16,837 Other
liabilities
207,763
8,577
216,340
148,690
4,285
152,975 -----
-----
-----
-----
-----
-----
-----
Total
liabilities
696,998
(441,986)
255,012
562,082
(347,080)
215,002
Shareholders'
equity
320,356
2,494
322,850
336,098
(11,801)
324,297 -----
-----
-----
-----
-----
-----
Total
liabilities

```


NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONCLUDED) (15) 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. 74

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE As disclosed in the Company's report on Form 8-K dated June 24, 2005, as filed with the SEC on June 30, 2005, and amended on Form 8-K/A filed with the SEC on July 14, 2005, the management of the Company dismissed Deloitte and Touche LLP ("Deloitte") as its independent registered public accounting firm as of June 24, 2005. The Company's decision to change auditing firms was made at the direction of and was approved by the Audit Committee of the Board of Directors. During the two most recent fiscal years and the subsequent interim period through the date of Deloitte's dismissal, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference to the subject matter of the disagreement(s) in connection with its reports on the Company's financial statements for such years, except as described in the following two paragraphs:

On April 8, 2005, Deloitte informed the Company that it believed the Company should not account for loans as an originator of loans to consumers ("Consumer Loans") but should instead account for its loans as a lender to its dealer-partners ("Dealer Loans"). The Company has historically accounted for Consumer Loans as a loan originator, and believed such accounting was in accordance with GAAP. The Company did not believe that there was only a single proper interpretation of GAAP for the Company's core business model given its unique characteristics, and accordingly, believed that both the Company's current methodology and Deloitte's proposed methodology were acceptable under GAAP. Deloitte notified the Company that their proposed methodology, whereby the Company originates Dealer Loans, is the only methodology consistent with GAAP. On April 26, 2005, the Company submitted a letter to the staff of the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") requesting guidance from the SEC related to the proper accounting methodology for the Company's loan portfolio. On June 24, 2005, the Company received a response from the SEC to its request. The SEC informed the Company that it saw no reason to take positions different from those of Deloitte as the Company's auditors with respect to the proper method for recording automobile loans. In view of Deloitte's and the SEC's positions, the Company has agreed to change its method for recording such loans and, as a result, was required to restate its previously reported financial results. The Audit Committee discussed the subject matter of the disagreement with Deloitte, and the Company has authorized Deloitte to respond fully to the inquiries of the Company's successor auditors concerning this disagreement. During the two most recent fiscal years and the subsequent interim period through the date of Deloitte's dismissal, there have been no "reportable events," as defined in Item 304(a)(1) (v) of Regulation S-K, except as noted in the following paragraph: During the course of the Company's 2004 year-end closing process, the Company identified errors in its accounting for income taxes in prior periods related primarily to its foreign subsidiaries. As a result of these errors, the Company concluded that a deficiency in internal controls related to income taxes existed at December 31, 2004, and that such deficiency constituted a material weakness, as defined by the Public Company Accounting Oversight Board's Auditing Standard No. 2. As a result of the material weakness related to income taxes, management was unable to conclude that the Company's internal controls over financial reporting were effective as of December 31, 2004. As a result of these errors, Deloitte advised the Company and the Audit Committee that it believed that the Company's financial statements for the year ended December 31, 2003 should be restated. Deloitte also communicated to the Audit Committee of the Board of Directors that it believed these errors were a result of a material weakness in internal control over accounting for income taxes. The Company concurred with Deloitte's conclusions. 75

ITEM 9A. CONTROLS AND PROCEDURES Evaluation of Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures that are designed to ensure that 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 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 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, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2004 because of the material weakness in its internal control over financial reporting related to accounting for income taxes described below.

Management's Report on Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed 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. Internal control over financial reporting includes those policies and procedures that: - pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; - provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and - provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate. The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's assessment identified a material weakness in the Company's internal control over financial reporting related to accounting for income taxes. Specifically, the Company's controls over the calculation and review of income taxes did not operate effectively. This deficiency resulted in errors in the accounting for the provision for income taxes, deferred income taxes, and current income taxes payable primarily related to the Company's foreign operations. Although the Company detected the errors affecting the income tax accounts, remediated the deficiencies related to controls over the calculation and review of income taxes, and adjusted the consolidated financial statements as of December 31, 2004 to correct the identified errors, our management believes that, as of December 31, 2004, we did not maintain effective internal control over financial reporting based on the COSO criteria. 76

ITEM 9A. CONTROLS AND PROCEDURES - (CONCLUDED) Attestation Report of the Registered Public Accounting Firm. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by Grant Thornton LLP, the Company's independent registered public accounting firm, as stated in their report on page 78.

Changes in Internal Controls. In preparation for the Company's management to provide its first report on internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act, the Company made changes in internal controls over financial reporting during the quarter ended December 31, 2004. The Company also implemented changes in internal controls to remediate the material weakness described above for the quarter ended March 31, 2005 by strengthening the resources used in preparation of 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. 77

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM Board of Directors and Shareholders of Credit Acceptance Corporation We were engaged to audit management's assessment, included in the accompanying "Management's Report on Internal Control Over Financial Reporting", that Credit Acceptance Corporation did not maintain effective internal control over financial reporting as of December 31, 2004, because the Company did not maintain effective internal controls related to accounting for income taxes based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Credit Acceptance Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. We were engaged in August 2005 to audit Management's Assessment of Internal Control Over Financial Reporting as of December 31, 2004. As a result of being appointed subsequent to the date of management's assessment and report, it was necessary to perform our testing procedures in the period subsequent to December 31, 2004. Due to the timing of our testing we were unable to perform certain procedures necessary to evaluate management's assessment process and verify the design and operating effectiveness of certain controls. A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A material weakness has been identified and included in management's assessment related to accounting for income taxes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2004 financial statements and this report does not affect our report dated January 27, 2006 on those financial statements. Since we were unable to perform certain procedures necessary to evaluate management's assessment process and verify the design and operating effectiveness of certain controls, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion either on management's assessment or on the effectiveness of the Company's internal control over financial reporting. We do not express an opinion or any other form of assurance on management's statements regarding remediations made in respect to the material weakness in accounting for income taxes. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Credit Acceptance Corporation and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated January 27, 2006 expressed an unqualified opinion on those financial statements. /s/ GRANT THORNTON LLP Southfield, Michigan January 27, 2006 78

PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT The following sets forth information with respect to the director nominees and our executive officers as of the date of this report: Donald A. Foss; age 61; Chairman of the Board. Mr. Foss is the founder and principal shareholder of the Company, in addition to owning and operating companies engaged in the sale of used vehicles. He was formally named Chairman of the Board and Chief Executive Officer of the Company in March 1992 and vacated the Chief Executive Officer position effective January 1, 2002. Glenda J. Chamberlain; age 52; Executive Vice President and Chief Financial Officer, Whole Foods Market, Inc. Ms. Chamberlain is the Executive Vice President and Chief Financial Officer of Whole Foods Market, Inc., the largest natural and organic foods supermarket retailer in the United States. Ms. Chamberlain joined Whole Foods Market in 1988 as Chief Financial Officer, prior to which she held positions in public accounting, retail and business consulting. Ms. Chamberlain became a director of the Company in March 2004. Harry E. Craig; age 78; Independent Personnel Consultant. Mr. Craig has been a self-employed consultant providing management training services since 1986. Mr. Craig served in various managerial and other capacities with Ford Motor Company for 30 years, most recently as Director, Personnel and Organization Office of Ford Aerospace & Communications Corporation. Mr. Craig became a director of the Company in June 1992. Daniel P. Leff; age 46; Managing Member, The Placid Group, LLC. Mr. Leff is currently the Managing Member of The Placid Group, LLC which was established in January 2004 to provide advisory services to public and private companies. Prior to that, Mr. Leff was Chief Operating Officer of Invensys Energy Management. Prior to joining Invensys in May 2002, Mr. Leff was Chairman and Chief Executive Officer of Enron Energy Services, a role he was appointed to by creditor appointed management following the Chapter 11 bankruptcy filed by Enron in December 2001. From 1997 to 2001, Mr. Leff served in other management capacities at Enron Energy Services. Prior to 1997, Mr. Leff was President and Chief Executive Officer of FMES, Incorporated, a company he founded in 1993 and sold to Enron Energy Services in 1997. Mr. Leff became a director of the Company in June 2001. Brett A. Roberts; age 39; Chief Executive Officer. Mr. Roberts joined the Company in 1991 as Corporate Controller and was named Assistant Treasurer in March 1992 and Vice President-Finance in April 1993. He was named Chief Financial Officer and Treasurer in August 1995. He was named Executive Vice President and Chief Financial Officer in January 1997, Co-President in January 2000, Executive Vice President of Finance and Operations in October 2000, Chief Operating Officer in January 2001, and to his present position in January 2002. Mr. Roberts became a director of the Company in March 2002. Thomas N. Tryforos; age 46; Private Investor. Mr. Tryforos is presently a private investor. Between May 1991 and September 2004, Mr. Tryforos was a General Partner at Prescott Investors, Inc., a private investment firm based in Connecticut. Mr. Tryforos became a director of the Company in July 1999. OTHER EXECUTIVE OFFICERS Keith P. McCluskey; age 46; President. Mr. McCluskey joined the Company in May 1999 as President of the Company's auto leasing subsidiary. He was named Chief Marketing Officer in February 2001 while remaining President of the Company's auto leasing subsidiary and to his present position in January 2002. Since June 1983, Mr. McCluskey has owned and operated companies engaged in the sale and lease of new and used vehicles. Michael W. Knoblauch; age 42; Chief Operating Officer. Mr. Knoblauch joined the Company in 1992. He served as the Company's collection manager from May 1994 to August 1995. He was named Vice President - Collections in August 1995, Chief Operating Officer in July 1999, Co-President in January 2000, President in October 2000, and to his present position in January 2002. 79

Steven M. Jones; age 42; Chief Analytics Officer. Mr. Jones joined the Company in October 1997 as Manager of the Debt Recovery Department for Credit Acceptance Corporation UK Limited, in which position he served until November 1999 when he was named Deputy Managing Director, Credit Acceptance Corporation UK Limited. In December 2001, he was named Managing Director Credit Acceptance Corporation UK Limited in which he was responsible for the operations of the Company's United Kingdom business segment. Mr. Jones was named Chief Administrative Officer in November 2003 and to his present position in December 2004. David S. Simmet; age 41; Chief Information Officer. Mr. Simmet joined the Company in August 1992 as Manager of Information Systems. He was named Director of Information Systems in April 1995. He was named Vice President - Information Systems in October 1997 and to his present position in February 2001. Kenneth S. Booth; age 38; Chief Financial Officer. Mr. Booth joined the Company in January 2004 as Director of Internal Audit. He was named Chief Accounting Officer in May 2004 and to his present position in December 2004. From August 1991 until joining the Company, Mr. Booth worked in public accounting, most recently as a senior manager at PricewaterhouseCoopers LLP. Steven M. Dion; Age 37; Chief Human Resources Officer. Mr. Dion joined the Company in November 2001 as Vice President, Human Resources and was promoted to his present position in December 2004. Prior to joining the Company, Mr. Dion worked for Plastipak Packaging as the Director of Human Resources. Charles A. Pearce; age 41; Chief Legal Officer. Mr. Pearce joined the Company in January 1996 as General Counsel. He was named Vice President -- General Counsel in January 1997; Vice President--General Counsel and Corporate Secretary in June 1999 and to his present position in December 2004. Douglas W. Busk: age 45; Treasurer. Mr. Busk joined the Company in November 1996 and was named Vice President and Treasurer in January 1997. He was named Chief Financial Officer in January 2000. Mr. Busk served as Chief Financial Officer and Treasurer until August 2001, when he was named President of the Company's Capital Services unit. He resumed his duties as Chief Financial Officer and Treasurer in December 2001 and was named to his present position in May 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received since January 1, 2004, and written representations from certain reporting persons, the Company believes that all filing requirements applicable to its officers, directors, and greater than 10% beneficial owners were complied with except that one officer, Dave Simmet, Chief Information Officer, was one day late in filing a Form 4 for one transaction.

AUDIT COMMITTEE The Board of Directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934. The Audit Committee currently consists of Harry E. Craig, Glenda J. Chamberlain, Daniel P. Leff, and Thomas N. Tryforos. The Board has determined that each of the members of the Audit Committee is "independent," as independence is defined in the Nasdaq rules for audit committee members. The Board has also determined that Mr. Tryforos and Ms. Chamberlain are "audit committee financial experts" as defined by applicable Securities and Exchange Commission rules and that each of the Audit Committee members satisfies all other qualifications for Audit Committee members set forth in the Nasdaq rules.

CODE OF ETHICS The Company has adopted codes of ethics that apply to the Company's directors, executive officers and other employees. The codes of ethics are available on the Company's website at www.creditacceptance.com. Shareholders may also obtain a written copy of the codes of ethics, without charge, by sending a written request to the Investor Relations Department, Credit Acceptance Corporation, P.O. Box 513, Southfield, Michigan 48037. We will disclose any amendments to, or waivers from, the provisions of the codes of ethics applicable to our directors or executive officers on our website.

ITEM 11. EXECUTIVE COMPENSATION The following table sets forth certain summary information for the years indicated concerning the compensation awarded to, earned by, or paid to the Chief Executive Officer, and the other four most highly compensated executive officers of the Company (based on combined salary and bonus for 2004) (collectively, the "Named Executive Officers"). SUMMARY

COMPENSATION TABLE ANNUAL COMPENSATION LONG-TERM
 ----- COMPENSATION OTHER ANNUAL AWARDS ALL OTHER NAME AND
 COMPENSATION RESTRICTED STOCK COMPENSATION PRINCIPAL POSITION YEAR SALARY (\$)
 BONUS (\$) (A) (\$) (B) AWARDS (\$) (B) (\$) (C) -----

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005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COMPENSATION OF DIRECTORS For 2004, all outside Board members received \$1,500 for each Board meeting attended plus \$500 for each committee meeting attended and were reimbursed for travel related expenses. Non-employee directors are also eligible to participate in the Company's Director Stock Option Plan, which permits the board to grant stock options to these directors at their discretion. In March 2004, upon her appointment as director, Ms. Chamberlain was granted stock options for 100,000 shares of Common Stock with an exercise price of \$17.25 per option, the fair market value of the Company's Common Stock on the date of grant. Ms. Chamberlain's stock options expire in 2014, and vest in four portions based on the Company's achievement of four tiered economic profit targets or immediately upon a change in control of the Company. There were no other grants under the Director Stock Option Plan during 2004. Non-employee directors were also eligible to participate in the Company's Incentive Compensation Plan approved by the shareholders at the 2004 Annual Meeting of Shareholders. This Incentive Compensation Plan replaced the Company's Director

Stock Option Plan. There were no equity awards made to the non-employee directors under the Incentive Compensation Plan in 2004. OPTIONS The following table provides information with respect to the options exercised during 2004 and the unexercised options held as of December 31, 2004 by the Named Executive Officers. There were no option grants in 2004. AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES NUMBERS OF SECURITIES UNDERLYING VALUE OF UNEXERCISED UNEXERCISED OPTIONS/SARS IN-THE-MONEY OPTIONS/SARS SHARES AT FISCAL YEAR-END AT FISCAL YEAR-END(\$)

(A)	ACQUIRED ON	NAME ON EXERCISE	(#)	REALIZED (\$)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Donald								
A. Foss	--	\$	--	--	\$	--	\$	--
Brett A. Roberts	144,999	1,534,536	480,988					
Steven M. Jones	12,000	200,564	48,000	90,000				
Michael W. Knoblauch	30,000	43,257	340,000	110,000	6,445,400			
Keith P. McCluskey	--	--	400,000	600,000	7,726,000	11,589,000	(a)	

Value is equal to the difference between the option exercise price and the average of the high and low price of \$25.41 per share on the Nasdaq on December 31, 2004, multiplied by the number of options held. EMPLOYMENT AGREEMENT Effective April 19, 2001, the Company entered into an employment agreement with Mr. McCluskey as Chief Marketing Officer, which replaced the prior agreement dated May 29, 1999. Under the terms of this agreement, Mr. McCluskey is to be paid an annual base salary of \$250,000 and is entitled to participate in the bonus program and the other fringe benefit programs for salaried employees. In addition, Mr. McCluskey was granted 1,000,000 options with an exercise price of \$6.09 under the Company's 1992 Stock Option Plan, with vesting of such options subject to the Company achieving certain performance criteria, and was provided a \$478,000 loan. Refer to "Certain Relationships and Transactions -

Indebtedness" for further information on the terms of this agreement. The term of this employment agreement will continue indefinitely, with a right of termination by either the Company or Mr. McCluskey under any circumstances upon 30 days written notice. Upon such termination the Company is obligated to pay Mr. McCluskey all salary and other compensation accrued through and including the date of such termination, and any options which have not yet vested and become exercisable shall be cancelled. In the event of a "change of control" of the Company (as defined in the 1992 Stock Option Plan), each option shall be cancelled in exchange for payment in cash of an amount equal to the excess of the change of control price (as defined in Mr. McCluskey's option agreement) over the exercise price thereof, unless such option is honored or assumed, or new rights substituted therefore immediately following the change of control.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS SECURITY OWNERSHIP The following table sets forth information as of November 30, 2005 concerning beneficial ownership by all directors and nominees, by each of the executive officers named in the Summary Compensation Table, by all directors and executive officers as a group, and by all other beneficial owners of more than 5% of the outstanding shares of Common Stock. The number of shares beneficially owned is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire on November 30, 2005 or within 60 days thereafter through the exercise of any stock option or other right. Unless otherwise indicated, each holder has sole investment and voting power with respect to the shares set forth in the following table. NUMBER OF SHARES

PERCENT OF BENEFICIALLY OUTSTANDING OWNED SHARES -----	
Donald A. Foss	24,036,898 (a)
64.9% Brett A. Roberts	921,817
(b) 2.4% Steven M. Jones	
134,448 (c) * Michael W. Knoblauch	
452,600 (d) 1.2% Keith P. McCluskey	
1,157,800 (e) 3.0% Harry E. Craig	
10,000 (f) * Glenda J. Chamberlain	
74,000 (g) * Daniel P. Leff	
100,000 (h) * Thomas N. Tryforos	434,842 1.2% All
Directors and Executive Officers as a Group (14 persons) ..	27,530,844 (i)
68.9% Thomas W. Smith	4,759,478
(j) 12.9% Scott J. Vassalluzzo	
4,136,555 (j) 11.2% * Less than 1%. (a) Shares are held by Donald A. Foss and Donald A. Foss Revocable Living Trust dated January 26, 1984 as to which Mr. Foss is the trustee. Karol A. Foss as trustee of the Karol A. Foss Revocable Trust Under Agreement dated January 16, 1981, as amended and restated on January 26, 1984, June 28, 1990, December 10, 1997 and April 1, 2005, and Allan Apple as trustee of the Karol A. Foss 2005 Grantor Retained Annuity Trust under Agreement dated November 11, 2005, are the record owners of 11,968,587 of these shares of which Mr. Foss has sole voting power and dispositive power of such shares pursuant to an agreement dated December 6, 2001. In addition, Mr. Foss has shared voting and dispositive power with respect to 83,166 shares which are owned by a limited liability company in which he has a 20% interest. Mr. Foss' business address is 25505 West Twelve Mile Road, Suite 3000, Southfield, Michigan 48034-8339. (b) Includes 802,470 shares which Mr. Roberts has the right to acquire upon exercise of employee stock options and 51,347 restricted shares as to which Mr. Roberts has voting power but which are subject to forfeiture and restrictions on transfer until the related vesting conditions have been satisfied. (c) Includes 128,000 shares which Mr. Jones has the right to acquire upon exercise of employee stock options and 6,448 restricted shares as to which Mr. Jones has voting power but which are subject to forfeiture and restrictions on transfer until the related vesting conditions have been satisfied. (d) Includes 450,000 shares which Mr. Knoblauch has the right to acquire upon exercise of employee stock options. (e) Includes 1,000,000 shares which Mr. McCluskey has the right to acquire upon exercise of employee stock options and 32,800 restricted shares as to which Mr. McCluskey has voting power but which are subject to forfeiture and restrictions on transfer until the related vesting conditions have been satisfied. In addition, Mr. McCluskey has shared voting and dispositive power with respect to 83,166 shares which are owned by a limited liability company in which he has an 80% interest. (f) Shares are held by the Craig Living Trust as to which Mr. Craig is the trustee. (g) Includes 70,000 shares which Mrs. Chamberlain has the right to acquire upon exercise of director stock options. (h) Includes 100,000 shares which Mr. Leff has the right to acquire upon exercise of director stock options. (i) Includes a total of 2,836,470 shares which such persons have the right to acquire upon exercise of employee and director stock options and 93,025 restricted shares as to which such persons have voting power but which are subject to forfeiture and restrictions on transfer until the related vesting conditions have been satisfied. (j) The number of shares is based on information obtained from Prescott Associates as of November 30, 2005. Mr. Smith has shared voting and dispositive power over 3,941,658 shares, sole voting power over 517,970 shares, and sole dispositive power over 817,820 shares. Mr. Vassalluzzo has shared voting and dispositive power over 3,941,658 shares, sole voting power over 44,000 shares, and sole dispositive power over 194,897 shares. Mr. Smith's, and Mr. Vassalluzzo's business address is 323 Railroad Avenue, Greenwich, Connecticut 06830. The information contained in the "Equity Compensation Plans" subheading under Item 5 of this Report is incorporated herein by reference. 83	

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS In the normal course of business, the Company has maintained and continues to maintain business relationships and engaged in certain transactions with companies owned by Donald Foss, the Company's majority shareholder and Chairman, and a member of Mr. Foss' immediate family (collectively, the "Foss Companies"), and with certain automotive dealerships owned by Keith McCluskey, the Company's President (the "McCluskey Dealerships"). CONTRACT ASSIGNMENTS AND FEES In the normal course of its business, the Company has Dealer Loans with the Foss Companies, which totaled approximately \$13.1 million at December 31, 2004. The total amount of cash advanced for the year ended December 31, 2004 was \$11.3 million. The Company's Dealer Loans from the Foss Companies and nonaffiliated dealer-partners are on the same terms. In the normal course of its business, the Company has Dealer Loans with the McCluskey Dealerships, which totaled approximately \$3.6 million at December 31, 2004. The total amount of cash advanced for the year ended December 31, 2004 was \$3.0 million. The Company's Dealer Loans from the McCluskey Dealerships and nonaffiliated dealer-partners are on the same terms. Total CAPS (the Company's Internet based Credit Approval Processing System) and dealer enrollment fees earned from the Foss Companies and the McCluskey Dealerships during 2004 were \$54,000 and \$12,000, respectively. INDEBTEDNESS Pursuant to an employment agreement with Mr. McCluskey dated April 19, 2001, the Company loaned the McCluskey 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 Mr. McCluskey. As of September 30, 2005, the balance of the note including accrued but unpaid interest was approximately \$1,132,000, which was the highest amount outstanding since the beginning of 2004. In addition, in 2001 pursuant to the employment agreement, the Company loaned Mr. McCluskey approximately \$478,000. The note, including all principal and interest, is due on April 19, 2011, bears interest at 5.22%, beginning January 1, 2002, and is unsecured. As of September 30, 2005 the balance of the note including accrued interest was approximately \$573,000. OTHER The Company paid for air transportation services provided by a company owned by Mr. Foss totaling \$227,000 for the year ended December 31, 2004. 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, some of the Foss Companies began offering secured line of credit loans in a manner similar to the Company's prior program, at his dealerships and at two other dealerships, one of whom also does business with the Company. Mr. Foss does not intend to expand his line of credit lending activities to additional dealerships, except to dealerships which he owns or controls. 84

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES FEES PAID TO INDEPENDENT ACCOUNTANTS The following table provides a summary of the aggregate fees billed by Grant Thornton LLP for 2004 (in thousands): 2004 ----- Audit fees (1) \$1,657 Audit-related fees -- ----- Audit and audit-related fees .. 1,657 ----- Tax fees -- All other fees -- ----- Total fees \$1,657 ===== (1) Audit fees were for the audit of the Company's consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 and for the audit of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. The Audit Committee has considered whether the provision of these services is compatible with maintaining the independence of Grant Thornton LLP, and satisfied itself as to the maintenance of the auditors' independence. POLICY FOR PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES The Audit Committee's policy is to pre-approve all audit services and all non-audit services that our independent accountants are permitted to perform for us under applicable federal securities regulations. The Audit Committee's policy utilizes an annual review and general pre-approval of certain categories of specified services that may be provided by the independent accountants, up to predetermined fee levels. Any proposed services not qualifying as a pre-approved specified service, and pre-approved services exceeding the predetermined fee levels, require further specific pre-approval by the Audit Committee. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to pre-approve audit and non-audit services proposed to be performed by the independent accountants. Effective July 20, 2005, the Audit Committee of the Board of Directors appointed Grant Thornton LLP as its new independent registered public accounting firm. Since that date, all services provided by Grant Thornton LLP were pre-approved by the Audit Committee. The policy has not been waived in any instance. 85

PART IV ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (a)(1) The following consolidated financial statements of the Company and Report of Independent Public Accountants are contained in "Item 8 -- Financial Statements and Supplementary Data." Report of Independent Public Accountants Consolidated Financial Statements: -- Consolidated Balance Sheets as of December 31, 2004 and 2003 -- Consolidated Income Statements for the years ended December 31, 2004, 2003 and 2002 -- Consolidated Statements of Shareholders' Equity for the years ended December 31, 2004, 2003 and 2002 -- Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002 Notes to Consolidated Financial Statements (2) Financial Statement Schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto. (3) The Exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference. 86

SIGNATURES Pursuant to the requirements of Section 13 or 15(d) 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 By: /s/ BRETT A. ROBERTS ----- Brett A. Roberts Chief Executive Officer Date: January 27, 2006 Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on January 27, 2006 on behalf of the registrant and in the capacities indicated. SIGNATURE TITLE ----- /s/ BRETT A. ROBERTS Chief Executive Officer (Principal ----- Executive Officer) Brett A. Roberts /s/ KENNETH S. BOOTH Chief Financial Officer - ----- (Principal Financial Officer, Principal Kenneth S. Booth Accounting Officer and Duly Authorized Officer) /s/ HARRY E. CRAIG Director - ----- Harry E. Craig /s/ GLENDA J. CHAMBERLAIN Director - ----- Glenda J. Chamberlain /s/ DONALD A. FOSS Director and Chairman of the Board - ----- Donald A. Foss /s/ DANIEL P. LEFF Director - ----- Daniel P. Leff /s/ THOMAS N. TRYFOROS Director - ----- Thomas N. Tryforos

EXHIBIT INDEX The following documents are filed as part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted. The Company's commission file number is 000-20202. EXHIBIT NO. DESCRIPTION - -----

----- 3(a)(1) 1 Articles of Incorporation, as amended July 1, 1997 3(b) 20 Amended and Restated Bylaws of the Company, as amended, February 24, 2005 4(c)(12) 10 Second Amended and Restated Credit Agreement, dated as of June 9, 2003, among the Company, certain of the Company's subsidiaries, Comerica Bank, as Administrative Agent and Collateral Agent, and the banks signatory thereto. 4(c)(13) 12 Third Amended and Restated Credit Agreement, dated as of June 9, 2004, among the Company, certain of the Company's subsidiaries, Comerica Bank, as Administrative Agent and Collateral Agent, and the banks signatory thereto. 4(c)(14) 15 First Amendment, dated as of December 10, 2004, to Third Amended and Restated Credit Agreement, dated as of June 9, 2004, among the Company, Comerica Bank, as Administrative Agent and Collateral Agent, and the banks signatory thereto. 4(f)(40) 8 Second Amendment dated as of June 10, 2002 to the Intercreditor Agreement dated as of December 15, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders 4(f)(41) 8 Second Amendment dated June 10, 2002 to Second Amended and Restated Security Agreement, dated June 11, 2001 between Comerica Bank, as Collateral Agent and the Company 4(f)(42) 9 Third Amendment dated August 30, 2002 to Second Amended and Restated Security Agreement dated June 11, 2001 between Comerica Bank, as Collateral Agent and the Company 4(f)(47) 10 Contribution Agreement dated June 27, 2003 between the Company and Credit Acceptance Funding LLC 2003-1 4(f)(48) 10 Back-Up Servicing Agreement dated June 27, 2003 among the Company, Credit Acceptance Funding 2003-1, Credit Acceptance Auto Dealer Loan Trust 2003-1, Systems & Services Technologies, Inc., and Radian Asset Assurance Inc. 4(f)(49) 10 Intercreditor Agreement, dated June 27, 2003, among the Company, CAC Warehouse Funding Corp., Credit Acceptance Funding LLC 2003-1, Credit Acceptance Auto Dealer Loan Trust 2003-1, Wachovia Securities, Inc., as agent, JPMorgan Chase Bank, as trustee, and Comerica Bank, as agent. 4(f)(50) 10 Sale and Servicing Agreement dated June 27, 2003 among the Company, Credit Acceptance Auto Dealer Loan Trust 2003-1, Credit Acceptance Funding LLC 2003-1, JPMorgan Chase Bank, and Systems & Services Technologies, Inc. 4(f)(51) 10 Indenture, dated June 27, 2003, between Credit Acceptance Auto Dealer Loan Trust 2003-1 and JPMorgan Chase Bank 4(f)(52) 10 Amended and Restated Trust Agreement dated June 27, 2003 between Credit Acceptance Funding LLC 2003-1 and Wachovia Bank of Delaware, National Association 4(f)(53) 11 Contribution Agreement dated September 30, 2003 between the Company and CAC Warehouse Funding Corporation II. 4(f)(54) 11 Loan and Security Agreement dated September 30, 2003 among the Company, CAC Warehouse Funding Corporation II, Wachovia Bank, National Association, Variable Funding Capital Corporation, Wachovia Capital Markets, LLC, and Systems & Services Technologies, Inc. 4(f)(55) 11 Back-Up Servicing Agreement dated September 30, 2003 among the Company, Systems & Services Technologies, Inc., Wachovia Capital Markets, LLC, and CAC Warehouse Funding Corporation II. 88

4(f)(56) 11 Intercreditor Agreement, dated September 30, 2003, among the Company, CAC Warehouse Funding Corporation II, Credit Acceptance Funding LLC 2003-1, Credit Acceptance Auto Dealer Loan Trust 2003-1, Wachovia Capital Markets, LLC, JPMorgan Chase Bank, and Comerica Bank. 4(f)(57) 13 Indenture dated August 25, 2004 between Credit Acceptance Auto Dealer Loan Trust 2004-1 and JPMorgan Chase Bank. 4(f)(58) 13 Sale and Servicing Agreement dated August 25, 2004 among the Company, Credit Acceptance Auto Dealer Loan Trust 2004-1, Credit Acceptance Funding LLC 2004-1, JPMorgan Chase Bank and Systems & Services Technologies, Inc. 4(f)(59) 13 Backup Servicing Agreement dated August 25, 2004 among the Company, Credit Acceptance Funding 2004-1, Credit Acceptance Auto Dealer Loan Trust 2004-1, Systems & Services Technologies, Inc., Radian Asset Assurance Inc., XL Capital Assurance Inc., and JPMorgan Chase Bank. 4(f)(60) 13 Amended and Restated Trust Agreement dated August 25, 2004 between Credit Acceptance Funding LLC 2004-1 and Wachovia Bank of Delaware, National Association 4(f)(61) 13 Contribution Agreement dated August 25, 2004 between the Company and Credit Acceptance Funding LLC 2004-1. 4(f)(62) 13 Intercreditor Agreement dated August 25, 2004 among the Company, CAC Warehouse Funding Corporation II, Credit Acceptance Funding LLC 2003-1, Credit Acceptance Auto Dealer Loan Trust 2003-1, Credit Acceptance Funding LLC 2004-1, Credit Acceptance Auto Dealer Loan Trust 2004-1, Wachovia Capital Markets, LLC, as agent, JPMorgan Chase Bank, as agent, and Comerica Bank, as agent. 4(f)(63) 14 Amendment No. 1, dated August 10, 2004, to Loan and Security Agreement dated September 30, 2003 among the Company, CAC Warehouse Funding Corporation II, Wachovia Bank, National Association, Variable Funding Capital Corporation, Wachovia Capital Markets, LLC, and Systems & Servicing Technologies, Inc. 4(f)(64) 16 Amendment No. 1, dated January 19, 2005, to Sale and Servicing Agreement dated as of August 25, 2004 among the Company, Credit Acceptance Auto Dealer Loan Trust 2004-1, Credit Acceptance Funding LLC 2004-1, JPMorgan Chase Bank and Systems & Services Technologies, Inc. 4(f)(65) 17 Amendment No. 2, dated January 21, 2005, to the Loan and Security Agreement, dated September 30, 2003, among the Company, CAC Warehouse Funding Corporation II, Wachovia Bank, National Association, Variable Funding Capital Corporation, and Wachovia Capital Markets, LLC. 4(g)(2) 2 Intercreditor Agreement dated as of December 15, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders 4(g)(4) 5 Second Amended and Restated Security Agreement, dated June 11, 2001 between Comerica Bank, as Collateral Agent and the Company 4(g)(5) 4 First Amendment dated as of March 30, 2001 to the Intercreditor Agreement dated as of December 14, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders 4(g)(6) 6 First Amendment, dated September 7, 2001 to Second Amended and Restated Security Agreement, dated June 11, 2001 between Comerica Bank, as Collateral Agent and the Company 4(g)(7) 12 Release and Fourth Amendment to Second Amended and Restated Security Agreement, dated June 9, 2004, between Comerica Bank, as Collateral Agent and the Company. 4(g)(8) 12 Fifth Amendment to Second Amended and Restated Security Agreement, dated June 30, 2004, between Comerica Bank, as Collateral Agent and the Company. 4(i) 6 Security Agreement, dated September 7, 2001, between CAC of Canada Limited and Comerica Bank 4(j) 6 Debenture, dated September 7, 2001, made by way of deed by CAC Ireland Limited, in favor of Comerica Bank, as agent and security trustee

4(k) 6 Debenture, dated September 7, 2001, made by way of deed by CAC UK Limited, in favor of Comerica Bank, as agent and security trustee 4(l) 6 Debenture, dated September 7, 2001, made by way of deed by CAC UK Funding Ltd., in favor of Comerica Bank, as agent and security trustee 4(m) 6 Assignment in Security, dated September 10, 2001, among Credit Acceptance Corporation, CAC Nevada, Inc., CAC Scotland and Comerica Bank, as collateral agent and trustee 4(n) 6 Deed of Charge, dated September 7, 2001 between Credit Acceptance Corp., and Comerica Bank, as Collateral Agent, with respect to the share capital of CAC Ireland Limited NOTE: Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted there under does not exceed 10% of the Company's consolidated assets, and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request 10(d)(9) 10 Form of Servicing Agreement as of April 2003 10(f) (4)* 3 Credit Acceptance Corporation 1992 Stock Option Plan, as amended and restated May 1999 10(g)(2)* 4 Employment agreement for Keith P. McCluskey, Chief Marketing Officer, dated April 19, 2001 10(p) 7 Credit Acceptance Corporation Director Stock Option Plan 10(q)* 12 Credit Acceptance Corporation Incentive Compensation Plan, effective April 1, 2004 10(q)(2)* 18 Form of Restricted Stock Grant Agreement * Note: Incentive Compensation Bonus Formula for 2005 will need to be filed with your 1Q2005 10-Q 16 19 Letter from Deloitte & Touche LLP dated July 12, 2005 21(1)(a) 20 Schedule of Credit Acceptance Corporation Subsidiaries 23(a) 20 Consent of Grant Thornton LLP 31(a) 20 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act. 31(b) 20 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act. 32(a) 20 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 32(b) 20 Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * Management compensatory contracts and arrangements. 1 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1997, and incorporated herein by reference. 2 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1998, and incorporated herein by reference. 3 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1999, and incorporated herein by reference. 4 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 2001, and incorporated herein by reference. 5 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2001, and incorporated herein by reference. 90

6 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2001, and incorporated herein by reference. 7 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 2001, and incorporated herein by reference. 8 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2002, and incorporated herein by reference. 9 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2002, and incorporated herein by reference. 10 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference. 11 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2003, and incorporated herein by reference. 12 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2004, and incorporated herein by reference. 13 Previously filed as an exhibit to the Company's Current Report on Form 8-K dated August 25, 2004, and incorporated herein by reference. 14 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2004, and incorporated herein by reference. 15 Previously filed as an exhibit to the Company's Current Report on Form 8-K dated December 13, 2004, and incorporated herein by reference. 16 Previously filed as an exhibit to the Company Current Report on Form 8-K dated January 19, 2005, and incorporated herein by reference. 17 Previously filed as an exhibit to the Company's Current Report on Form 8-K dated February 9, 2005, and incorporated herein by reference. 18 Previously filed as an exhibit to the Company's Current Report on Form 8-K dated February 24, 2005, and incorporated herein by reference. 19 Previously filed as an exhibit to the Company's Current Report on Form 8-K/A dated June 24, 2005, and incorporated herein by reference. 20 Filed herewith. 91

AMENDED AND RESTATED

BYLAWS

OF

CREDIT ACCEPTANCE CORPORATION

ARTICLE I

OFFICES

1.01 Principal Office. The principal office of the corporation shall be at such place within or outside the State of Michigan as the Board of Directors shall determine from time to time.

1.02 Other Offices. The corporation also may have offices at such other places as the Board of Directors from time to time determines or the business of the corporation requires.

ARTICLE II

SEAL

2.01 Seal. The corporation may have a seal in such form as the Board of Directors may from time to time determine. The seal may be used by causing it or a facsimile to be impressed, affixed, reproduced or otherwise.

ARTICLE III

CAPITAL STOCK

3.01 Issuance of Shares. The shares of capital stock of the corporation shall be issued in such amounts, at such times, for such consideration and on such terms and conditions as the Board shall deem advisable, subject to the Articles of Incorporation and any requirements of the laws of the State of Michigan.

3.02 Certificates for Shares. The shares of the corporation shall be represented by certificates signed by the Chairman of the Board, Vice Chairman of the Board, President or a Vice President of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. A certificate representing shares shall state upon its face that the corporation is formed under the laws of the State of Michigan, the name of the person to whom it is issued, the number and class of shares, and the designation of the series, if any, which the certificate represents and such other provisions as may be required by the laws of the State of Michigan.

3.03 Transfer of Shares. The shares of the capital stock of the corporation are transferable only on the books of the corporation upon surrender of the certificate therefore, properly endorsed for transfer, and the presentation of such evidences of ownership and validity of the assignment as the corporation may require.

3.04 Registered Shareholders. The corporation shall be entitled to treat the person in whose name any share of stock is registered as the owner thereof for purposes of dividends and other distributions in the course of business, or in the course of recapitalization,

consolidation, merger, reorganization, sale of assets, liquidation or otherwise and for the purpose of votes, approvals and consents by shareholders, and for the purpose of notices to shareholders, and for all other purposes whatever, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the corporation shall have notice thereof, save as expressly required by the laws of the State of Michigan.

3.05 Lost or Destroyed Certificates. Upon the presentation to the corporation of a proper affidavit attesting the loss, destruction or mutilation of any certificate or certificates for shares of stock of the corporation, the Board of Directors shall direct the issuance of a new certificate or certificates to replace the certificates so alleged to be lost, destroyed or mutilated. The Board of Directors may require as a condition precedent to the issuance of new certificates a bond or agreement of indemnity, in such form and amount and with such sureties, or without sureties, as the Board of Directors may direct or approve.

ARTICLE IV

SHAREHOLDERS AND MEETINGS OF SHAREHOLDERS

4.01 Place of Meetings. All meetings of shareholders shall be held at the principal office of the corporation or at such other place as shall be determined by the Board of Directors and stated in the notice of meeting.

4.02 Annual Meeting. The annual meeting of the shareholders of the corporation shall be held on the last Monday of the fifth calendar month after the end of the corporation's fiscal year at 2 o'clock in the afternoon, or on such other date and at such other time as may be determined by the Board of Directors. Directors shall be elected at each annual meeting and such other business transacted as may come before the meeting.

4.03 Special Meetings. Special meetings of shareholders may be called by the Board of Directors, the Chairman of the Board (if such office is filled) or the President and shall be called by the President or Secretary at the written request of shareholders holding a majority of the shares of stock of the corporation outstanding and entitled to vote. The request shall state the purpose or purposes for which the meeting is to be called.

4.04 Notice of Meetings. Except as otherwise provided by statute, written notice of the time, place and purposes of a meeting of shareholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each shareholder of record entitled to vote at the meeting, either personally or by mailing such notice to his last address as it appears on the books of the corporation. No notice need be given of an adjourned meeting of the shareholders provided the time and place to which such meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. However, if after the adjournment a new record date is fixed for the adjourned meeting a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice as provided in this Bylaw.

4.05 Record Dates. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of and to vote at a meeting of shareholders or an adjournment thereof, or to express consent or to dissent from a proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of a dividend or allotment of a right, or for the purpose of any other action. The date fixed shall not be more than 60 nor less than 10 days before the date of the meeting, nor more than

60 days before any other action. In such case only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or adjournment thereof, or to express consent or to dissent from such proposal, or to receive payment of such dividend or to receive such allotment of rights, or to participate in any other action, as the case may be, notwithstanding any transfer of any stock on the books of the corporation, or otherwise, after any such record date. Nothing in this Bylaw shall affect the rights of a shareholder and his transferee or transferor as between themselves.

4.06 List of Shareholders. The Secretary of the corporation or the agent of the corporation having charge of the stock transfer records for shares of the corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholders' meeting or any adjournment thereof. The list shall be arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder; be produced at the time and place of the meeting; be subject to inspection by any shareholder during the whole time of the meeting; and be prima facie evidence as to who are the shareholders entitled to examine the list or vote at the meeting.

4.07 Quorum. Unless a greater or lesser quorum is required in the Articles of Incorporation or by the laws of the State of Michigan, the shareholders present at a meeting in person or by proxy who, as of the record date for such meeting, were holders of a majority of the outstanding shares of the corporation entitled to vote at the meeting shall constitute a quorum at the meeting. Whether or not a quorum is present, a meeting of shareholders may be adjourned by a vote of the shares present in person or by proxy. When the holders of a class or series of shares are entitled to vote separately on an item of business, this Bylaw applies in determining the presence of a quorum of such class or series for transaction of such item of business.

4.08 Proxies. A shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize other persons to act for the shareholder by proxy. A proxy shall be signed by the shareholder or the shareholder's authorized agent or representative and shall not be valid after the expiration of three years from its date unless otherwise provided in the proxy. A proxy is revocable at the pleasure of the shareholder executing it except as otherwise provided by the laws of the State of Michigan.

4.09 Voting. Each outstanding share is entitled to one vote on each matter submitted to a vote, unless otherwise provided in the Articles of Incorporation. Votes shall be cast in writing and signed by the shareholder or the shareholder's proxy. When an action, other than the election of directors, is to be taken by a vote of the shareholders, it shall be authorized by a majority of the votes cast by the holders of shares entitled to vote thereon, unless a greater vote is required by the Articles of Incorporation or by the laws of the State of Michigan. Except as otherwise provided by the Articles of Incorporation, directors shall be elected by a plurality of the votes cast at any election.

ARTICLE V

DIRECTORS

5.01 Number. The business and affairs of the corporation shall be managed by a Board of not less than one nor more than eleven directors as shall be fixed from time to time by the Board of Directors. The directors need not be residents of Michigan or shareholders of the corporation.

5.02 Election, Resignation and Removal. Directors shall be elected at each annual meeting of the shareholders, each to hold office until the next annual meeting of shareholders and until the director's successor is elected and qualified, or until the director's resignation or removal. A director may resign by written notice to the corporation. The resignation is effective upon its receipt by the corporation or a subsequent time as set forth in the notice of resignation. A director or the entire Board of Directors may be removed, with or without cause, by vote of the holders of a majority of the shares entitled to vote at an election of directors.

5.03 Vacancies. Vacancies in the Board of Directors occurring by reason of death, resignation, removal, increase in the number of directors or otherwise shall be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, unless filled by proper action of the shareholders of the corporation. Each person so elected shall be a director for a term of office continuing only until the next election of directors by the shareholders.

5.04 Annual Meeting. The Board of Directors shall meet each year immediately after the annual meeting of the shareholders, or within three (3) days of such time excluding Sundays and legal holidays if such later time is deemed advisable, at the place where such meeting of the shareholders has been held or such other place as the Board may determine, for the purpose of election of officers and consideration of such business that may properly be brought before the meeting; provided, that if less than a majority of the directors appear for an annual meeting of the Board of Directors the holding of such annual meeting shall not be required and the matters which might have been taken up therein may be taken up at any later special or annual meeting, or by consent resolution.

5.05 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such times and places as the majority of the directors may from time to time determine at a prior meeting or as shall be directed or approved by the vote or written consent of all the directors. Special meetings of the Board may be called by the Chairman of the Board (if such office is filled) or the President and shall be called by the President or Secretary upon the written request of any two directors.

5.06 Notices. No notice shall be required for annual or regular meetings of the Board or for adjourned meetings, whether regular or special. Twenty-four hours written notice, or by telephone or electronic transmission, shall be given for special meetings of the Board, and such notice shall state the time, place and purpose or purposes of the meeting.

5.07 Quorum. A majority of the Board of Directors then in office, or of the members of a committee thereof, constitutes a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which there is a quorum shall be the acts of the Board or of the committee, except as a larger vote may be required by the laws of the State of Michigan. A member of the Board or of a committee designated by the Board may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the

meeting can communicate with the other participants. Participation in a meeting in this manner constitutes presence in person at the meeting.

5.08 Executive and Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, appoint three or more members of the Board as an executive committee to exercise all powers and authorities of the Board in management of the business and affairs of the corporation, except that the committee shall not have power or authority to (a) amend the Articles of Incorporation; (b) adopt an agreement of merger or consolidation; (c) recommend to shareholders the sale, lease or exchange of all or substantially all of the corporation's property and assets; (d) recommend to shareholders a dissolution of the corporation or revocation of a dissolution; (e) amend these Bylaws; (f) fill vacancies in the Board; or (g) unless expressly authorized by the Board, declare a dividend or authorize the issuance of stock.

The Board of Directors from time to time may, by like resolution, appoint such other committees of one or more directors to have such authority as shall be specified by the Board in the resolution making such appointments. The Board of Directors may designate one or more directors as alternate members of any committee who may replace an absent or disqualified member at any meeting thereof.

5.09 Dissents. A director who is present at a meeting of the Board of Directors, or a committee thereof of which the director is a member, at which action on a corporate matter is taken is presumed to have concurred in that action unless the director's dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation promptly after the adjournment of the meeting. Such right to dissent does not apply to a director who voted in favor of such action. A director who is absent from a meeting of the Board, or a committee thereof of which the director is a member, at which any such action is taken is presumed to have concurred in the action unless the director files a written dissent with the Secretary of the corporation within a reasonable time after the director has knowledge of the action.

5.10 Compensation. The Board of Directors, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation of directors for services to the corporation as directors or officers.

ARTICLE VI

NOTICES, WAIVERS OF NOTICE AND MANNER OF ACTING

6.01 Notices. All notices of meetings required to be given to shareholders, directors, or any committee of directors may be given personally or by mail to any shareholder, director, or committee member at his or her last address as it appears on the books of the corporation or by electronic transmission, but in the case of shareholders, only in the form consented to by the shareholder. The notice shall be deemed to be given

at the time it is mailed or otherwise dispatched or, if given by electronic transmission, when electronically transmitted to the person entitled to the notice, but in the case of shareholders only if sent in a manner authorized by the shareholder. Telephonic notice may also be given for special meetings of the board of directors or committees thereof as provided in Section 5.06.

6.02 Waiver of Notice. Notice of the time, place and purpose of any meeting of shareholders, directors or committee of directors may be waived by telecopy, telegram, radiogram, cablegram or other writing, either before or after the meeting, or in such other manner as may be permitted by the laws of the State of Michigan. Attendance of a person at any meeting of shareholders, in person or by proxy, or at any meeting of directors or of a committee of directors, constitutes a waiver of notice of the meeting except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

6.03 Action Without a Meeting. Except as may be provided otherwise in the Articles of Incorporation for action to be taken by shareholders, any action required or permitted at any meeting of shareholders or directors or committee of directors may be taken without a meeting, without prior notice and without a vote, if all of the shareholders or directors or committee members entitled to vote thereon consent thereto in writing.

ARTICLE VII

OFFICERS

7.01 Number. The Board of Directors shall elect or appoint a President, a Secretary and a Treasurer, and may select a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a Chief Operating Officer and one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers. Any two or more of the above offices, except those of President and Vice President, may be held by the same person. No officer shall execute, acknowledge or verify an instrument in more than one capacity if the instrument is required by law, the Articles of Incorporation or these Bylaws to be executed, acknowledged, or verified by one or more officers.

7.02 Term of Office, Resignation and Removal. An officer shall hold office for the term for which he is elected or appointed and until his successor is elected or appointed and qualified, or until his resignation or removal. An officer may resign by written notice to the corporation. The resignation is effective upon its receipt by the corporation or at a subsequent time specified in the notice of resignation. An officer may be removed by the Board with or without cause. The removal of an officer shall be without prejudice to his contract rights, if any. The election or appointment of an officer does not of itself create contract rights.

7.03 Vacancies. The Board of Directors may fill any vacancies in any office occurring for whatever reason.

7.04 Authority. All officers, employees and agents of the corporation shall have such authority and perform such duties in the conduct and management of the business and affairs of the corporation as may be designated by the Board of Directors and these Bylaws.

ARTICLE VIII

DUTIES OF OFFICERS

8.01 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors at which the Chairman is present.

8.02 Chief Executive Officer. The Chief Executive Officer shall see that all orders and resolutions of the Board are carried into effect and shall have the general powers of supervision and management usually vested in the chief executive officer of a corporation, including the authority to vote all securities of other corporations and organizations held by the corporation. The Chief Executive Officer shall preside at all meetings of the shareholders and of the Board of Directors at which the Chairman is not present, shall have the power to act on behalf of and perform the duties and exercise the powers and authorities of the Chairman in case of the Chairman's absence or disability, and may execute any documents in the name of the corporation. The Chief Executive Officer shall be ex officio a member of all management committees.

8.03 President. The President of the corporation shall direct and coordinate the activities of the organization in accordance with policies, goals and objectives established by the Chief Executive Officer. The President shall assist the Chief Executive Officer in seeing that all orders and resolutions of the Board are carried into effect. He may execute any documents in the name of the corporation and shall have such other powers and duties as may be prescribed by the Board or delegated by the Chief Executive Officer.

8.04 Chief Operating Officer. The Chief Operating Officer of the corporation shall direct and coordinate the activities of the organization in accordance with policies, goals and objectives established by the Chief Executive Officer. The Chief Operating Officer shall assist the Chief Executive Officer in seeing that all orders and resolutions of the Board are carried into effect. The Chief Operating Officer may execute any documents in the name of the corporation and shall have such other powers and duties as may be prescribed by the Board or delegated by the Chief Executive Officer.

8.05 Vice-Presidents. The Vice Presidents, in order of their seniority, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties as the Board of Directors, the Chief Executive Officer or the President may from time to time prescribe.

8.06 Secretary. The Secretary shall attend all meetings of the Board of Directors and of shareholders and shall record all votes and minutes of all proceedings in a book to be kept for that purpose, shall give or cause to be given notice of all meetings of the

shareholders and of the Board of Directors, and shall keep in safe custody the seal of the corporation and, when authorized by the Board, affix the same to any instrument requiring it, and when so affixed it shall be attested by the signature of the Secretary, or by the signature of the Treasurer or an Assistant Secretary. The Secretary may delegate any of the duties, powers and authorities of the Secretary to one or more Assistant Secretaries, unless the Board disapproves such delegation.

8.07 Treasurer. The Treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books of the corporation; and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall render to the Chief Executive Officer and directors, whenever they may require it, an account of his or her transactions as Treasurer and of the financial condition of the corporation. The Treasurer may delegate any of his or her duties, powers and authorities to one or more Assistant Treasurers unless the Board of Directors disapproves such delegation.

8.08 Assistant Secretaries and Treasurers. The Assistant Secretaries, in order of their seniority, shall perform the duties and exercise the powers and authorities of the Secretary in case of the Secretary's absence or disability. The Assistant Treasurers, in the order of their seniority, shall perform the duties and exercise the powers and authorities of the Treasurer in case of the Treasurer's absence or disability. The Assistant Secretaries and Assistant Treasurers shall also perform such duties as may be delegated to them by the Chairman, Chief Executive Officer, Secretary and Treasurer, respectively, and also such duties as the Board of Directors may prescribe.

ARTICLE IX

SPECIAL CORPORATE ACTS

9.01 Orders for Payment of Money. All checks, drafts, notes, bonds, bills of exchange and orders for payment of money of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

9.02 Contracts and Conveyances. The Board of Directors of the corporation may in any instance designate the officer and/or agent who shall have authority to execute any contract, conveyance, mortgage or other instrument on behalf of the corporation, or may ratify or confirm any execution. When the execution of any instrument has been authorized without specification of the executing officers or agents, the Chairman of the Board, the President or any Vice President, and the Secretary or Assistant Secretary or Treasurer or Assistant Treasurer, may execute the same in the name and on behalf of this corporation and may affix the corporate seal thereto.

ARTICLE X

BOOKS AND RECORDS

10.01 Maintenance of Books and Records. The proper officers and agents of the corporation shall keep and maintain such books, records and accounts of the corporation's business and affairs, minutes of the proceedings of its shareholders, Board and committees, if any, and such stock ledgers and lists of shareholders, as the Board of Directors shall deem advisable, and as shall be required by the laws of the State of Michigan and other states or jurisdictions empowered to impose such requirements. Books, records and minutes may be kept within or without the State of Michigan in a place which the Board shall determine.

10.02 Reliance on Books and Records. In discharging his or her duties, a director or an officer of the corporation is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by any of the following: (a) one or more directors, officers, or employees of the corporation, or of a business organization under joint control or common control whom the director or officer reasonably believes to be reliable and competent in the matters presented, (b) legal counsel, public accountants, engineers, or other persons as to matters the director or officer reasonably believes are within the person's professional or expert competence, or (c) a committee of the Board of Directors of which he or she is not a member if the director or officer reasonably believes the Committee merits confidence. A director or officer is not entitled to rely on such information if he or she has knowledge concerning the matter in question that makes such reliance unwarranted.

ARTICLE XI

INDEMNIFICATION

11.01 Non-Derivative Actions. Subject to all of the other provisions of this Article XI, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the corporation), by reason of the fact that the person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, and with respect to any criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner

which the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

11.02 Derivative Actions. Subject to all of the provisions of this Article XI, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, against expenses (including attorneys' fees) and amounts paid in settlement incurred by the person in connection with such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. However, indemnification shall not be made for any claim, issue or matter in which such person has been found liable to the corporation unless and only to the extent that the court in which such action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for the expenses which the court considers proper.

11.03 Expenses of Successful Defense. To the extent that a person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 11.01 or 11.02 of these Bylaws, or in defense of any claim, issue or matter in the action, suit or proceeding, the person shall be indemnified against expenses (including attorneys' fees) incurred by such person in connection with the action, suit or proceeding and any action, suit or proceeding brought to enforce the mandatory indemnification provided by this Section 11.03.

11.04 Definitions. For the purposes of Sections 11.01 and 11.02, "other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; "serving at the request of the corporation" shall include any service as a director, officer, employee, or agent of the corporation which imposes duties on, or involves services by, the director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the corporation or its shareholders" as referred to in Sections 11.01 and 11.02.

11.05 Contract Right; Limitation on Indemnity. The right to indemnification conferred in this Article XI shall be a contract right, and shall apply to services of a director or officer as an employee or agent of the corporation as well as in such person's capacity as a director or officer. Except as provided in Section 11.03 of these Bylaws, the corporation shall have no obligations under this Article XI to indemnify any person in connection with any proceeding, or part thereof, initiated by such person without authorization by the Board of Directors.

11.06 Determination That Indemnification is Proper. Any indemnification under Section 11.01 or 11.02 of these Bylaws (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in Section 11.01 or 11.02, whichever is applicable. Such determination shall be made in any of the following ways:

(i) By a majority vote of a quorum of the Board consisting of directors who were not parties to such action, suit or proceeding.

(ii) If the quorum described in clause (i) above is not obtainable, then by a committee of directors who are not parties to the action, suit or proceeding. The committee shall consist of not less than two disinterested directors.

(iii) By independent legal counsel in a written opinion. Legal counsel for this purpose shall be chosen by the Board or its committee prescribed in clauses (i) or (ii), or if a quorum of the Board cannot be obtained under clause (i) and a committee cannot be designated under clause (ii), by the Board.

(iv) By the shareholders. Shares held by directors or officers who are parties or threatened to be made parties to the action, suit or proceeding may not be voted.

11.07 Proportionate Indemnity. If a person is entitled to indemnification under Section 11.01 or 11.02 of these Bylaws for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the corporation shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

11.08 Expense Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding described in Section 11.01 or 11.02 of these Bylaws shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding if the corporation receives from the person requesting such advance the following: (i) a written affirmation of the person's good faith belief that the person has met the applicable standard of conduct in Section 11.01 or 11.02 and (ii) a written undertaking by or on behalf of the person to repay the expenses if it is ultimately determined that the person is not entitled to be indemnified by the corporation. The undertaking shall be an unlimited general obligation of the person on whose behalf advances are made but need not be secured.

11.09 Non-Exclusivity of Rights. The indemnification or advancement of expenses provided under this Article XI is not exclusive of other rights to which a person

seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the corporation. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

11.10 Indemnification of Employees and Agents of the Corporation. The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article XI with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

11.11 Former Directors and Officers. The indemnification provided in this Article XI continues as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person.

11.12 Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have power to indemnify the person against such liability under these Bylaws or the laws of the State of Michigan.

11.13 Changes in Michigan Law. In the event of any change of the Michigan statutory provisions applicable to the corporation relating to the subject matter of this Article XI, then the indemnification to which any person shall be entitled hereunder shall be determined by such changed provisions, but only to the extent that any such change permits the corporation to provide broader indemnification rights than such provisions permitted the corporation to provide prior to any such change. Subject to Section 11.14, the Board of Directors is authorized to amend these Bylaws to conform to any such changed statutory provisions.

11.14 Amendment or Repeal of Article XI. No amendment or repeal of this Article XI shall apply to or have any effect on any director or officer of the corporation for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

ARTICLE XII

AMENDMENTS

12.01 Amendments. Subject to Section 11.14, the Bylaws of the corporation may be amended, altered or repealed, in whole or in part, by the shareholders or by the Board of Directors at any meeting duly held in accordance with these Bylaws, provided that notice of the meeting includes notice of the proposed amendment, alteration or repeal.

ARTICLE XIII

CONTROL SHARES AND
CONTROL SHARE ACQUISITIONS

13.01 Control Share Acquisitions. The corporation is subject to Chapter 7B, "Control Share Acquisitions," of the Michigan Business Corporation Act, effective on the first day on which the corporation has 100 or more shareholders of record. As long as the corporation is subject to Chapter 7B, shares of capital stock of the corporation constituting "control shares" acquired in "control share acquisitions" (as defined in Chapter 7B) have the same voting rights as were accorded the shares before the "control share acquisition" only to the extent granted by resolution approved by the shareholders of the Company in accordance with Chapter 7B.

13.02 Redemption of Control Shares. Control shares as to which all of the following conditions are met may be redeemed by the corporation, upon approval by the Board of Directors, at any time after such conditions have been met:

- (a) (i) An acquiring person statement has been filed with the corporation, a meeting of the shareholders of the corporation has been held at which the voting rights of the control shares have been submitted to the shareholders for a vote, and the shareholders do not grant full voting rights to the control shares; or
- (ii) If an "acquiring person statement" (as such term appears in Section 795 of the Michigan Business Corporation Act) has not been filed with the corporation with respect to a control share acquisition and the redemption is completed during the period ending 60 days after the last acquisition of control shares, or the power to direct the exercise of voting power of control shares, by the acquiring persons; and
- (b) The consideration to be paid for the control shares consists of cash, property or securities of the corporation, or any combination thereof, including shares of capital stock of the corporation or debt obligations of the corporation; and
- (c) The price to be paid for the control shares does not exceed the fair value of the shares, as determined by the Board of Directors, which value shall not be less than the highest price paid per share by the acquiring person in the control share acquisition.

13.03 Procedures. The Board of Directors may, by resolution, adopt procedures for the giving of notice of such redemption to the "acquiring person" and for the delivery of certificates representing the control shares to be acquired in exchange for the corporation's payment of fair value therefor.

CREDIT ACCEPTANCE CORPORATION

BYLAW AMENDMENTS

Adopted June 6, 2003
Effective June 6, 2003

ARTICLE XI
INDEMNIFICATION

11.01 Nonderivative Actions. Subject to all of the other provisions of this Article XI, the corporation shall, to the fullest extent permitted by applicable law, indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director or officer of the corporation, or, while serving as a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against expenses (including actual and reasonable attorney fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, and with respect to any criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or on a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person (i) did not act in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, (ii) with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful, or (iii) received a financial benefit to which he or she is not entitled, intentionally inflicted harm on the corporation or its shareholders, violated Section 551 of the Michigan Business Corporation Act or intentionally committed a criminal act.

11.02 Derivative Actions. Subject to all of the provisions of this Article XI, the corporation shall, to the fullest extent permitted by applicable law, indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the corporation or, while serving as a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not, against expenses (including actual and reasonable attorney fees) and amounts paid in settlement actually and reasonably incurred by the person in connection with the action or suit, if the person acted in good faith and in a

manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. However, indemnification shall not be made for any claim, issue or matter in which the person has been found liable to the corporation unless and only to the extent that the court in which the action or suit was brought has determined on application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnification for the reasonable expenses incurred. The termination of any action or suit by settlement shall not, of itself, create a presumption that the person (i) did not act in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, or (ii) received a financial benefit to which he or she is not entitled, intentionally inflicted harm on the corporation or its shareholders, violated Section 551 of the Michigan Business Corporation Act or intentionally committed a criminal act.

11.03 Expenses of Successful Defense. To the extent that a director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 11.01 or 11.02, or in defense of any claim, issue, or matter in the action, suit or proceeding, the corporation shall indemnify such director or officer against actual and reasonable expenses (including attorney fees) incurred by the person in connection with the action, suit or proceeding and any action, suit or proceeding brought to enforce the mandatory indemnification provided by this Section 11.03.

11.04 Definitions. For the purposes of Sections 11.01 and 11.02, "other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation that imposes duties on, or involves services by, the director or officer with respect to an employee benefit plan, its participants or its beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interests of the corporation or its shareholders" as referred to in Sections 11.01 and 11.02.

11.05 Contract Right; Limitation on Indemnity. The right to indemnification conferred in Article XI shall be a contract right and shall apply to services of a director or officer as an employee or agent of the corporation as well as in the person's capacity as a director or officer. Except as otherwise expressly provided in this Article XI, the corporation shall have no obligation under this Article XI to indemnify any person in connection with any proceeding, or part thereof, initiated by the person without authorization by the Board of Directors.

11.06 Determination That Indemnification Is Proper. (a) Any indemnification under Sections 11.01 or 11.02 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 11.01 or 11.02, whichever is

applicable, and upon an evaluation of the reasonableness of expenses and amounts paid in settlement. The determination and evaluation shall be made in any of the following ways:

(1) by a majority vote of a quorum of the Board of Directors consisting of directors who are not parties or threatened to be made parties to the action, suit or proceeding;

(2) if a quorum cannot be obtained under clause (1), by a majority of the members of a committee of two or more directors who are not parties or threatened to be made parties to the action, suit or proceeding;

(3) if the corporation has one or more "independent directors" (as defined in Section 107(3) of the Michigan Business Corporation Act ("MBCA")) who are not parties or threatened to be made parties to the action, suit or proceeding, by a unanimous vote of all such directors;

(4) by independent legal counsel in a written opinion, which counsel is selected by the Board or a committee as provided in clauses (1) or (2) above, or if a quorum cannot be obtained under clause (1) and a committee cannot be designated under clause (2), by the Board of Directors; or

(5) by the shareholders, but shares held by directors, officers, employees or agents who are parties or threatened to be made parties to the action, suit or proceeding may not be voted on the determination.

(b) To the extent that the Articles of Incorporation include a provision eliminating or limiting the liability of a director pursuant to MBCA Section 209, the corporation shall indemnify a director for the expenses and liabilities described below without a determination that the director has met the standard of conduct set forth in MBCA Sections 561 and 562, but no indemnification may be made except to the extent authorized in MBCA Section 564c, if the director received a financial benefit to which he or she was not entitled, intentionally inflicted harm on the corporation or its shareholders, violated MBCA Section 551, or intentionally violated criminal law. In connection with an action or suit by or in the right of the corporation, as described in Section 11.02, indemnification under this Section 11.06(b) may be for expenses, including attorneys' fees, actually and reasonably incurred. In connection with an action, suit or proceeding other than one by or in the right of the corporation, as described in Section 11.02, indemnification under this Section 11.06(b) may be for expenses, including attorneys' fees, actually and reasonably incurred, and for judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred. If this Section 11.06(b) requires indemnification of a director without a determination that the director has met the standard of conduct set forth in MBCA Sections 561 and 562, the corporation hereby waives its right to raise the director's failure to meet such standard of conduct as a defense to an action brought by the director or as grounds for a claim to recover advances made by the corporation pursuant to this Article XI and any such failure shall not be raised by or on behalf of the corporation.

11.07 Authorizations of Payment.

Authorizations of payment under Sections 11.01 and 11.02 of these Bylaws shall be made in any of the following ways:

(a) by the Board of Directors:

(1) if there are two or more directors who are not parties or threatened to be made parties to the action, suit or proceeding, by a majority vote of all such directors (a majority of whom shall for this purpose constitute a quorum);

(2) by a majority of the members of a committee of two or more directors who are not parties or threatened to be made parties to the action, suit or proceeding;

(3) if the corporation has one or more "independent directors" (as defined in MBCA Section 107(3)) who are not parties or threatened to be made parties to the action, suit or proceeding, by a majority vote of all such directors who are not parties or threatened to be made parties, a majority of whom shall constitute a quorum for this purpose; or

(4) if there are no "independent directors" and less than two directors who are not parties or threatened to be made parties to the action, suit or proceeding, by the vote necessary for action by the Board of Directors provided in these Bylaws, in which authorization all directors may participate; or

(b) by the shareholders, but shares held by directors, officers, employees or agents who are parties or threatened to be made parties to the action, suit or proceeding may not be voted on the authorization.

11.08 Proportionate Indemnity. If a person is entitled to indemnification under Sections 11.01 or 11.02 for a portion of expenses, including attorney fees, judgments, penalties, fines and amounts paid in settlement, but not for the total amount, the corporation shall indemnify the person for the portion of the expenses, judgments, penalties, fines or amounts paid in settlement for which the person is entitled to be indemnified.

11.09 Expense Advance. The corporation shall pay or reimburse the reasonable expenses incurred by a person referred to in Sections 11.01 or 11.02 who is a party or threatened to be made a party to an action, suit or proceeding in advance of final disposition of the proceeding if the person furnishes the corporation a written undertaking executed personally, or on his or her behalf, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct, if any, required by the MBCA for the indemnification of the person under the circumstances. An evaluation of reasonableness under this Section 11.09 shall be made as specified in Section 11.06, and authorizations shall be made in the manner specified in Section 11.07, unless the advance is mandatory. A provision in the articles of incorporation, these bylaws, a resolution by the Board of Directors or the shareholders or an agreement making indemnification

mandatory shall also make advancement of expenses mandatory unless the provision specifically provides otherwise.

11.10 Non-Exclusivity of Rights. The indemnification or advancement of expenses provided under this Article XI is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the corporation. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

11.11 Indemnification of Employees and Agents of the Corporation. The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of Article XI with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

11.12 Former Directors and Officers. The indemnification provided in Article XI continues for a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors, and administrators of the person.

11.13 Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have power to indemnify the person against the liability under these bylaws or applicable law. If the articles of incorporation include a provision eliminating or limiting the liability of a director pursuant to MBCA Section 209(1)(c), such insurance may be purchased from an insurer owned by the corporation, but such insurance may insure against monetary liability to the corporation or its shareholders only to the extent to which the corporation could indemnify the director under Section 11.06(b).

11.14 Changes in Michigan Law. If there is any change of the Michigan statutory provisions applicable to the corporation relating to the subject matter of this Article XI, then the indemnification to which any person shall be entitled under this Article XI shall be determined by the changed provisions, but only to the extent that the change permits the corporation to provide broader indemnification rights than the provisions permitted the corporation to provide before the change. Subject to Section 11.15, the Board of Directors is authorized to amend these bylaws to conform to any such changed statutory provisions.

11.15 Amendment or Repeal of Article XI. No amendment or repeal of Article XI shall apply to or have any effect on any director or officer of the corporation for or with respect to any acts or omissions of the director or officer occurring before the amendment or repeal.

CREDIT ACCEPTANCE CORPORATION

BYLAW AMENDMENTS

Adopted February 24, 2005
Effective February 24, 2005

ARTICLE III

CAPITAL STOCK

3.02 Certificates for Shares; Uncertificated Shares.

(a) The Board of Directors may authorize the issuance of some or all of the shares of any or all classes or series without certificates. Any such authorization will not affect shares already represented by certificates until the certificates are surrendered to the corporation.

(b) Within a reasonable time after the issuance or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information that would have been required on certificates under the applicable provisions of the Michigan Business Corporation Act if the shares had been represented by certificates.

(c) Except for shares authorized to be issued without certificates pursuant to Section 3.02(a), shares of the corporation shall be represented by certificates signed by the Chairman of the Board, Vice Chairman of the Board, President or a Vice President of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. A certificate representing shares shall state upon its face that the corporation is formed under the laws of the state of Michigan, the name of the person to whom it is issued, the number and class of shares, the designation of the series, if any, which the certificate represents, and such other provisions as may be required by the laws of the State of Michigan.

[CREDIT ACCEPTANCE CORPORATION LOGO]
CREDIT ACCEPTANCE CORPORATION

SCHEDULE OF CREDIT ACCEPTANCE CORPORATION SUBSIDIARIES

The following is a list of subsidiaries as of the date of this filing of Credit Acceptance Corporation, other than subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as defined by the Securities and Exchange Commission Regulation S-X.

Arlington Investment Company
Buyers Vehicle Protection Plan, Inc.
AutoNet Finance Company.com, Inc
CAC Funding Corp.
Credit Acceptance Funding LLC 2003-1
Credit Acceptance Auto Dealer Loan Trust 2003-1
CAC Warehouse Funding Corp.
CAC Warehouse Funding Corporation II
CAC Leasing, Inc.
CAC Reinsurance, Ltd.
CAC of Nevada, Inc.
Credit Acceptance Corporation of South Dakota, Inc.
CAC International Holdings LLC
Vehicle Remarketing Services, Inc.
Credit Acceptance Corporation UK Limited
CAC of Canada Company
Credit Acceptance Corporation Ireland Limited
Auto Funding America, Inc.
Auto Funding America of Nevada, Inc.
Auto Lease Services, LLC
Credit Acceptance Wholesale Buyers Club, Inc.
CAC Scotland
CAC Luxembourg, S.a.r.l
CAC UK Funding, Ltd.
CAC (TCI) Ltd.
Credit Acceptance Funding LLC 2004-1
Credit Acceptance Auto Dealer Loan Trust 2004-1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated January 27, 2006, accompanying the consolidated financial statements, schedules and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report of Credit Acceptance Corporation and Subsidiaries on Form 10-K for the year ended December 31, 2006. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Credit Acceptance Corporation in this Registration Statement on Forms S-3 (File Nos. 33-75246 (as amended) and 333-18301) and Forms S-8 (File Nos. 33-64876, 33-80339, 333-67348, 333-91734, 333-111831, and 333-120756).

/s/ Grant Thornton LLP

Southfield, Michigan
January 27, 2006

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 annual report on Form 10-K for the year ended December 31, 2004 of Credit Acceptance Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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;
 - 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 fourth 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

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 annual report on Form 10-K for the year ended December 31, 2004 of Credit Acceptance Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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;
 - 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 fourth 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

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 Annual Report of Credit Acceptance Corporation (the "Company") on Form 10-K for the period ending December 31, 2004 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

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 Annual Report of Credit Acceptance Corporation (the "Company") on Form 10-K for the period ending December 31, 2004 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